

# STATES OF JERSEY

## OFFICIAL REPORT

TUESDAY, 24th OCTOBER 2006

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

## **QUESTIONS**

### **1. Written Questions**

#### **1.1 DEPUTY K.C. LEWIS OF ST. SAVIOUR OF THE MINISTER FOR PLANNING AND ENVIRONMENT REGARDING THE ADMINISTRATION OF DRUGS TO HORSES AND PONIES**

##### **Question**

Following the recent show-jumping event at which some person or persons gave a sedative drug to at least four ponies does the Minister intend to bring forward for approval proposals to make it illegal to administer drugs to horses and ponies unless this is done or authorised by a veterinary surgeon, to ensure that no injuries to riders can occur as a result of a sedative being administered by an unauthorised person and, if not, why not?

##### **Answer**

I recognise the concerns that this case has raised in some quarters and add my own condemnation of the alleged actions.

The Protection of Animals (Jersey) Law 1980 contains provisions to protect animals from cruelty but the administration of a sedative would not generally pass the test of causing unnecessary suffering to animals.

There are a variety of different scenarios relating to animal doping both during competitive events and outside. It would be very difficult to draft legislation to cover all scenarios. It would also cause serious difficulties to amend the law so as to provide that only a veterinary surgeon in person can administer medicines to animals. Therefore whilst I will continue to look into this matter I do not presently intend to bring forward proposals.

#### **1.2 DEPUTY K.C. LEWIS OF ST. SAVIOUR OF THE MINISTER FOR HOME AFFAIRS REGARDING THE BLOCKING OF MOBILE PHONE CALLS TO INMATES AT H.M. PRISON, LA MOYE**

##### **Question**

Following recent reports concerning mobile phones in the possession of inmates at H.M. Prison La Moye would the Minister inform members whether it would be possible, and lawful, for mobile phone signals to prisoners to be blocked by the prison authorities and, if not, does the Minister intend to take any action to bring forward amendments to relevant legislation to address this issue?

##### **Answer**

It is currently illegal under section 13 of the Wireless Telegraphy Act 1949, as extended to Jersey by the Wireless Telegraphy (Channel Islands) Order 1952, to interfere with any

'wireless telegraphy', including mobile 'phones. The legislation governing this in Jersey is the same as that for the United Kingdom and would require a change to primary legislation to make any such interference lawful.

Such a practice could face a potential challenge under Article 8 of the European Convention on Human Rights (the right to respect for private and family life).

The technology available to block such transmissions is continuing to develop and while I believe it is being used in some prisons in Europe this is with varying degrees of success.

Senior Officers at HMP La Moye have regular contact with professionals in the Prison Service of England and Wales where this issue is a live topic. Investigation of both the legal and technical aspects of introducing such devices is being undertaken in those jurisdictions and I have asked to be kept informed of these developments, as this is likely to be the swiftest way of proceeding.

Of course, even once the legality of introducing a system of blocking calls has been established, there will remain the difficulty of finding the necessary funds to purchase the equipment which is likely to cost in excess of £100,000.

### **1.3 DEPUTY G.P. SOUTHERN OF ST. HELIER OF THE MINISTER FOR SOCIAL SECURITY REGARDING A REVIEW OF PENSION LEGISLATION**

#### **Question**

In answer to a question on 10th October 2006 on pensions, the Minister stated that he will review the need for regulation as part of the preparation of 'a co-ordinated plan' on the ageing population 'by 2010'. Will the Minister inform members when this review will commence and when members will see any initial terms of reference or consultation documents?

#### **Answer**

In my answer of 10th October 2006, I referred to item 2.1.2 in the States Strategic Plan which states that we shall

'monitor actuarial predictions and then prepare and start to introduce a co-ordinated plan, including a review of pension provision to meet the challenges and opportunities present by an ageing population by 2010'

This objective forms part of the Strategic Plan approved by the States.

I can assure members that such a fundamental plan will be trailed by and subject to extensive consultation throughout the community.

In order to achieve the deadline to start to introduce the plan by 2010, the department will be undertaking research and consultation well in advance of this, once the Income Support scheme is introduced and bedded in.



Based upon current plans for the implementation of Income Support, preparation is anticipated to commence in 2008, following the consideration of the Government Actuary's next triennial review which will be completed towards the end of 2007”.

#### **1.4 DEPUTY G.P. SOUTHERN OF ST. HELIER OF THE MINISTER FOR ECONOMIC DEVELOPMENT REGARDING THE BUDGET FOR EVENT-LED TOURISM EVENTS**

##### **Question**

Would the Minister inform members what budgets have been allocated to support events to promote ‘event-led tourism’ over the years 2005 to 2007 and would he set out which events have been, or will be, supported and to what amount?

##### **Answer**

The support for event led tourism is provided by Economic Development in the form of both grants to external organisations who arrange events such as the Jersey Battle of Flowers and through the direct organisation of a series of events which are delivered by staff of the Economic Development Department.

In 2005 the total sum expended on grants and events amounted to £607,459. In 2006 the estimated amount is £594,500 and for 2007 a budget has been set of £639,000 reflecting the increased focus on the event led component of E.D.D.’s budget for the tourism sector. During 2006 the original budget of £449,500 was supplemented by internal reprioritisation of E.D.D. to budget both Air Display and Battle of Flowers of £50,000 and a payment from the Tourism Development Fund of £45,000, for the Jersey Battle of Flowers.

The provisional programme in 2007 will include elements of funding for the major events as follows -

- Liberation
- Battle of Flowers
- International Air Display
- Fête de Noué

in addition to a broad programme designed to add vibrancy and excitement to the visitor experience.

Final budget allocation to these events will be subject to rigorous analysis of business plans including full definition of outputs.

Additional funding for the Battle of Flowers and all other events will be contingent upon compliance with the findings recently published report into the 2006 Battle of Flowers event by the Comptroller and Auditor General.

#### **1.5 DEPUTY G.P. SOUTHERN OF ST. HELIER OF THE MINISTER FOR ECONOMIC DEVELOPMENT REGARDING THE ADDITIONAL FUNDING GRANTED TO THE BATTLE OF FLOWERS ASSOCIATION IN 2006-11-02**

## Question

Would the Minister inform members what consultation, if any, took place between him and the Department's Accounting Officer in deciding to award additional funding of £50,000 and £45,000 to the Battle of Flowers Association this year? Would he inform members what advice he received and whether he over-ruled the Department's Accounting Officer in this matter?

## Answer

Deputy Southern will be aware that following a request from me, the Comptroller and Auditor General conducted a detailed review of the 2006 Battle of Flowers organisation and funding. The helpful report covers all aspects of the process that delivered funding to the event. The report's findings identify certain opportunities for improvement in the decision making and recording process. The report makes clear recommendations which the Ministerial team, the Chief Officer and the Department are implementing in full.

As far as the background to the advice given and received is concerned: it should be firstly pointed out that the previous ED committee had decided to cut the events programme for 2006 following FSR cuts. I decided to reverse this approach by providing more support to certain key events. These were/are to be funded from savings elsewhere and possible use of the TDF. For the avoidance of any doubt I had extensive and regular input and advice from my Chief Officer and the members of his team responsible for the department's input into the event. During the course of these discussions the strengths and weaknesses of Battle of Flowers were explored in detail.

This departmental advice led to my suggestion to the Battle of Flowers chairman, in an exchange of letters, that the additional funds should be handled by a specially appointed sub-committee with external input from outside the Association. Unfortunately, this suggestion was not taken up. In hindsight, I probably should have been more insistent and made the funding conditional on the forming of this sub-committee. Having said that, all of the areas that the additional funding was to be directed to – with the exception of the 'celebrity' - did yield the result that was intended: namely, a significantly improved carnival atmosphere, better fireworks and a higher quality arena.

As far as the matched funding decision is concerned – the Association advised late on in the process that, whilst considerable efforts had been made to get corporate sponsorship – they had been unsuccessful. Not agreeing to the additional money would have compromised the improvements the aforementioned improvements. A number of potential sponsors have now been identified and realising corporate sponsorship will be an important component for any funding discussions in 2007. It should also be noted that – whilst the commitment for the additional funding has been committed – the additional monies have not yet been paid.

Over the past few months the department and I have been working on a revised strategy designed to arrest the decline in the contribution to the economy made by the tourism sector. As a consequence throughout the past few months Economic Development has placed greater emphasis on the event-led components of the Jersey offering.

This is a departmental strategy and is fully endorsed and supported by the entire Ministerial and departmental team. Increased support for the Battle of Flowers was and is an integral component of the strategy and is supported by all."

## **1.6 DEPUTY G.P. SOUTHERN OF ST. HELIER OF THE CHIEF MINISTER REGARDING THE ESTABLISHMENT OF A POPULATION REGISTER**

### **Question**

Would the Chief Minister inform members –

- (a) what progress, if any, has been made to date in the establishment of a population register?
- (b) whether or not the future scheme will involve some form of identity card and, if so, would he advise members whether the data will be made secure and, if so, at what cost?
- (c) what information, if any, will be attached to any 'unique identifier' produced by the register?
- (d) which departments are actively engaged in working to produce the register?
- (e) what level of liaison, if any, has there been with the Data Protection Registrar?
- (f) what timescale is envisaged for law drafting and bringing this project to the States?
- (g) whether the current proposed timetable is realistic in light of progress made to date?

### **Answer**

- (a) The Migration Advisory Group recently considered proposals for a 'population register'. These proposals followed meetings with Information Services (formerly Computer Services), as well as the Data Protection Commissioner. These proposals are now being shaped into drafting instructions following consideration by the Migration Advisory Group, with a view to bringing the draft law to the Assembly in the second quarter of 2007.
- (b) Registration for the purposes of the 'population register' will be combined with Social Security registration to provide a simple, one stop shop to customers, and to reduce administration. It has been concluded by the Migration Advisory Group that it would be sensible for the combined registration document or card to incorporate a method of establishing identity, as registration will govern access to employment and housing, and potentially a range of other public services.

Information will be maintained on a secure database, and will be subject to the full range of States security procedures. Security measures have already been developed as part of the States information network, and they are applied as a matter of course in new data systems. The costs associated with their implementation in this case are therefore considered to be marginal.

- (c) No information will be maintained on the 'population register' other than name, date of birth, address, and possibly employer details. A unique personal reference will enable a person to be linked to their place of residence, and possibly, employment. All other information will continue to be maintained on departmental systems.
- (d) The Population Office is working with officers from Information Services who are responsible for partnering a range of departments. These departments include Social Security, Economic Development, and Health and Social Services. Other departments will become involved as the work progresses.
- (e) The Data Protection Commissioner has been liaised with, and consulted, at each stage in the development of proposals.
- (f) As previously notified to the States, a Law will be brought to the Assembly in the second quarter of 2007, with implementation of the corporate database in the second quarter of 2008.
- (g) The complexity of a project of this nature should not be underestimated, and indeed, the timescales are ambitious. Good progress continues to be made however, on the law drafting instructions and on proposals for the system's architecture. Accordingly, timescales are considered achievable based on work to date.

## **1.7 DEPUTY G.P. SOUTHERN OF ST. HELIER OF THE MINISTER FOR TREASURY AND RESOURCES REGARDING RECENT CHANGES TO TRUST LEGISLATION**

### **Question**

In an answer to a question on trusts on 10th October 2006 the Minister stated that there was 'always a risk that a Jersey trust will be attacked by a disgruntled person'. Would the Minister inform members whether discussions have taken place with the United Kingdom Treasury to ascertain whether the recent amendments giving wide reserved powers to a settlor are acceptable to the Treasury and, if so, would he give members details of the discussions that have taken place?

### **Answer**

I fail to see the relevance of the first sentence of this question, but in any event no discussions took place with the UK Treasury in relation to the recent amendment to the Trusts Law, nor would it have been appropriate for such discussions to have taken place: Jersey is a self-governing jurisdiction and it is for the States to consider and pass legislation. The UK has ample opportunity to consider legislation at Privy Council, and Privy Council has given its assent to the Trusts Law amendment.

The Trusts Law amendment was approved by the States overwhelmingly in April, and if the Deputy had questions in relation to the amendment, they should have been raised at that time.

## **1.8 DEPUTY G.C.L. BAUDAINS OF ST. CLEMENT OF THE MINISTER FOR HOME AFFAIRS REGARDING THE STATES OF JERSEY POLICE THIRD QUARTER 2006 PERFORMANCE REPORT**

### **Question**

With reference to the recently released States of Jersey Police Third Quarter Performance Report, would the Minister –

- (a) advise whether the data contained in the report is compiled by the States of Jersey Police and, if so, whether it is independently verified?
- (b) give details of the methodology used to determine the figures under the Customer Focus heading (Figures 9 and 10) and state whether the survey was independently carried out or verified?
- (c) supply evidence supporting the statement ‘Speed strips laid down on major routes with 30 mph restrictions over the past couple of years identified that between one and two thousand motorists were speeding at 36mph or more per day at each location’. In particular would she inform members –
  - (i) how many routes are monitored and how often, what the daily traffic flow is on these routes, and what the percentile speeds logged were?
  - (ii) what the accident record of these routes is compared with the Island average and explain the methodology used to obtain that comparison?
- (d) undertake to discuss the speed limits for roads where the statistics show that more than 50% of motorists are doing ‘36mph or more’ with the Minister for Transport and Technical Services to ascertain whether the current speed limit in the areas concerned is realistic?
- (e) with reference to Figure 13, give a comparison of those figures with the percentage that each nationality forms of the total population.

### **Answer**

- (a) The data is compiled by the States of Jersey Police Planning and Research Unit which is staffed by civil servants with the relevant professional qualifications. The information is taken from Police crime recording systems. The Force’s processes for recording and collating crime data are independently audited by Her Majesty’s Inspectorate of Constabulary. This was undertaken in the 2003 Inspection. The 2003 HMI Inspection Report stated –

*‘At the time of the Inspection a crime audit was carried out to ensure that States of Jersey Police crime recording practices were both ethical and complied with Home Office Counting Rules. The results were very encouraging and verified States of Jersey Police compliance with key UK crime recording practices.’*

- (b) The Deputy's question relates to figures cited in the Quarterly Performance Report relevant to the perceived quality of service received by victims of crime in terms of the handling of their initial call for Police assistance, the service they received from attending officers, the feedback they subsequently received on the progress of the investigation and their overall impression of the job done by States of Jersey Police in policing the Island.

The data is gathered from a rolling programme of quality of service surveys sent to most individual victims of crime up to a month after the crime was reported. Where it is deemed inappropriate (e.g. a domestic violence victim), surveys are not issued. The responses are then processed as follows –

1. Calculate the total number of respondents to the question.
2. Subtract any blank responses, 'Don't Knows' and 'Neither Satisfied nor Dissatisfied' responses from the total number of respondents. This leaves a total number of respondents expressing a definitive opinion on the service they have received from 'totally satisfied' to 'totally dissatisfied'.
3. Add together the number of survey respondents stating that they were 'totally satisfied', 'very satisfied' or 'satisfied' in response to the question. This gives a total for the number of respondents who were 'at least satisfied'.
4. Divide the total number of respondents who were 'at least satisfied' with the number of people who expressed a definitive opinion in response to the question.

The question on overall policing performance offers respondents a different range of responses from a very good job through to a very poor job. The same method of calculation is used, excluding blank and 'don't know' responses. This same methodology has been applied to the survey findings as reported in annual and quarterly performance reports since the survey was introduced in 2003. Overall the surveys continue to show evidence of strong public satisfaction with the service provided.

It is normal practice for such surveys to be carried out in-house as their main purpose is to monitor quality of service provided by officers, address performance and training issues and, in some cases, follow up issues of concern with respondents. In any event there is no funding available to undertake this type of work by any other means. The surveys are carried out by the Force's Planning and Research Unit who developed the questionnaire in consultation with UK Forces who run similar surveys. The 2003 HMI Inspection reviewed their role in community consultation and quality of service surveys and commented –

*'Her Majesty's Inspector was impressed with the professional environment within which the planning and research department operates.'*

Figure 9 also includes figures for the proportion of Police emergency response attended within target response times. The response time is calculated from the time the emergency call is received by the Police Control Room to the time of arrival at the scene.

- (c) The Police do not regularly monitor traffic flows and speeds but have occasionally dip sampled data provided by the Transport and Technical Services Department for routes with a higher occurrence of road traffic collisions. The data is gathered by laying monitors on the road surface that record volumes of traffic flow and the speeds of vehicles passing over the site. The quarterly performance report alluded to high levels of speeding across various 30mph sites in order to highlight the fact that more efficient methods of speed enforcement such as the hand held speed camera now in use may prove to be more effective in gradually changing driver behaviour in Jersey.

The routes referred to in the report were La Grande Route de la Côte, La Route de la Haule and La Grande Route de St Laurent.

On La Grande Route de la Côte, a five day period saw a daily average of 1,060 drivers speeding at 36mph or more. The daily number of vehicles passing through the monitoring site was nearly 12,800. Of these, 56% were within the speed limit, 31% were driving at between 30 and 35mph, 12% at between 36 and 45mph and 1%, or over 400 drivers, at 46mph or more. The route has the fourth highest reported RTC rate outside of St Helier with 85 reports since January 2004.

On La Grande Route de St Laurent, a sixteen day period saw a daily average of 1,755 drivers speeding at 36mph or more. The daily number of vehicles passing through the monitoring site was nearly 5,800. Of these 23% were within the speed limit, 47% were driving at between 30 and 35mph, 29% at between 36 and 45mph and 1% at 46mph or more. That 1% still equates to over 1,300 drivers over the 16 days. The route has the 15th highest reported RTC rate outside of St Helier with 36 reports since January 2004.

On La Route de la Haule, an 18-day period saw an average of 1,570 drivers speeding at 36mph or more. The daily number of vehicles passing through the monitoring site was nearly 15,400. Of these 53% were within the speed limit, 37% were driving at between 30 and 35mph, 10% at between 36 and 45mph and less than 1% at 46mph or more. The latter still equates to over 800 drivers over the 18-day period. The route has the tenth highest reported RTC rate outside of St. Helier with 48 reports since January 2004.

There is no such figure as an Island average for road traffic collisions per road and therefore no methodology for counting one.

- (d) None of the data seen by States of Jersey Police identifies 30mph zones where more than 50% of motorists were driving at 36mph or more.
- (e) The Deputy is referring to figures published in the Police quarterly performance report concerning the place of birth of persons arrested and placed in Police custody during 2006. Rounded up, these figures show that 53% of prisoners were Jersey born, 24% from the UK, 10% from Portugal or Madeira, 5% from Poland and the remainder from elsewhere.

Any crude comparison of such data with the proportion of nationalities in the population would, at best, be meaningless and, at worst, give a totally flawed impression of offending amongst national groups in the population. For example - the overall proportions tell us nothing about the age breakdown of each national grouping. Over 37% of the Jersey born population are either young children or over the age of 60. Such age

groups commit very little crime. By comparison, for example, only about 6% of the Portuguese-born population are in these age groups.

Seasonal labour does not figure in the count of the total resident population. The workforce increases by over 3,000 each summer. Any comparison purely on the basis of resident population would therefore distort the figures in relation to Polish and Portuguese nationals. Nor would it take into account crimes committed by short term visitors.

A person's socio-economic profile is a significant variable in interpreting data on offending and arrest rates. Any comparison on the basis of nationality alone would take no account of the socio-economic profile of each economic group. For example if one particular national group was predominantly engaged in manual work then a realistic comparison with other groups would only be possible if that comparison was made with those members of other nationalities who were engaged at a similar economic level.

Notwithstanding the problematic nature of working with data collected for different purposes and which may not be strictly comparable, should the Deputy wish to make the type of comparison to which he refers then I suggest that he makes use of the data from the last census which is fully within the public domain, although I am sure that he will be aware that some time has passed since then and that the data may not be an accurate reflection on the current composition of the Island's population. The States Statistics Unit would be able to provide updated estimates.

## **1.9 DEPUTY G.C.L. BAUDAINS OF ST. CLEMENT OF THE MINISTER FOR PLANNING AND ENVIRONMENT REGARDING LOCAL WEATHER FORECASTING**

### **Question 1**

Would the Minister advise members –

- (a) whether all aspects of the meteorological infrastructure, such as the weather radar, are currently fully operational and, if not, why not?
- (b) what processes are in place to monitor quality of local weather forecasts and compare their accuracy with other jurisdictions?
- (c) how much of the data used in local forecasting is bought in and how much is locally generated?

### **Answer**

- (a) Apart from the wave rider buoy situated 6 miles south of Corbière, all aspects of the Meteorological infrastructure, including the weather radar are fully operational. The wave rider buoy was set adrift from its mooring last month and is currently at St. Helier Harbour awaiting a replacement mooring attachment before being redeployed.



It should also be noted that one member of staff is on indefinite sick leave, having an impact on the routine administrative work of the Department while administrative staff cover the operational roster.

- (b) Verification schemes are in place to monitor today's forecast produced at 09.00 and tomorrow's forecast published in the Jersey Evening Post. For 2005, accuracy was assessed at 95.7% for today's forecast and 91.9% for tomorrow's. A similar scheme to verify the Guernsey Press forecast is to be introduced next year.

Wind warnings are assessed against a criteria of a wind of F6, or more, likely within the Channel Islands' area. For 2005, the assessment showed 88.5% correct warnings were issued. Only 2.2% of events (that is, winds of F6 or more) were missed and the average lead time between the issue of a warning and a strong wind occurring was 10.7 hours compared to the Harbour Office's requirement of 6 hours notice.

Forecasts for Jersey, Guernsey and Alderney Airports are routinely verified, using a scheme developed by the United Kingdom Meteorological Office. The target score set by the UK is 84%. Results for the twelve months ending August 2006 show an overall score of Jersey 87.4%, Guernsey 87.3%, Alderney 88.1%.

Accuracy with other jurisdictions is difficult to compare as -

- (i) Most verification statistics produced by the larger Meteorological services are typically based on the accuracy of computer models to predict, for example, the surface pressure at a number of specified locations as opposed to textual forecasts issued to the public.
  - (ii) For comparisons to be meaningful they must: compare like with like; be over the same time period; and apply to the same location.
  - (iii) Jersey Met. does not have the resources to collate and verify other jurisdiction forecasts, for example those produced by the United Kingdom Meteorological Office on BBC Ceefax or the Internet.
- (c) No data is purchased by the Department. The business of public service meteorology operates through the free exchange of data between the National Meteorological Services. Jersey Met. receives the vast majority of the data (over 95%) used in producing the local forecast from the United Kingdom Met. Office and to a lesser extent from Météo France. In return, data from the Weather Radar and other local observations are sent to the United Kingdom Met. Office and Météo France. Jersey also has access to data produced by the European Centre for Medium range Weather Forecasting (ECMWF) in Reading, England and the National Oceanic and Atmospheric Administration (NOAA) in the USA. Without this free exchange of data Jersey would be faced with a bill of some £250,000 to £750,000 per year to receive the equivalent detailed data needed to complete the local forecast.

## Question 2

- (a) Would the Minister inform members what control, if any, is in place over Jersey forecasts supplied from the United Kingdom through Jersey Met and whether local purchasers of those forecasts have any recompense when the system fails?
- (b) Would the Minister investigate why a customer who purchased a forecast from Jersey Met for the weekend of 14th/15th October 2006 was sent a forecast for Wednesday 13th and Thursday 14th September 2006 and, having complained, was told by Jersey Met that it was nothing to do with Jersey because the fault was in the UK?

**Answer**

- (a) No Jersey forecasts are supplied from the United Kingdom through Jersey Met. Forecasts are supplied from Jersey Met through the United Kingdom Met. Office, as part of the UK Met. Office's MarineCall and MetFAX Marine service operated by I-Touch. This is a fully automated service in which forecasts are faxed to a central fax server. Customers receive either a fax or pre-recorded forecast by dialling into the system. Apart from monitoring the validity of the outgoing forecast to the service, no other local controls are in place.

A 20% royalty is received by Jersey Met for this service, all other revenue being shared between I-Touch and the UK Met. Office.

The service was set up in 1994 as an extension to the UK Met. Office's MarineCall and MetFAX Marine services to include the Channel Islands. It was seen as a cost effective method of providing a faxback service without the need for expensive infrastructure at Jersey Met. This has now been largely superseded by our own credit card Weather TO GO! service available to callers in the UK, France and the Channel Islands. Full controls for this service are in place to ensure customers receive the correct forecast .

- (b) Yes - the Minister will investigate.

**1.10 DEPUTY R.G. LE HERISSIER OF ST. SAVIOUR OF THE MINISTER FOR TRANSPORT AND TECHNICAL SERVICES REGARDING THE SUBSIDY PAID TO CONNEX IN RESPECT OF THE OPERATION OF THE BUS SERVICE**

**Question**

- (a) Would the Minister advise members what subsidy was paid to Connex for operating the bus service in the year 2005?
- (b) Would the Minister inform members whether all additional routes, for example the Airport Express Service or the new No.10, are set up on the basis that any losses will be sustained by the taxpayer? If so, would the Minister state what losses, if any, were sustained on the recently terminated Airport Express Service?

**Answer**

- (a) No subsidy is paid to Connex in respect of operating the bus service. Connex is paid a contractual sum for running the scheduled network and the States receives all the

revenue. The effect of this arrangement is that the tax payer subsidises bus travellers, not Connex. The subsidy that was expended on the travelling public in 2005 amounted to £2,489,279.

- (b) The bus service is not run on a profit and loss basis. The majority of the network is run for social rather than economic reasons and revenue is not expected to and is unlikely to ever cover operating costs. This is no different to bus services anywhere in the world. Any additional services which are included in the network are agreed and paid for by the Transport and Technical Services department from its budget and the revenue is then received as income – on exactly the same basis as the scheduled network. The experimental Airport Express service cost £35,028 and raised revenue totalling £13,846.

## **2. Oral Questions**

### **2.1 Deputy G.P. Southern of St. Helier of the Minister for Treasury and Resources regarding the level of response to the Request for Information on the implementation of Goods and Services Tax (G.S.T.) information management system:**

Would the Minister inform Members how many responses were received to the Request for Information (R.F.I.) over the implementation of the G.S.T. (Goods and Services Tax) information management system and whether the response rate was lower than anticipated? If so, what measures has he put in place to deal with this, and will he give Members details of the progress of the Request for Proposal (R.F.P.) process now underway?

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

The R.F.I. was issued earlier in the year as a first step in a G.S.T. management system procurement process to establish the scope of the market in terms of suppliers' interest, estimate baseline costs and extract information ideas in order to develop the R.F.P.; 3 formal written responses and one verbal expression of interest in the R.F.I. were received. This response was commensurate with the specialised nature of the request and I was neither surprised nor disappointed that only 4 responses were received. After evaluating the responses to the R.F.I., it was agreed to follow an open procurement in respect of the R.F.P. On 10th October, the R.F.P. was sent to those organisations that had responded to the R.F.I. and a procurement notice was also issued in the *Jersey Evening Post* and the *Financial Times*. The closing date for submissions is 10th November and it is still early in the process, but already 2 other organisations in addition to those previously mentioned had expressed interest, and one is visiting the Island to obtain more information on Thursday, 26th October.

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

In the light of the Minister's lack of surprise about the low response rate, why then in the preamble to the request for proposal process does it say this was a surprisingly low number?

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

That may have been a surprise to some people, but it was not particularly a surprise to me, because I think this sort of issue is very specialised and Jersey is a relatively small market, so there are only a small number of people with expertise in this market, but they do not necessarily want to deal with an operation as small as this. So, for my part, Sir, I was not unduly surprised.

**2.1.2 Deputy G.P. Southern:**

Is the Minister confident that the bidding process to handle this procedure will be sufficiently competitive?

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

Yes, Sir.

**2.2 Senator B.E. Shenton of the Minister for Transport and Technical Services regarding the recovery of a payment to Connex in respect of shift allowances:**

Would the Minister inform Members whether any actions have been taken to recover the £186,802 paid to Connex in respect of shift allowances (Recommendation 6 of the Committee of Inquiry into the tender process and award of the bus contract) and, if not, would he advise whether he intends to take any action and, if so, when; explaining the reason for the delay and whether interest will also be claimed?

**Deputy G.W.J. de Faye of St. Helier (The Minister for Transport and Technical Services):**

I note that the Senator asked the same question in January of this year, and I regret that there is no further update on that position. As I advised the House at the time, the Committee of Inquiry into the bus tendering process recommended that the former Environment and Public Services Committee should take immediate action to determine whether the £186,000 payment in respect of the shift allowance can be recovered, either from Connex or from any other person. The previous Committee took that action and requested officers to seek the advice of the Attorney General. This was done on 6th September 2005. When that advice has been received, I will consider the appropriate action to take, which if it is to seek repayment of the monies from Connex or any other party, will include the issue of interest. In the meantime, Sir, I would humbly entreat the Senator to perhaps devote his attentions rather more usefully to the resourcing of our legal department. **[Laughter]**

**2.2.1 Senator B.E. Shenton:**

Is it not the case that the Minister has no intention of reclaiming the money from Connex, because with the amount of money he is throwing away on the bus service - £2.5 million last year - it is just a drop in the ocean and he does not want to upset his very cosy relationship with Connex? **[Members: Oh!]**

**Deputy G.W.J. de Faye:**

I form no intention and will not form any intention on this matter until I have received appropriate legal advice. I have to say, I reject the other illusory comments that the Senator added to his question.

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

Would the Minister accept my apologies that advice on this issue has been so delayed and also would he accept my assurances that the matter is now receiving urgent attention?

**Deputy G.W.J. de Faye:**

In my opinion, the Attorney General has no need to apologise, because I understand the pressures that his department works under. However, I am very pleased to hear that this matter is receiving urgent attention.

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

Notwithstanding the pressures on the legal office, what actions did the Minister take to ensure that his office made sure that this was brought regularly to the attention of the legal department?

**Deputy G.W.J. de Faye:**

I am advised by my officers that an enquiry was made to the legal department on the process of this particular issue about just over one week ago, and prior to that, about one month previously and I gather that enquiries have been made on an ongoing basis.

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

Could the Minister inform us if all other recommendations of the Committee of Inquiry have now been implemented as suggested, and to which document could we go in order to have reassurance in that regard?

**Deputy G.W.J. de Faye:**

I cannot give that reassurance, Sir.

**2.2.5 Deputy S. Pitman of St. Helier of the Chief Minister regarding:**

Would the Chief Minister inform Members whether he was consulted by the Bailiff on the content of the recent speech given by the Bailiff to the Liechtenstein Dialogue on the Future of Financial Markets, and does the Chief Minister concur with the statement in that speech that: “Lip service is paid to tax competition”?

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

While I was not consulted directly by the Bailiff on his speech, because I was out of the Island, I can confirm that my department was fully aware of the content and indeed, advised on its preparation. I concur completely with the statement that: “Some countries pay lip service to tax competition.” Our experience for a number of years has been that this is so. Our policy has always been to point out these inconsistencies and to do so in all available fora, of which the Liechtenstein Dialogue represented the latest opportunity.

**2.2.6 Deputy G.P. Southern:**

Would the Chief Minister give the House his interpretation of what he believes is meant by the words: “Lip service is paid to tax competition” and will he give examples of countries that are paying such lip service to it?

**Senator F.H. Walker:**

It is a well-known fact that Jersey has had to battle now for some considerable time and, I have to say, battled very successfully to protect our economy, our tax independence and our tax structures. It is a well-known fact that some of the larger nations, both in the E.U. (European Union) and the O.E.C.D. (Organisation for Economic Co-operation and Development), while supporting the principle of tax competition, when it comes to the reality, particularly when comparing themselves with small, successful jurisdictions such as Jersey, find it difficult to put the acceptance of the principle into practice. Those countries might well include Spain, Italy, Germany, France and one or 2 others further afield.

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

Would the Chief Minister outline for Members whether or not it is the Chief Minister’s desire and the government’s desire to speak out on lip service and money laundering issues in financial markets and, if so, what programme does the Minister have for tackling this issue?

Also, if we are speaking about this issue, rather than about a speech that the Bailiff has made, may I ask the Chief Minister in what context does the Chief Minister expect the Bailiff and other Members to consult about their content of their speeches?

**Senator F.H. Walker:**

I will take that last point first. The invitation originally to attend the Liechtenstein Dialogue was extended to myself and the Bailiff; I was unable to attend. The Bailiff and I discussed the position, and we fully agreed that he should attend and take another opportunity to hammer home the Jersey message, which I have to say, I think he did very effectively indeed. That is the normal situation that exists in these matters. So far as Jersey effectively fighting its corner is concerned, which is, I think, the nub of the Deputy's first point, Sir, this is something that never ceases. There is no particular programme. What Jersey does, what I do, what my officials do, what other Ministers do - indeed, what the Bailiff does - is take every possible opportunity, both verbally, in presentation form, at private meetings, at public meetings and in writing, to hammer home the message that Jersey is an extremely well-regulated finance centre and that we deserve the respect and the co-operation that we show other Member states of the O.E.C.D. and the E.U.; we deserve the same respect in return. Increasingly, it has to be said, we are winning that battle. We have not won it; hence the Bailiff's comments and my support of his comments; but increasingly, we are winning that battle and we will continue to fight at every possible opportunity to promote Jersey's position in the future, just as we have done over the last 5 or 6 years or more.

**2.2.8 Deputy S. Pitman:**

This matter raises more questions about the Bailiff's role. As an unelected Member of the States, should he be making political speeches on behalf of the people of the Island? Also, there is a clear conflict of interest here, with the Bailiff presiding over the legislator and head of judiciary.

**Senator F.H. Walker:**

That is a point of view with which I do not, in any shape or form, subscribe. I think it is sad, Sir, when the Deputy chooses to make a cheap, local, political point, when the issue here is Jersey's reputation and Jersey's economic strength internationally.

**2.2.9 Deputy G.P. Southern:**

If I may return the Minister to the international personality we appear to be developing and our international reputation, is it not the case that when representing this Chamber externally, we should primarily be dependent upon elected representatives to do that, and in the absence of the Chief Minister, should he not have been replaced by a political representative in that case?

**Senator F.H. Walker:**

Primarily, the job of representing Jersey in these matters does fall to Members of this Assembly, but is the Deputy really suggesting that the Bailiff, having been invited, that just because he is the Bailiff, that we, Jersey, should have turned away from this further opportunity to hammer home our position in, it has to be said, some very influential company indeed?

**2.2.10 Deputy G.P. Southern:**

Does the Minister not accept that the speech made to the Liechtenstein Dialogue was, in fact, a political speech?

**Senator F.H. Walker:**

I do not, Sir. I consider it to be a very well-written and very well-presented speech, which defended Jersey's interests and sought to protect and develop Jersey's interest, and Members of this House should be welcoming that, not questioning it in a negative way.

**2.2.11 Deputy G.P. Southern:**

Will the Chief Minister concede that some of the reservations expressed by the likes of Spain, Italy, Germany and places further afield over tax competition is due to the fact that taxation which is paid in places like Jersey is not being paid in those countries and going towards their basic services?

**Senator F.H. Walker:**

I am sorry. I think I must have missed the point of that question. Could I ask the Deputy to repeat it?

**Deputy G.P. Southern:**

Tax competition is presented in order to increase the taxation paid in the competitor country against that which they are competing with. An increase in taxation paid here results in a reduction in taxation paid in whatever country, which goes in that country towards the payment for basic public services, and that is the case for the reservations about tax competition, surely.

**Senator F.H. Walker:**

That is pure quotation from the tax justice network; absolute literal translation from the tax justice network who, we know, their main ambition is to put Jersey out of business as an international finance centre. It does the Deputy no credit whatsoever merely to spout their nonsense.

**2.3 Deputy J.A. Martin of St. Helier of the Minister for Treasury and Resources regarding reclaim of I.T.I.S. overpayments:**

Following the issue to the majority of the working population of assessment notices showing the total income tax payable for 2005, would the Minister inform Members of the methods that are in place to allow taxpayers to claim back any overpayment made through I.T.I.S. (Income Tax Instalment System)?

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

I.T.I.S. overpayments are already being processed and repaid by the Income Tax Department to, for example, seasonal workers who leave the Island, so methods are already in place to handle such repayments on request. These requests may be made either by letter or by personal application. For the majority of new taxpayers, it would not be possible to make a repayment claim for 2006 until the 2006 return of income has been received. Thereafter, repayments are made if requested by the taxpayer and are processed as soon as possible. They normally take some 2 weeks to process, but that time period is dependent on the volume of requests made, which are anticipated to be very high towards the end of January next year, when the final December I.T.I.S. figures would have been received from the employers. However, some employees will not ask for any overpayments to be repaid and they will have that overpayment factored into their subsequent year's I.T.I.S. deductions.

**2.3.1 Deputy J.A. Martin:**

I understand the Minister to be saying - and people who are approaching me who have had their assessments have already completely paid their income tax either weekly or monthly - I.T.I.S. or the Treasury will be now collecting money that they could well do with for the end of the year. So, the Minister is telling me they cannot claim the money back until January. Is that what I am led to understand, even if their tax is fully paid up to date of assessment?

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

I think it would depend on the individual's personal circumstances, and I would be surprised if there were that many people who had had serious overpayments by this stage, but I am sure that if there are particular reasons like that, then they could certainly address the Income Tax Department and make such a submission. As I said, that can be done either by letter or by personal application.

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

It is in a related issue, Sir, inasmuch as the Minister has said that overpayments will be factored into future I.T.I.S. deductions, and I wondered if the Minister has reviewed the Law that carries a penalty surcharge in respect of people who have not paid their contributions by the set date, which I believe is 8th December, in respect of the fact that they would be paying perhaps by I.T.I.S., and therefore, is there not a need to just look at that penalty clause and where people are paying by I.T.I.S., perhaps give them the opt-out in that circumstance?

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

The Deputy is quite right. We have been looking at the penalty clause in relation to I.T.I.S. and the majority of people paying tax under deduction of I.T.I.S. That penalty clause will no longer be applicable, so I do not expect, for example, to get the same degree of revenue this year as I have in previous years.

**2.3.3 Deputy C.J. Scott Warren of St. Saviour:**

Would the Minister consider scrapping the situation we have at present of collecting the previous year's tax, as I believe was scrapped in Guernsey, so that every year I.T.I.S. is paid on that current year's earnings?

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

I think I mentioned this, Sir, at the time that I.T.I.S. was being brought in. There were already significant difficulties and changes of culture in bringing in an I.T.I.S. system, and I was anxious to make sure that those changes were manageable. I believe that in a couple of years' time, once the I.T.I.S. system has settled down, we can review the process and see whether it is possible to do what the Deputy suggests, but I can make no firm commitment at this stage.

**2.3.4 Deputy G.P. Southern:**

Given that everyone on I.T.I.S. system paying by monthly instalments has their percentage figure rounded-up, each and every one of those people will receive a surcharge; they will be paying too much tax. Is the Minister aware of what steps are in place for what could be a very large avalanche of claims in January?

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

I think the Deputy may exaggerate the position. I understand that for the majority of taxpayers, the overpayment will be rather than less than £250 a year. Now, that may be a significant sum of money, I agree, to some people, but there may be other people to whom this will be factored into their following year's assessments. I think I.T.I.S. has always been



accepted as a simple, broad-brush approach and does not, for example, take account of things like bank interest and other sources of income of that nature. So, there are inevitably going to be cases where there are overpayments and other cases where there are underpayments, and the department has to accept the fact that where repayment claims are to be made, they will be processed and they will be handled as swiftly as possible.

**2.4 Senator J.L. Perchard of the Minister for Transport and Technical Services regarding the tendering process for the school and summer leisure bus services:**

Would the Minister inform Members whether the recent tendering process for the school and summer leisure bus services was conducted on a level playing field basis for all tenderers, and is he able to give an assurance that there will be no extra costs attached to the successful bid, or a decline in the current quality of service?

**Deputy G.W.J. de Faye (The Minister for Transport and Technical Services):**

I can assure all Members that the tender process for the schools and summer leisure bus services was undertaken on a completely level playing field basis, and that both I and the Transport and Technical Services Department did everything necessary to ensure that that was the case. This included inviting an independent Member, Deputy Ferguson, the Chair of the Public Accounts Committee, to scrutinise the process and paperwork, and ensure that it was undertaken in a fair and equitable manner. I understand that the Deputy is quite prepared to vouch that that was indeed the case. I can also give the Senator my assurance that there will be no extra costs attached to the successful bid, assuming naturally that the level of service required remains the same as that outlined in the tender specification, and that the quality of the service will, in fact, increase, as the vehicles being provided are more modern, more environmentally friendly in respect of exhaust emissions, have added security with seat belts on some of the school buses, and will allow integrated ticketing throughout.

**2.4.1 Deputy R.G. Le Hérissier:**

Would the Minister, given his complete adherence to the findings of the Committee of Inquiry, identify how one of its major findings; namely, the need to have somebody who understood the technical aspects of public service, particularly transport tendering, available - he will recall that was a major finding - was reflected in the process he set up? Secondly, would he confirm that, within the terms of the contract, the purchase of new buses and the provision of seat belt buses were explicit features of the contract that was put out to tender?

**Deputy G.W.J. de Faye:**

The Deputy appears to have read a different Committee of Inquiry report to the one that I did, Sir. My recollection of essentially the findings was that the employment of a consultant - in this case, a particular bus consultant from a U.K. company - was one of the major causes of most of the difficulties. Since that time, matters at the department have changed very dramatically. At the time of the original tender contract for the main scheduled service, the department had very little idea of how the local bus service worked, other than through purchase of the current - then extant - timetable. Since Connex have been operating on an open-book basis, the department now has a very thorough understanding of how bus operations work and consequently has no need of a bus consultant to offer advice. In respect of the seat belts, seat belts were not part of the tendering requirements, but have effectively arrived as one might call an add-on bonus.

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

Can the Minister confirm that the summer leisure service that Connex will provide over the next 3 years will be equivalent to or superior to the service level offered in the recent unsuccessful tender by the current provider? Will he guarantee that there will be no further demands on the public purse in order to achieve the standards of service offered in the unsuccessful leisure part of the bid?

#### **Deputy G.W.J. de Faye:**

I can certainly give an assurance to the House that the summer leisure service will be, to all intents and purposes, as good as or an improvement on the existing service. In respect of being able to give guarantees on whether there will be any additional demands on the public purse; no, I do not expect that to happen. But as I have indicated to the Senator and the House, if there is a variation in requirement of what it is estimated the service should be, then clearly there would be, as happens currently with all those providing public services, potential for amendments to the contract and a potential variation in how things are paid for.

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

It is my understanding that the estimate produced by Connex of the revenue produced from the latest service - which they are taking over - is somewhat optimistic. Is the Minister certain that we are not, in effect, underwriting the cost of this leisure service and there will not be any bill at the end? Secondly, since we have now rolled all our coach and bus services under one operator, has he talked to the J.C.R.A. (Jersey Competition Regulatory Authority) about this change?

#### **Deputy G.W.J. de Faye:**

Yes. I talked to the J.C.R.A. some time ago, before the tender process even began, and the J.C.R.A. has raised no objections whatsoever to either the concept or the manner in which the tender process was carried out. I regret I have forgotten the first part of the Deputy's question. Could he remind me?

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

The estimates of revenue on the leisure services are, I am told, highly optimistic, and there is a danger that we are, in effect, underwriting this service. While I am on my feet still, can he release to Members the advice from the J.C.R.A. so obtained?

#### **Deputy G.W.J. de Faye:**

I will look into the matter of releasing that advice. In respect of estimates and underwriting, this raises a series of very complex issues, which would take far too long to explain to the House adequately. However, if I can put it this way: it was the opinion of my advisors - and indeed, myself - that the estimate submitted by Connex for the proposed summer service was indeed optimistic, which is why we did not base our calculations on those estimates. We based our internal calculations on the known figures that are provided by the current Easylink Tantivy service, and we also based calculations on what we described as an even worse situation - what we call the worst possible scenario - and that is how the calculations are made. So, consequently, in that sense, the estimates proffered by Connex were not relevant.

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

May I request a written, detailed answer to that question?

#### **The Bailiff:**

I think if you want a written answer, you had better put a written question in. [Laughter]

**Deputy G.P. Southern:**

As part of the answer given, he said it was extremely complex, but therefore would sum it up in an oral question. Nonetheless, I do believe that Members would appreciate a written response.

**The Bailiff:**

Procedurally, it would be helpful if you were to put a written question.

**Deputy G.P. Southern:**

That is wasting one of my two questions that I can ask in a week. Oh, no, it is not.

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

Could I ask the Minister to confirm whether the new contracts with Connex are leaving him in a more comfortable position than the contract he inherited?

**Deputy G.W.J. de Faye:**

No, it leaves me in a different position to the contracts that I inherited. The essential contract I inherited was the contract for the main scheduled services that was negotiated with Connex several years ago. This is simply a tender process regularisation of the current position pertaining to the additional summer leisure service and the additional school services, which were dealt originally - Members will recall - all as one operation by a single monopoly operator; the former Jersey Motor Transport Company. The Island has subsequently had a position of not having a single monopoly operator for all services, although indeed, the extant policy under the transport policy was such that it would appear to be a single operator policy was the preferred policy. In effect, all that has happened by chance of the successful tender is, in fact, we currently moved to the policy position that the States originally outlined.

**2.4.5 Deputy G.C.L. Baudains of St. Clement:**

Could the Minister tell us whether he is concerned that the choice of tender has, in fact, created a monopoly out of a previously competitive situation and will that not reduce his opportunities in future for inviting tendering? Could he also assure us that the new fleet which Connex is bringing over is going to be no wider; the buses are going to be no wider than the current J.M.T. (Jersey Motor Transport) fleet, because the present Connex buses are proving to be somewhat of a nuisance on the road? In fact, in St. Clement they have to mount the pavement to pass in various places. Are the new buses within the prescribed Jersey width or, in fact, are they oversized?

**Deputy G.W.J. de Faye:**

Well, I regret I have not had an opportunity to measure the new buses yet. However, I can tell the House that width of vehicles is going to be an increasing problem for the Island, not just in terms of buses, but in terms of all heavy, commercial vehicles. It is now becoming increasingly difficult to find and source vehicles of any description that conform to the Island's road width demands. So, this is an ongoing matter. I am afraid - and I regret Members keep asking several questions at once - but I have forgotten the first part of the Deputy's question. [Laughter]

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

It was to do with the concern of possible future problems arising out of tendering processes, because there is only one actual operator now, whereas previously there was a competitive situation.

**Deputy G.W.J. de Faye:**

I thank the Deputy for reminding me. No, I am not concerned about that, Sir, because it would be inaccurate to look upon this as a closed monopoly position. It is simply that we have at the moment effectively a single operator operating a number of contracts that are available in the Island. It is likely, although this will depend on the will of the States in response to the Integrated Transport and Travel Policy, that when the time comes round for the re-tendering of the main scheduled service, that both the summer service and the school service will be included as part of a whole package to be tendered for. Now, this is the competitive element. **[Laughter]** I am sorry that 2 Members appear to have a very vague grip on economics and contract, let alone competition, and find it amusing. The fact is that there is the potential for a full public transport contractual package to be competed for on a tender basis every so many years. The current number of years is 7. That is the competitive element and one of the advantages, in fact, to the Island of having a very substantial contractual package, that it will attract very large companies to be interested in tendering for it, thereby ensuring competition and potential advantage to the Island.

**The Bailiff:**

I think we must draw this to a close or it will become a debate. Final supplementary from Deputy Scott Warren.

**2.4.6 Deputy C.J. Scott Warren:**

Can the Minister confirm that the new buses will have adequate seating capacity?

**Deputy G.W.J. de Faye:**

Yes, I can, Sir.

**2.5 Connétable A.S. Crowcroft of St. Helier of the Minister for Education, Sport and Culture regarding the 200th Anniversary of Fort Regent:**

Would the Minister explain what plans he has, if any, to mark the 200th anniversary of Fort Regent?

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

May I thank the Constable for asking the question, which allows me to give some prominence to the 200th anniversary of Fort Regent? The foundation stone at Fort Regent was laid in November 1806 and to mark this 200th anniversary, there has been an awareness-raising programme throughout 2006, with banners in Fort Regent and a logo on literature sent out from Fort Regent. The Blue Badge Guides have included Fort Regent in many of their walks this year and highlighted the anniversary. Media coverage has highlighted the anniversary on various occasions throughout the year, and there have been photographic and art displays at the Fort. Two of the Fort's very large cannons have been refurbished and brought inside for the display. E.S.C. (Education, Sports and Culture), my department, will also be shortly publishing a conservation statement on Fort Regent which will recognise its importance as an historical monument. I am pleased to say that the Lieutenant Governor has accepted an invitation to unveil a commemorative plaque to mark the anniversary on 9th November and all States Members will shortly be receiving their invitations to that event.

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

Would the Minister agree with me that the 200th anniversary of Fort Regent represents a real, positive opportunity to decide once and for all a positive future for Fort Regent, and will he undertake with his department to try to establish one in this anniversary?

### **Senator M.E. Vibert:**

Yes, and it is part of the Island's Strategic Plan approved by this House.

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

I am pleased to hear about the awareness-raising programme being run by the Minister's department. Unfortunately, it has not raised my awareness at all. I was aware that the anniversary was coming up and, of course, it is just over 2 weeks away. Does the Minister not feel it is, frankly, discourteous that the Constable of the Parish in which the Fort is situated has not been invited to any function, and indeed, as far as I am aware, the public of Jersey have not really been involved in being able to put this event in their diaries? Does he think this is a fair way and a correct way to mark such an important anniversary?

### **Senator M.E. Vibert:**

I am sorry that the Constable has been unaware. It has been featured in the *Jersey Evening Post* on several occasions and, of course, if he had visited the Fort - which is in his Parish - he would have seen large banners advertising the 200th anniversary. I am pleased to say he will be invited. Thousands of members of the public visit the Fort every day and see the displays and the fact that it is the 200th anniversary. I think that it is an opportunity to mark the 200th anniversary and we have done so. I personally would wish that we can secure the future of the Fort, and particularly improve the interpretation of the historical aspects, as we included in a plan that this States Assembly approved some years ago now, but unfortunately, no funds have been forthcoming to enable it to be put into action.

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

The Minister does not obviously agree with me that it is discourteous not to invite a Constable to an event in his or her Parish, but to rely on the media to provide that invitation process for him. Now, of course, he has given us some information, I will be able to block off some appropriate time in the diary. Could I press the Minister on his view of the Fort? I note that there has been some fairly large structures erected on it around the signal station. Is he aware that it is a proposed S.S.I. (Site of Special Interest) and what are his comments on the damage which would appear to have been done to this building?

### **Senator M.E. Vibert:**

Yes, I am very aware of it, and in my original answer I stated that we had had a conservation statement prepared, so that we are fully informed in future of the historical importance of the Fort, and we would not do anything without permission and we would not do anything to damage the historic integrity of the Fort.

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

As the media has been mentioned, recent issue was given to the world heritage proposition in the media, and one of the aspects of establishing Jersey as a centre of world heritage - I believe - were the outstanding fortifications in Jersey. Will the Minister be looking into these issues to help establish Jersey, if it is desirable, for those reasons?

**Senator M.E. Vibert:**

Certainly, and the Jersey Heritage Trust will help us in our deliberations there. Our forts and fortifications are outstanding, particularly, of course, Mont Orgueil and Elizabeth Castle, which were used in anger. Fort Regent is a newer fortification, which of course - luckily - was never required.

**The Bailiff:**

We come to the next question, but before I call Deputy Southern, may I remind Members, please, that Standing Orders require that all supplementary questions and answers to them should be concisely expressed?

**2.6 Deputy G.P. Southern of the Minister for Treasury and Resources regarding income tax assessment advice notices for 2005:**

I will just ask the first half, because the second half, I believe, has been fully answered by the Minister. Would the Minister inform Members what period of time is referred to by the balance figure on the recently issued income tax assessment advice notices for 2005?

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

I.T.I.S. credits up until the end of August, provided they were received by the Income Tax Department from the employer, were processed and included to reduce the balances shown on the advice notice attached to the letter of assessment. It was not possible to include the September credits because they did not have to be submitted to the Income Tax Department until 15th October.

**2.6.1 Deputy G.P. Southern:**

The Minister refers to credits which have been received. Is he aware of a figure for what proportion of employers are behind in returning their tax returns?

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

I am not aware of the precise proportions, Sir. I believe the majority of employers are responsible enough to date, as far as they can be.

**2.6.2 Deputy G.P. Southern:**

Would the Minister come to the House with such a figure, because I think it may be substantial.

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

I will endeavour to do so, Sir.

**2.7 Deputy K.C. Lewis of St. Saviour of the Minister for Economic Development regarding measures to assist local businesses and retailers as a consequence of the introduction of G.S.T:**

In view of the forthcoming introduction of G.S.T., and in light of the fact that the import of low value goods purchased via the internet shopping will not attract G.S.T., what measures, if any, will the Minister take to assist local businesses and retailers who have to pay very high rents?

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

The retail industry is an important part of Jersey's economy, representing approximately 7 per cent of G.V.A. (Gross Value Added) and 16 per cent of the total employment. It is therefore

right and proper that we are aware of the challenges facing the industry and, where appropriate, work with that industry to help meet those challenges that it faces. The Deputy may not be aware of just how much work we are doing with the retail industry. There is specific provision in my department's 2007 business plan for the work on the retail industry, and this year, for the first time, we have a designated post within the department to work specifically on retail industry matters. The department is actively engaging with the industry so that we can learn more about the issues that it faces, and throughout 2007, we are going to be doing a great deal on this issue. As far as rents are concerned, this is a complex issue and is a function of supply and demand, and something that we are engaging with the Planning Department on. It is also a function of the capitalisation of high margins in some of the retail sectors.

#### **2.7.1 Deputy K.C. Lewis:**

I thank the Minister for his reply, Sir. Walking to the States this morning, in the Colomberie area alone, I counted 5 empty shops, with one shop, sadly, gone *en désastre*. This is something that would be unheard of 5 years ago. Is the Minister aware of the severe pressure that local businesses are under?

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

There will always be an ebb and flow of businesses in the Island, and I think that the current ebb and flow of businesses is no different from any in the last few years. I walked along King Street and saw a new retail shop engaging in the sale of electronics. There is going to be a constant ebb and flow. Our job is to create the right competitive, fair, environment for retailers to prosper, and that is why we have dedicated specific resources for the first time, to understand that. I am happy to work with the Economic Affairs Scrutiny Panel to explain exactly what we are doing, and the scale of work we are doing on the retail industry.

#### **2.7.2 Deputy R.G. Le Hérisier:**

Would the Minister not acknowledge, given the very reasons that have led to fulfilment booming on the Island, that in fact the internet is going to come over as a major player in retailing and that unless retailers can somehow make an accommodation with its role in retailing, all talk of empty shops will - unfortunately - amount to nothing.

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

There is a move from bricks to clicks, both in terms of the international environment, opportunities for Jersey to export and local businesses. That is a reality, and that is why I have come this morning to the States after launching a whole range of endeavours - a whole range of new services to businesses - in order to help them work in the new competitive world. We have to help businesses work through the new competitive marketplace, which does, I am afraid, mean that in many cases there is a move literally from bricks to clicks.

#### **2.8 Deputy D.W. Mezbourian of St. Lawrence of the Minister for Education, Sport and Culture regarding the minimum term of residency required for eligibility for funding towards university costs:**

Will the Minister advise the Assembly what plans, if any, he has to amend the minimum term of residency that is currently required before becoming eligible to receive funding towards university costs?

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

I have no plans at present to amend the 5-year minimum term of residency that is currently the normal requirement before a person or family can become eligible to receive funding towards university costs.

### **2.8.1 Deputy D.W. Mezbourian:**

I would like to thank the Minister for his response and to ask whether he has discretion to amend the term of residency required, and if he does have that discretion, to provide an example of how he would be able to employ that discretion.

### **Senator M.E. Vibert:**

Under Article 51 of the Education (Jersey) Law 1999, the Minister has the advantage of financial assistance by way of mandatory or discretionary grant or loan, so the discretion does exist. The minimum term of residency for a person to be eligible for States' support was introduced at a time - in consultation with officers from Employment Social Security - when the U.K. terminated grant-aid to its own students, and we were in a situation where we were aware of a number of students moving to the Island simply to obtain financial assistance for university study. But the discretion is in the Law; an example being that a young person recently returned to the Island from another country, who - because of circumstances beyond their control - had not had the residency, but it was recognised as a genuine case and grant-aid was forthcoming. My Assistant Minister, Deputy Fox, sits on appeals panels for these sorts of things and we take individual circumstances into account, but you will excuse me if I do not go into any great detail. It would not be right to identify the individual concerned.

### **2.8.2 The Deputy of St. Martin:**

Can I ask the Minister how great a problem is it? Do we have a tremendous number of youngsters who are denied this opportunity or is it quite an infrequent one?

### **Senator M.E. Vibert:**

The only evidence we would have would be if young people appealed to get a discretionary loan if they felt they were not able and we have very few of those each year. The eligibility rule - the 5-year rule - was introduced because there was evidence of academic migration to the Island, and as the situation still exists in the U.K. where there are no grants available, I have no specific plans to change this requirement, because that has not changed. But as to the numbers, we get a whole variety of reasons for appeals, some of which may be length of residence - but very few - but we do not appear to have had any evidence since we introduced this rule of academic migration to the Island for the purpose of getting grants. It appears to have closed that loophole.

### **2.9 Senator J.L. Perchard of the Minister for Transport and Technical Services regarding seating capacity of new vehicles for the school bus service:**

Would the Minister advise Members what the average seating capacity of the vehicles being obtained by Connex for the school bus service is; how this compares with the average capacity of the vehicles under the current contracts; inform Members whether the capacity of the new vehicles will be sufficient to meet demand, and if not, whether the States will be liable to meet the costs of the additional vehicles required?

### **Deputy G.W.J. de Faye (The Minister for Transport and Technical Services):**

The average capacity of the vehicles that Connex are acquiring for the school bus service is 36. The average for the current contract is 41 seats. However, this overall average figure fails to illustrate that it is the distribution of seats on the school network that is important. Many of



the tailored services do not require a bus with a large seating capacity, because the demands for seats varies across the different school routes, although for those that do, the maximum capacity vehicles will be deployed. It is also worth noting that the theoretical basic seating capacity can be increased by running a bus more than once. The capacity offered by the incumbent operator is currently greater than required. The capacity offered under Connex's tender proposals has been estimated to satisfy the network demand, as specified in the tender document. Moreover, Connex has the flexibility of being able to utilise vehicles from its main fleet, should that be required. The demand for the school bus service does vary between school years, between the weeks of the term, and between the days of the week. Should additional services be required over a limited period, Connex will cater for that within existing relief resources as the current operator does. However, I cannot guarantee that current demand may not grow over an extended period when additional provision would have to be paid for, but that outcome would apply irrespective of which operator operated the contract.

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

As these new buses will have a reduced capacity - seating just 36 passengers maximum - will the Minister inform the Assembly of the agreement that is being reached with the new providers with regards to children standing on the buses as they are travelling?

### **Deputy G.W.J. de Faye:**

I am afraid the Deputy is making some erroneous remarks, Sir. The maximum of the new buses is not 36. I gave that figure as the figure I gave for the average capacity across all the buses that will be operating the new service. There is no current demand or requirement, as I understand, for standing on school buses. We hope that the school buses equipped with seatbelts will encourage children to sit down, but... in fact, no, I apologise. I misled the House. I think the current rule is there is no standing on school buses; however, I do not think that is a legal requirement. I think that is mainly a sensible instruction, in order to maintain order.

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

Going back to the Connex tender, in questions earlier - I think to Deputy Southern - did the Minister say that Connex had been over-optimistic - I think his words were - on the leisure routes, so he had used the figures from Tantivy and Easylink to award the contract to Connex? Did the Minister say this, Sir?

### **Deputy G.W.J. de Faye:**

I would have to refer to Hansard, when it is published, to be able to advise the Deputy on what I said, but in terms of the way the department analysed the tenders presented to it, it was the belief of the department that the figures offered by Connex as a estimate for the projection of what the value of summer services may be from next summer were potentially optimistic. Therefore, it was a decision of the department in the analysis of that particular aspect of the tender process that we would simply use figures that we were in a position to confirm because they were figures that were real, did exist, and were the returned revenue figures for a summer season that had happened. That seems to me perfectly sensible.

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

The Easylink east coast and inner road school buses are full to bursting now. Therefore, will the Minister confirm what arrangements will be made for the school children to accommodate all of them on a daily basis on these routes? Will there be extra buses put on or not?

**Deputy G.W.J. de Faye:**

I am glad the Assistant Minister for Education, Sport and Culture has raised this matter. It was raised with me by my department only yesterday afternoon, and I understand it results from a move in school timetables - which is the only area where I am aware of a problem existing - has prevented school children who would normally catch the 3A bus from doing so. The fact of the matter is that this is a breakdown in communication between Education, Sport and Culture and my department. I hope Education, Sport and Culture will wake up one day and realise that if they play around with their timetables I simply cannot play around with bus schedules to match.

**2.9.4 Deputy R.G. Le Hérissier:**

Would the Minister confirm that this level of internal expertise to which he now has access gave him the answer to his question; that the 36 seat bus capacity does not mean anything, because you can simply run the bus again, even though you need it at a certain time? Would he not say there is something very faulty with this logic, and that yet again demonstrates he should have implemented the Committee of Inquiry's very strong recommendation that there be independent and well-qualified experts arbitrating or refereeing these particular issues?

**Deputy G.W.J. de Faye:**

The only person in this House suffering from faulty logic is the Deputy, who seems to have misheard me on 2 separate occasions. **[Laughter]** I told the House that the average capacity of vehicles that Connex are acquiring for the school bus service is 36. I did not say that was the capacity of any one single bus or that it was the maximum capacity of the Connex buses that are being provided, and the sooner that the Deputy gets his head around that very basic fact, the better. Yes, it is a fact that if you want to increase capacity on a route, you run a vehicle more than once. It is pretty simple stuff.

**2.9.5 Senator J.L. Perchard:**

Will the Minister confirm that the current operator is contracted to provide a seated-only service, and that the recent tender process was conducted on the clear understanding that all student passengers must be seated; and will he maintain his position that the new contract will provide sufficient service to get our children to school in a safe environment?

**Deputy G.W.J. de Faye:**

It is my understanding that there will be capacity for all school children to be seated; indeed, some of them will be belted-up.

**2.10 Deputy R.G. Le Hérissier of the Minister for Health and Social Services regarding procedures for dealing with complaints against senior members of the Health and Social Services Department:**

Would the Minister advise Members what procedures, if any, are currently in place to deal with complaints made against senior members of his department?

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

In September 2005, Health and Social Services adopted its Service User Comment and Complaint Policy procedure, or complaints procedure, as it is known more prosaically within the department. This procedure is comprehensive and applies to all staff regardless of role or seniority. The procedure seeks to resolve complaints from clients and patients and to offer learning for members of staff arising from any errors or omissions from the department. I expect that complaints will be dealt with directly and as expeditiously as possible. It is also

my responsibility to ensure that staff - including senior members of staff - are protected from frivolous and vexatious complaints. Also, there is a need to protect them from attempts to intimidate, such as placing pressure upon them to agree to forms of treatment which are not clinically indicated or proven. A complaint is dealt with by the manager of those members of staff who are complained about. It follows, therefore, that any complaint against a senior officer of our department will be investigated by the Chief Officer himself. If the complaint is against the Chief Officer, then he will step aside and will inform the Chief Executive of the States of Jersey, who will then conduct the inquiry and complaints procedure.

**2.10.1 Deputy R.G. Le Hérisier:**

Given the extremely sensitive nature of some of these matters and given that there might be a feeling that civil servants are investigating civil servants, would the Minister outline to what extent he or his Assistant Minister become involved in the process, given these kinds of complaints?

**Senator S. Syvret:**

During my time at Health and Social Services, I have very rarely - if ever, in fact - had a direct involvement in investigating or determining complaints made against the department. It really is not my role to do that. There is a set procedure across the States of Jersey, it has to be said - not just within Health and Social Services - for conducting complaints against senior civil servants. If the Deputy is asking me: "Do I consider that procedure satisfactory, adequate and effective?" I would have to say no. Clearly, it is not satisfactory to have senior civil servants investigating their friends and colleagues who are other senior civil servants. How can we expect people to be rigorous and strong against a person who they probably routinely have dinner parties with? I remain of the view that in principle we need a new procedure.

**2.11 Deputy J.A. Martin of St. Helier of the Minister for Social Security regarding the current level of contributors to the Social Security Scheme:**

Following his answer to a written question on 10th October 2006, in which he stated that the computer holds about 400,000 individual records, of which about a quarter are active, is the Minister able to advise Members from this figure how many of these people are currently working and paying Social Security contributions?

**Deputy P.N. Troy of St. Brelade (Assistant Minister for Social Security - rapporteur):**

In the absence of the Minister, I will respond. The most recent information available records the individuals who paid or were credited with contributions in a certain month. This is not necessarily people in work, but it is people paying contributions. In the last quarter processed, which covered the months of April, May and June 2006, the number of individuals paying contributions or credited with contributions was 55,828 in April; 56,450 in May and 56,977 in June. The corresponding figures for the same quarter in 2005 were 55,291 in April; 55,758 in May and 56,169 in June 2005.

**2.11.1 Deputy R.G. Le Hérisier:**

Could the Assistant Minister inform us what procedures are in place so that people no longer sign-up using, for example, famous Disney characters?

**Deputy P.N. Troy:**

When people come to the department to sign-up, obviously we do attempt to secure their identity, and if someone signed up as Mickey Mouse I am sure we would recognise that was incorrect.

**2.11.2 Deputy G.P. Southern:**

Would the rapporteur inform Members what contribution his department has made to the formulation of policy going towards a population register so that we can accurately know how many people find work and where, and in particular, what steps he has taken to ensure that this database is secure?

**Deputy P.N. Troy:**

Social Security has a computer system which is very adequate and is capable of keeping adequate records of all of those who register with the department. We do have to comply with all data protection issues, and the Data Protection Registrar is fully aware of how the department operates. There is already a Population Officer appointed, who will be co-ordinating all of the work on the future structure of the new Population Office. That is not an area of our responsibility.

**2.11.3 Deputy J.A. Martin:**

I am still slightly confused. We had 400,000 registered; a quarter active, which I make 100,000, and the average figure today, Sir, is around 56,000. Are these people working in Jersey? Can the Ministry not tell us exactly how many people are working in Jersey from their records, because I think this is getting even more confusing and I think it is a straightforward question, and I would like a straightforward answer.

**Deputy P.N. Troy:**

Our data is collected for contribution purposes; it is not collected for employment purposes. We do request those who are unemployed to register with the department, but we do not force people to register with the department and we know, of course, that there are currently about 400 people who are unemployed. In addition to the 55,000 who are paying contributions, we have approximately 23,000 pensioners at home and abroad, and another group who do not work or pay contributions, such as married women and children, and that accounts for the other records that are active. But of the 300,000 that are not active and classified as dormant, those are old records which include people who have lived and worked in Jersey, but have left the Island.

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

In answer to an earlier question by Deputy Le Hérissier, the Assistant Minister said that the department did try and have some firm evidence of a person's identity when they signed-up at Social Security. Can he just tell Members what forms of identification the department asks for, and in the event that somebody arrives with absolutely no identification at all, what do they do about that?

**Deputy P.N. Troy:**

I would have to respond separately to the Deputy on that. I would have to go back to the department to find out which documents and so on they request.

**2.11.5 Deputy G.P. Southern:**

If I may, I believe the Assistant Minister did not answer my question. May I please?

**The Bailiff:**

You may put it again then.

**Deputy G.P. Southern:**

The question was what involvement or contribution has the department made to the formation of the new population register?

**Deputy P.N. Troy:**

We are not charged with creating the population register. We have information. Whether it will be shared, and how it is shared, with the Population Office will have to be established, so that it complies fully with data protection issues. So, I cannot fully answer that at the present time.

**2.12 The Connétable of St. Helier of the Minister for Transport and Technical Services regarding his comments on the Parish of St. Helier Roads Committee's 'Draft Cycling Policy':**

Would the Minister explain whether he has replied to the letters of 30th May and 10th August 2006 seeking his views on the Parish of St. Helier Roads Committee's Draft Cycling Strategy, and if not, advise when his response will be forthcoming?

**Deputy G.W.J de Faye (The Minister for Transport and Technical Services):**

I must apologise to the Constable for not having replied to either of these letters. I offer no excuse for this oversight and I have asked the Chief Officer to ensure that in future acknowledgement letters, at the very least, are sent out. However, it is only fair to point out that I have instructed the relevant offices of Transport and Technical Services to prioritise work that needs to be undertaken to finalise drafting of the I.T.T.P. (Integrated Traffic and Transport Plan) which will be presented to the States by the end of this year. I am aware that this major piece of work has delayed evaluation of a number of plans and ideas that various bodies have drafted, but it is important that an over-arching strategy template such as the I.T.T.P. is completed before considering individual elements which will contribute towards its implementation. I would hope that departmental resources will be available in the last 2 months of this year to assess the Draft Cycling Strategy and to offer me expert advice. Consequent upon that, I would hope the Constable will receive a response in the New Year. In the meantime, I would urge the Constable, if he feels he has been overlooked, that rather than to go through the laborious process of tabling an oral question, he is very welcome to give me a telephone call.

**2.12.1 The Connétable of St. Helier:**

I could always write a third letter, I suppose. I do thank the Minister for his apology and accept it. I am somewhat mystified, however, by his further answer that we will be receiving an answer in the New Year to the letter, given that the Roads Committee has produced a Draft Cycling Strategy. Surely, that should be incorporated in the developing Transport and Integrated Traffic Strategy that the Minister is developing.

**Deputy G.W.J de Faye:**

The strategy is currently being considered by officers within the department, but I will give the Constable my assurance that, following on his concurrent remarks, I will look into the matter personally.

**2.13 Deputy C.J. Scott Warren of the Minister for Treasury and Resources regarding the current gap in low income support provision :**

In view of the fact that the Citizens' Fund will not be in place until next year, as part of the low income support scheme, and that the Community Savings and Credit Limited has run out

of emergency funding, what action, if any, is the Minister taking to address this current gap in provision?

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

I have to admit that I am not clear what the Deputy means by a “gap in provision” as my understanding is that the Citizens’ Fund will replace the existing Parish welfare lump sum provisions when that system is in place.

**2.13.1 Deputy C.J. Scott Warren:**

Well, a government provision is for anybody requiring emergency funds, and I would ask if the Minister would accept that we are in a transition period between the old Parish welfare system and the new low income support scheme, and that there is no uniform adequate approach at present in place for the Connétable to help those who are experiencing sudden financial problems?

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

I accept and agree that we are in a transitional period, but I am not aware of any gap or unfairness in existing parochial arrangements.

**2.13.2 Deputy J.J. Huet of St. Helier:**

Is the Minister aware that there is a plan to start-up a community bank for this type of hardship fund, but they are obviously trying to raise funds and it will cover this type of emergency when it starts?

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

The business plan of the Community Savings Bank is clearly one for them to decide for themselves, and I am well aware of the fact that they have been looking for premises for some time and are trying to get maybe a higher profile for their activities. But I do not think their *raison d’être* is to replace the income support system or the Parish welfare system, but rather to act as a savings bank to help people who perhaps will not have normal access to commercial banking facilities.

**2.13.3 Deputy C.J. Scott Warren:**

I was given this name by Citizens Advice Bureau, and I understood that they would - and did normally in the past - have provision for emergency funding, but do not have any now. But there is not a uniform approach by the Connétables when somebody needs emergency funding. I would ask - the document today we have on our desks, Taking Stock of Deprivation - whether the Minister accepts that there is current uniform definite access - if somebody really needs money - to getting a small amount of money? Would he accept that this means that those on low incomes who suddenly have a situation of extreme hardship may well fall victim, as suggested in this document, to loan sharks?

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

I think the Deputy may be confused with various issues here. Certainly, people on low incomes tend to have to go to extreme measures to obtain funding, and it can include credit cards and loan sharks and that sort of thing, but all I would do is reiterate that there is an income support system in place at the moment - it is called a Parish system - and that is in transition towards the income support system. If there are concerns that the Deputy has about the existing Parish welfare system arrangements, I think they should be directed to the appropriate channels.

**2.14 Senator B.E. Shenton of the Minister for Economic Development regarding the terms of the States grant to Jersey Finance Limited for 2007:**

Following the increase in the grant to Jersey Finance Limited for 2007 to £1 million, as shown in the Annual Business Plan 2007, would the Minister inform Members whether the terms of this grant have been properly recorded and defined; and would he state what performance measurement criteria, if any, will be utilised to ensure that this is taxpayers' money well-spent?

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

The relationship between the States of Jersey and Jersey Finance Limited (J.F.L.) is set out in a partnership agreement, which was entered into by the previous Economic Development Committee in November 2005. Since assuming office myself, I have updated - and I think strengthened - that agreement. The agreement basically provides that J.F.L. will produce an annual plan in support of its request for its annual grant. I review that plan in order to ensure that their proposals are supportive generally of the Finance Services Action Plan of my own department, and before deciding to support the grant I consider whether the previous grants given by the States have been used effectively. I must emphasise to the Senator that while we have earmarked the sum of £1 million for J.F.L. in 2007, I will not make that grant unless I am satisfied that the proposed use of the grant is set-out clearly in the annual plan that J.F.L. have produced and is in accordance with my own department's objectives. As far as the updating of the relationship is concerned, I have reviewed the nominations that I have on the board. There was previously only one nominee by the States on the board. I have increased that by one, with the Connétable of St. Lawrence as my Assistant Minister acting as one director, and the second is the Director of International Finance, which will be replaced by the Chief Officer of Economic Development. I believe that this is a strengthened relationship between Economic Development and J.F.L. As far as performance measures are concerned, the partnership deals with that. It requires various bits of information to be presented to me about its promotional activities; about the number of attendance at a number of different events that they launch; the numbers of new sources of business and statistical information; and indeed, in addition to that, there is also a sense that the industry monitors itself. If the industry is carrying on supporting with its own subscriptions, then the industry is generally going to be supportive of what Jersey Finance does. I meet regularly with my Assistant Minister and the other board member. I attend key industry issues, which are organised by Jersey Finance, and I am generally satisfied with the performance of Jersey Finance. I would finally say that, having spoken to an industry practitioner who has just come back from the Jersey Finance trip to the Far East, I understand that good business has been written as a result of that trip; further evidence of the excellent value for money of Jersey Finance.

**2.14.1 Deputy J.A. Martin:**

We are going to put in £1 million of taxpayers' money. Could the Minister remind us: J.F.L., when it started out, was it not supposed to be by this time, Sir, self-funding; and as it is not self-funding, could the Minister please, in a few words, tell us how much the industry puts in against this taxpayer's £1 million?

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

There was an interesting debate at the time about the creation of Jersey Finance. I think it was born at a time, when frankly, the States was not doing nearly enough to go and support the development of the finance services industry, which the Deputy will know is over 60 per cent of the value of G.V.A. The model of Jersey Finance is held up as a model of other

promotional vehicles across the world where the industry does put in money, and the figure is approximately £450,000. I will give the Deputy the precise figure. What we are doing is providing additional resources to go and win business, particularly in the funds area and new banks, and basically, I would suggest that the Deputy go and meet Jersey Finance and she will learn just how much of a model the Jersey model of Jersey Finance has held up in other jurisdictions, and indeed is being copied.

**2.14.2 Deputy R.G. Le Hérissier:**

Would the Minister answer the question, by what measurement does he measure the performance of Jersey Finance?

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

There are a range of measures that are included in the partnership: the amount of events that they put on; the amount of people attending those events; the amount of new business that is generated as a result of that - some of these measures are quite difficult - and certain information, for example, that I will be using to judge last year's event is how many hedge fund managers have been launched. I see also the result of this activity in the Regulation of Undertaking decisions that I make, because I also see the applications for new businesses and I can normally sense whether or not there has been an involvement of Jersey Finance. So, there is a whole range of performance measurements.

**2.14.3 Deputy G.P. Southern:**

In addition, could the Minister state whether in addition to the £1 million that goes to Jersey Finance Limited, there is also £2.4 million - I believe - going towards the Finance Sector Growth Plan, making a total of £3.4 million in subsidy going into the financial services industry, which is doing very well anyway?

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

Subsidy, Sir? Subsidy to the industry? This is called promotion. I was in Luxembourg last week with my good friend, the Connétable of St. Ouen, and the Deputy just needs to go and perhaps raise his eyes and look at the outside world and the competition that exists out there that we are having to face. Luxembourg has an industry 4 times the size of Jersey, with a promotional vehicle, and we need to continue to invest - not subsidise, invest - in the growth of our financial services, promote it and market it; and so this Assembly has more money to spend on the services that it wants to do.

**2.14.4 Senator B.E. Shenton:**

Could the Minister explain if Jersey Finance's money is so well-spent, why a number of firms within the industry have indicated they will not be renewing their subscription next year?

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

I am unaware of that and I am happy to take up the individual elements. My understanding is that there are more firms joining Jersey Finance, not only financial services firms, but there are - rather interestingly, I learnt last week - 2 hotel chains that are joining Jersey Finance, because Jersey Finance can help develop, for example, their conference market. So, in fact, it is not a picture of a declining number of firms, but increasing numbers of firms, and I am perfectly happy to justify that and to give the Senator specific information. Perhaps his firm is a member of Jersey Finance, and he can say whether or not they think they do a good job for them.



**2.14.5 Deputy J.A. Martin:**

Thank you for the lesson and I would love to go and see Jersey Finance; perhaps they will take me on a jolly, Sir, this year. **[Laughter]** My question is, if - as the Minister has just told us in his very few words again - that 60 per cent of G.V.A. is attributed to the whole of our very good finance industry, why is it not self-funding, Sir, after 7 years of inception? It is only contributing £400,000 and taxpayers feel it is the industry that should be financing this and they should be the ones. The Minister has complete faith that they are doing the good job to the rest of the world that the Minister seems to think, but their own industry on the Island does not seem to think so. I have had a speech now, sorry, Sir, but I thought I would; you know, the Minister is always doing it. **[Laughter]**

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

I do not think I am ever going to be able to convince the Deputy about the virtues of investing and promoting in Jersey Finance. I wish she did believe that Jersey Finance trips were not jollies; that they are jolly hard work and they are out there winning business for Jersey. **[Laughter]** Indeed, the last trip that Jersey Finance has made last week has been in Shanghai and in Hong Kong, showing those financial markets that there are opportunities in Jersey for fund managers, for banks, and the rest of the areas. It is frankly because of the activities of Jersey Finance that we are seeing growth in finance services, renewed confidence, more tax revenue that she and her other Deputy friends over on those benches are going to be able to spend in years to come.

**2.14.6 Deputy G.P. Southern:**

The Minister reminds me of my stepdaughter, who refers to spending on make-up as investment. **[Laughter]** Nonetheless, does he consider that the £2.4 million - some of which is going towards Finance Sector Growth Plan - is going into education and training to replace money spent on training that has been withdrawn by the financial service industry, because it does not consider its own investment in training to be sufficiently worthwhile? Why are we spending this money ourselves and not them?

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

What it is about is partnership. The Minister for Education has a budget of about £90 million on educating, and my job with him, which we are now doing in a far more effective way than ever previously, is bringing the universe of education with the universe of the economy. In other words, matching the skills of the output of the education system together and that is where the money is going in terms of the £2.4 million. If he thinks that money in education, in raising people's skills level is cosmetic and is not an investment, then frankly, I have to say I disagree with him.

**2.15 Deputy K.C. Lewis of St. Saviour of the Minister for Home Affairs regarding compatibility of anti-discrimination legislation with encouragement to Jersey businesses to give priority to local applicants:**

Would the Minister advise Members whether the proposed anti-discrimination legislation currently subject to public consultation, and which proposes to make it illegal - punishable by a fine of up to £10,000 - to discriminate against anyone on the grounds of race or ethnic origin will be compatible with the fact that businesses in Jersey are currently encouraged to give priority to local applicants for employment?

**Senator W. Kinnard (The Minister for Home Affairs):**

I believe that behind this question is whether the 5-year rule is applicable. That is the Regulation of Undertakings and Development (Jersey) Law 1973 and whether it will, in fact, still be tenable under the Discrimination (Jersey) Law when it is enacted. In short, the answer is yes, and for the following reasons: the proposed Discrimination (Jersey) Law is designed to be an enabling Law. It will provide protection from discrimination in a number of areas - including in the workplace - and it will also provide protection from discrimination during the recruitment stage. However, there will be important exemptions and Regulations which will introduce each attribute; that is, each type of discrimination. Indeed, Article 2 of Schedule 1 of the proposed Discrimination (Race) (Jersey) Regulations provides for an exemption from the Law if an act is done under legislative or judicial authority. So, accordingly, the provisions of the Discrimination (Jersey) Law will not be applicable to any actions taken in accordance with the provision of the Regulation of Undertakings (Jersey) Law or any subsequent migration laws that may be passed by the States, dealing with access to employment. The proposed protection from racial discrimination will be on the basis of colour, race, nationality, ethnic origin or national origin. It is difficult to see how this would be inconsistent with the Regulation of Undertakings (Jersey) Law, as being locally qualified for employment purposes under this Law is determined by the period of residence only, irrespective of colour, race, nationality, ethnic origin or national origin.

**Senator M.E. Vibert:**

I believe I may have inadvertently misled States' Members on a detail when referring to the 200th anniversary of Fort Regent. I did refer to 2 of the Fort's large cannons having been refurbished and brought inside for display. I have now been reliably informed the items concerned are in fact siege guns, not cannons, and were the first large guns to have rifle barrels. They have very large wheels and the height of the carriage was to enable the gun to be placed behind and fire over a protective embankment. I thank a former technical manager, Mr. Allman, for informing me of that detail.

**The Bailiff:**

We come now to questions to Ministers without notice. The first question period involves the Minister for Treasury and Resources and the question period is now open.

**3. Questions without notice - The Minister for Treasury and Resources**

**3.1 Senator B.E. Shenton:**

It has been indicated that once Jersey Telecom is privatised, the pensioners will lose their line rental discount, as it is not commercially viable. What is the Minister's opinion of this?

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

I think irrespective of whether Jersey Telecom is sold to a private competitor or not, Jersey Telecom has the requirement to act on a purely commercial basis. If they chose to give discounts to particular users, whether that be for age or for large volumes of transactions, that is a matter for the business plan of the company as a whole, and it should not be for Government to interfere in the individual details of that business plan.

**3.2 Deputy G.P. Southern:**

Does the Minister agree with the figures produced on P.109 of the Interim Report, Goods and Services Tax Review by the Scrutiny Panel that the annual bill for a single-parent family due to his G.S.T. taxation measures will be over £500 for a family in the lowest quintile? The

poorest families in the land will be paying an extra £502. Does the Minister agree with those figures?

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

They are not figures that I have produced, but I have no reason to disagree with them. I think they are probably a realistic estimate of the annual bill.

**3.3 Deputy G.P. Southern:**

The Minister, at his presentation to Members recently over his G.S.T. proposals, seemed to agree with me that the increase in money going towards the Stabilisation Fund and the 'Rainy Day' Fund would be difficult to achieve over the coming years, because we are about to hit the black hole and see deficit in our revenues. Would the Minister care to agree or disagree with that statement publicly?

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

I did not fully understand the question, I am sorry.

**3.3.1 Deputy G.P. Southern:**

It was a budget statement, and he seemed to agree with me that it would be hard to create a Stabilisation Fund and to increase the amount of money in the 'Rainy Day' Fund, because at the moment, we are about to hit the black hole and we are going to see revenue deficits. Would he agree with that statement? It is going to be very difficult. I will not ask him to repeat "pie-in-the-sky" but it will very difficult. Where is the money towards these funds going to come from?

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

Yes, I agree with the Deputy. It will be difficult; that is not to say we should not try to aspire to achieve it and that would be for States' Members to decide whether they wish to spend money today or to put some into a Stabilisation Fund. It ought to cover the likely downturn in economy, which will happen at some stage in the future, I know not when.

**3.3.2 Deputy G.P. Southern:**

Where is the money going to come from?

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

Any money will come from general States' revenues, with the money in a Consolidated Fund, which is up to the States each year to decide whether at budget time they wish to transfer from their fund any monies into the Stabilisation Fund.

**3.4 Deputy R.G. Le Hérissier:**

Since he referred to the Consolidated Fund, can he tell us how much is there at the moment?

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

Not at the precise moment, but at the end of 2007, it is estimated to be £32 million.

**3.4.1 Deputy R.G. Le Hérissier:**

Although they have not been openly discussed, as such, could the Minister give us his view on the role of flat taxes, which apparently are no longer as attractive as they were a few years ago?

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

My view on flat taxes is that they are in principle a very good and simple way of dealing with a complicated, or potentially complicated, tax system. The difficulty with any such concept is that while they are good in theory, people start to try to tweak them in practice, and it is the additions and imperfections which then undermine the quality and validity of the general principle.

**3.5 Deputy G.P. Southern:**

Also, at the budget meeting yesterday, I questioned the Minister concerning why there were no projections towards the year 2013 and that we only had a 5-year projection, and asked him whether he was going to produce such projections. Can he state publicly now whether it is his intention to produce such projections with whatever caveats he needs before the budget debate, because I think it is important?

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

The States' strategic policy is that we should have balanced budgets over a 5-year period and it is introducing 5-year forecasts which I think enable us to ensure that that policy remains on track. As I said to the Deputy and other Members at that presentation yesterday, forecasts 5 years into the future become notoriously difficult and unreliable, and to go still further into the future become almost meaningless. They can show perhaps a mathematical extrapolation of the present situation, but they are not figures which should be relied upon in doing any policy decisions.

**3.6 Senator J.L. Perchard:**

The Minister will know that more and more Jersey businesses are now being subject to takeovers by larger European and foreign firms; that meaning that the beneficial ownership of these Jersey businesses now being held offshore. Under the new 'Zero/10' proposals, local businesses, as I have said, will be owned by shareholders outside the Island and will be contributing nothing to the running of the Island. Will the Minister inform Members as to how he intends to get foreign-owned businesses trading in Jersey to contribute towards the running costs of the Island?

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

Yes, this has been a running sore in the 'Zero/10' debate for the last 2 years, and various proposals have been tried, and so far have proved unsuccessful. I am grateful to a suggestion made in the course of a Scrutiny Panel hearing about an alternative way to do that, and that is apparently being investigated by my officers and - if that is a goer - that would certainly be one method in which a tax from offshore-owned businesses could be achieved. At this stage, it is difficult to say whether there will be any economic imbalance or unfairness in this, but it is certainly something we are looking at fairly closely.

**3.7 Deputy J.A. Martin:**

I think it was in the budget yesterday that the Treasury Minister has identified around £1.75 million to absorb G.S.T. for low income families. Could the Minister please confirm whether this amount is moveable, and if it is moveable, by how much upwards?

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

Well, I am pleased to answer the Deputy on that one. The original calculations we had for the additional support required to protect those on low incomes from the effect of G.S.T. was £2 million. That has subsequently been refined down to about £1.75 million, but whether the

figure is £1.75 million or £2 million or a higher figure, I am satisfied that that figure needs to be paid to protect those people on low incomes and will be paid. It will be paid out of the proceeds of G.S.T., however much it takes, Sir, but I am confident that the estimate of £1.75 million gives a pretty fair and accurate ballpark figure.

### **3.8 Deputy S. Power:**

The Council of Ministers has indicated through its Strategic Plan and the Business Plan that it hopes to achieve significant growth in the economy over the next few years. Can the Treasury Minister indicate how the indicated increased indirect tax burden on individuals can be reconciled with the spending levels required to achieve such economic growth?

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

Economic growth comes primarily from export industries and revenue from outside the Island growing. The effect of indirect taxes or any form of taxes which have to be raised to meet the deficit for one moving to 'Zero/10' will have an effect on Island residents. I believe that indirect taxes will have less impact on the export economy and the revenue raising we need to achieve, primarily because all export activities are not liable for G.S.T. because, they will be zero-rated.

### **3.9 Connétable M.K. Jackson:**

In present G.S.T. proposals minimalist levels for personal imported goods have been quoted as between £100 and £500. Could the Minister confirm whether the final figure has yet been established, and if not, when this might be?

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

I am grateful for clearing-up any misconceptions that I have set a figure, whether it be £500 or £100. No figure has yet been set. I gave to the Scrutiny Panel my guess of a likely range of that figure, £100 to £500, and that has been really a combination of 2 factors. First, as far as the support of the local retailers is concerned, I want to make this as low as possible, but conversely, from the administration point of view, I am very reluctant to spend £10 to collect £3, and accordingly, Sir, that has to be resolved, and I will do that on the basis of information rather than a guess. As I am getting more information, I will be able to refine that figure into what I think will finally be a suitable figure. I accept that it will be a figure which may not satisfy everybody. That is the nature of things: that somebody wanted a higher rate and someone wanted a lower rate, but I will do that on the basis of information.

### **3.10 Deputy R.G. Le Hérisier:**

The Minister says 5 years is a long time in politics, as well as financial forecasting, and yet in his report on the Stabilisation Fund, he introduces that glowy, rosy term "sustainability". Can he tell us, Sir, what he means by the term "sustainable economy"?

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

Not in so many words, but I think an economy which is less vulnerable to shocks and excesses, whether they be high or low. I think the danger of any sudden changes in economic activity - whether they be positive or negative - tend to have detrimental long-term effects. My ambition is to have an economy which grows steadily, and which will no doubt decline in time of recession, but that in those recessionary times, this decline should be limited and offset by measures that we can take to maybe put some help into that through the Stabilisation Fund. That is the whole economic theory behind it. I accept that the practice may differ from the theory, as it is sometimes difficult to get these things spot on.

### **3.11 Deputy P.J.D. Ryan of St. Helier:**

In the past, it has often been said that when V.R.D. (Vehicle Registration Duty) was imposed that it would be replaced by G.S.T. in the fullness of time. Could the Minister confirm that in fact, in 2008, when G.S.T. is imposed on new car sales, that V.R.D. will be renamed as something else so that G.S.T. will not replace V.R.D. in the future?

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

I think the thrust of the Deputy's question is fine. When G.S.T. is introduced, V.R.D. will no longer be applied to imported vehicles. I do not think it is a question of renaming it, unless you want to call it renaming it as G.S.T., but G.S.T. is not identical to V.R.D., by any means. G.S.T. is based on the value of a vehicle, whereas V.R.D. is based on the cubic capacity of that vehicle. But certainly I can confirm that with the impact and imposition of G.S.T., V.R.D. will be withdrawn.

### **3.12 Deputy J. Gallichan of St. Mary:**

Would the Minister like to confirm please, or advise the House generally what he said at the budget meeting yesterday; that in fact, he will attempt to recoup the revenue which will be lost by the abandonment of V.R.D. by imposition of some other kind of tax?

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

I have said, Sir - and I have consistently said over the years - that the removal of V.R.D. will leave a deficit in States' revenues and it will be for the States to decide how that deficit is made up. My expectation is that could well be made up by some of the environmental tax or other measures we will be discussing over the next few months.

### **3.13 Deputy S. Pitman:**

We have been advised that where individuals have been overcharged on their income tax, they may either have this money refunded by cheque or have the amount set off against the following year's tax bill. Could the Minister confirm that as the interest on any overcharge is morally - and I believe legally - the taxpayers', will this interest also be included at any refund to be given, and if not, why not?

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

I think for many years now, taxpayers have tended to pay their tax bill something like 9 months after the end of the year of assessment in respect of incomes earned over the previous 12 months. Those taxpayers have had the benefit of not having to pay the income tax for something between 9 and 21 months and we have not sought to tax them on the deferment of their income tax revenue. Conversely, the fact that they are now paying on account as they go along, they are in fact paying the tax at the actual time it is due, and on that basis, I accept that there may be some slight overpayment. The size of the overpayment and the quantification over the 12-month period for a figure of something like £250 a year on average, over 12 months, is something like £20 a month...

### **The Bailiff:**

I am afraid your time has expired, Minister.

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

The answer is no.

#### **4. Questions without notice - The Minister for Home Affairs**

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

We come to the second question period of the Minister for Home Affairs. I invite questions for the Minister. Deputy of St. Martin?

##### **4.1 The Deputy of St. Martin:**

With a new secure unit at Greenfields about to be in operation, is the Minister minded to amend the Criminal Justice (Young Offenders) (Jersey) Law so as to enable the courts to sentence young offenders aged between 12 and 15 years of age to periods of custody, so that the young offenders may be given all the help and guidance, in the hope they will not become hardened criminals?

##### **Senator W. Kinnard:**

Members will recall that this issue was agreed and that drafting instructions have gone forward to amend that particular piece of legislation. There are ongoing discussions with our colleagues at Education as to how it will work, on the grounds and terms of the administration of the process, but the matter is in hand, as the Deputy would like it to be.

##### **4.1.1 The Deputy of St. Martin:**

Could I ask the Minister whether in fact that is the same piece of legislation that she herself; the Minister for Home Affairs; the Minister for Education at the time, I think; and the President also for Health; and the President also for Finance and Economics, all voted to reject? The same one that I had and, if so, is there any good reasons as to why there should be such a u-turn?

##### **Senator W. Kinnard:**

Sometimes I feel that the Deputy needs to be loved a little bit more, because he clearly has a bit of an issue if he wants to always tell us that whatever idea that any of us might come forward with was his originally at the time. What I would say is that at the time the Ministers rejected his particular proposition for a couple of reasons: one, that it was perhaps not meeting the criteria that we would expect to be met in sentencing such young children to custody; but more importantly, at that point, there was no actual agreement that Greenfields would be developed in the way that it has been developed, because there were no funds at that point really available to ensure that the facilities that have now been provided would be appropriate for dealing with the many issues that young vulnerable people - offenders or not - suffer in this kind of circumstance.

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

Does the Minister agree that the effect of the Marriage and Civil Status (Jersey) Law 2001 and subsequent Marriage and Civil Status (Forms, Registration Fees) (Jersey) Order 2002 was to change the form of the Register of Births to include for the first time the surname of the child, although in fact, neither the Law nor the Order specify what the surname should be, and if not, will the Minister outline her reasons for not agreeing?

##### **Senator W. Kinnard:**

Members will be probably aware from recent press reports that this has been a bit of an ongoing issue, and I would say that probably the fairest way of approaching it is to say that, in my view, the Law is unclear, and I have already expressed the wish to amend the Marriage and Civil Status Jersey Law 2001 to allow parents to choose the surname of their children,

and indeed, that parents might be able to give their children either the father's surname, the mother's surname or a combination of those two surnames. I would say, as a matter of policy at the moment, my present view is that it should be limited to one of those 3 choices, but clearly I will be consulting quite widely on this issue and will determine the final policy at the end of that consultation. The amendments would apply equally to married as to unmarried parents.

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

Does the Minister agree that the intention of the Law and the Order was to give parents the freedom to choose a name for their child and that there is, at best - as she has indicated - some uncertainty as to the basis of the Registrar's practice of effectively forcing illegitimate children to take their mother's maiden surname? If so, is the Minister willing to use her powers under Article 79 of the Marriage and Civil Status Law to refer the matter to the Royal Court for determination?

#### **The Bailiff:**

Deputy, I am not sure that was a supplementary question. I think that was another question.

#### **Senator W. Kinnard:**

It is quite a detailed question, but I think I can answer it, Sir. Article 79 does not apply in this particular context, because Article 79 can only be used in a situation where there has been an error, and an error can only be committed through either the actions of the Registrar or the Minister or someone involved. There has been no error in this situation. The Registrar has acted in accordance with the Law - in accordance with all advice on the matter - so those powers that I may or may not have under Article 79 are just not appropriate in this circumstance. If I go so far as to say that I feel and I believe that the Law is unclear, that does not equal that the Law or what was done under the Law is an error. So, in my view, and certainly advice I have received, Article 79 cannot be used in this particular circumstance and it seems to me, Sir, that it would be not an appropriate thing to do, because it would have implications which go much wider than the particular individual case that I think the Deputy is probably referring to. As a matter of public policy, I think it is right that changes should not be made on the hoof, but should be properly debated in this House.

#### **4.3 Deputy K.C. Lewis:**

I wonder if the Minister would clarify my previous question, Sir, regarding future anti-discrimination legislation. If, for instance, I had a vacancy and 2 applicants applied - one, for argument's sake, from Hungary with 5 years residency and one a Jerseyman, both of equal ability - if I were to favour the Jerseyman simply because he was a Jerseyman, would I be leaving myself open to prosecution and a fine of up to £10,000?

#### **Senator W. Kinnard:**

It is very difficult to anticipate what may or may not happen under a particular piece of legislation, particularly as this at the moment is an enabling Law that is out to consultation, and a set of proposed Regulations which is also out to consultation. Also, it is not going to be for the Minister to decide. It would be a matter for the Tribunal to deliberate on these matters to decide whether or not an individual employer had flouted the Law. I am trying to make my answer clearer, Sir, that where there are existing statutory laws or legislation, those will not be affected, and particularly in issues where we are not talking about nationality, race and colour. I know where the Deputy is coming from...



**The Bailiff:**

Minister, I must ask you to be more concise in your answer, please.

**Senator W. Kinnard:**

I understand where the Deputy is coming from, Sir, but I think it is a matter he should raise during the consultation and it is a matter I will give further consideration to.

**4.4 The Connétable of St. Helier:**

I am sure the Minister will join with me in saying how much she deplores the acts of violence that have marred life in St. Helier during the past weekend, and I am aware that we are working in partnership between the Honorary Police and the States of Jersey Police on a number of initiatives to tackle the problem. Could she, however, inform the House if she is able to say how many officers were on beat during the weekend, particularly during the evenings of Friday and Saturday, because I think there is an old-fashioned notion perhaps that the more officers are on the beat, the less likelihood there will be of these kind of acts happening which so spoil our lives in St. Helier.

**Senator W. Kinnard:**

I do not have the actual figures, as clearly, that is an operational issue as to how many will be on the beat at that time. That is information I can find out, but obviously, I do deplore the situation that has occurred over the weekend. I have to say that States of Jersey Police are already very much onto this case. They have already made arrests and this is, I think, the beauty of the way in which we have proactive tasking approaches to policing, and indeed, working in partnership with others. Clearly, this is a matter that is a concern to me, particularly as the recent figures have been showing some improvements in this area, particularly in the hot spots of St. Helier. But Members will also be aware that we have changed our way in which we have the shift system for policing, so that there are more officers on the beat, and sometimes this has a strange effect on the statistics, because they are in areas where things are happening and more arrests take place. So, it can sometimes cause a blip in the figures as well overall, so one has to look at the particular situation we are dealing with now and the instances, but I think we must put those in the context...

**The Bailiff:**

Minister, I do not think Ministers should prevent the asking of questions by not being concise in their answers, please.

**Senator W. Kinnard:**

I apologise, Sir. I will try to be shorter.

**4.5 Deputy D.W. Mezbourian:**

The Minister will be aware that the police forces in the U.K. have released figures recently of known sex offenders within their area. Will the Minister advise whether such information is kept in Jersey, and if so, when will it be made public?

**Senator W. Kinnard:**

There are differing views on this particular issue, because one of the points about sex offenders and the public knowing where they may or may not be residing has a tendency to push those individuals underground. We have a system which is working within the Island where the probation services and the States of Jersey Police are aware of sex offenders when

they return to the Island from establishments outside and so on; and I am satisfied that the systems that we have in Jersey work well for the needs of the Island.

**4.5.1 Deputy D.W. Mezbourian:**

Supplementary, Sir? I do not believe that the information that was released in the U.K. specified where sex offenders resided. The information was the release of the number of offenders within an area, and I ask the Minister whether that information would be made public?

**Senator W. Kinnard:**

The information on the number of sex offenders that are convicted of course is public knowledge. In a small Island, I think with such thankfully small numbers, it would not really be ideal, because it would be too easy to identify individuals in such a small community if we were to identify individuals leaving prison by Parish or even by the Island. I am not convinced that this would be an appropriate way and it might have the opposite effect of driving sex offenders underground and not keeping to the requirements of reporting that they presently are required to keep to.

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

Can I ask the Minister how frequently she meets with the Chief Officer to discuss policy and how frequently in the last year has the increasing violence in St. Helier been on the agenda?

**Senator W. Kinnard:**

I presume that the Deputy means the Chief Officer of Police, and indeed, I meet with the Chief Officer of Police at least on a 2-weekly basis, and the issue of violence in St. Helier is always a matter on our agenda when there is a particular circumstance such as we have had in the last weekend. The States of Jersey Police keep me fully abreast of what they are doing to deal with the matter.

**4.6.1 Deputy of St. Clement:**

Supplementary, if I may, Sir? Are any new policies arising from those discussions in regard to St. Helier?

**Senator W. Kinnard:**

Yes, Sir, a number have: changes to shift patterns and also the 'Safer St. Helier' initiative, which is a multi-Ministerial, multidisciplinary approach to dealing with issues, particularly antisocial behaviour and violence in St. Helier. That is a very new policy, which is developing very well, Sir.

**4.7 Deputy R.G. Le Hérissier:**

Does the Minister agree with the Chief Magistrate's assessment of the Rutherford Report that: (a) it was essentially the wrong person who did the report; and (b) it was not a very helpful report?

**Senator W. Kinnard:**

While the Magistrate is entirely entitled to his own view, I do not happen to share it. Professor Rutherford is a very highly respected criminologist in his field and indeed, we asked the previous Home Affairs Committee to do the report as a report to inform our thinking - among other reports - and other input from stakeholders in the criminal justice system.

#### **4.8 Deputy S. Pitman:**

May I first congratulate the Minister on her department's anti-discrimination proposals? In tackling such issues, Sir, does the Minister agree that education also is a key factor and could she explain how much work her department has carried out with education, and is she satisfied that the department is tackling discrimination issues seriously enough?

#### **Senator W. Kinnard:**

Education is an extremely important matter, not just in the very narrow field of education as in schools. That will be covered by the proposals in the discrimination legislation. We will of course be consulting with our colleagues in Education and indeed, there is the Community Relations Trust which was set up by the Chief Minister's Department, which is very much involved, not just in the narrow field of education, but in the much wider field of educating the community. I believe that working together, Sir, we will ensure that this Island has appropriate anti-discrimination legislation.

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

Could the Minister inform the House what progress has been made to date in implementing the recommendations of the most recent Her Majesty's Inspector of Prisons report?

#### **Senator W. Kinnard:**

The Senator will be aware that the implementation of that report required the development of a performance improvement plan, which is a huge piece of work, which has now in fact been completed and a presentation has been given to the Council of Ministers. We are trying to implement as quickly as possible those matters that can be done within existing resources, and very high on our agenda, of course, are the suicide prevention works. I will be giving a presentation in due course to Scrutiny Members and to States Members, so I would rather keep my powder dry, if I may, Sir, and give them further details then.

#### **The Bailiff:**

That concludes the second question period for the Minister for Home Affairs. I have no notice of personal statements.

### **STATEMENTS ON A MATTER OF OFFICIAL RESPONSIBILITY**

#### **The Bailiff:**

I have notice of a statement which is to be made by the Minister for Treasury and Resources.

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

This perhaps is superfluous, after the statement I made in respect of the withdrawal of 2 projets, but on 30th May 2006, Projet 65 was lodged 'au Greffe', and this was closely followed on 5th June 2006 by the lodging of P.68. Projet 65 seeks authority to lift the covenant which restricts the uses permitted over the larger part of Howard Davies Farm and Projet 68 proposes the sale of part of that site to the Jersey Milk Marketing Board. Since these projets were lodged, there has been further correspondence with relatives of the benefactor, T.B. Davies, and further discussions with the Jersey Milk Marketing Board. A report by Promar on the dairy industry has been commissioned by the Chief Minister's Department and the Economic Development Department in conjunction with the relevant Scrutiny Panel. This report is due for publication next month and will no doubt take a view as to whether Howard Davies Farm is an appropriate site for the dairy. The Public Accounts Committee has also commented on Projet 68. So, in these circumstances, I have decided to withdraw both projets,

which were scheduled for debate on 21st November 2006. However, the covenants and the future of the dairy remain of high importance, and I intend to lodge new propositions related to these matters in due course.

**5.1.1 Deputy G.P. Southern:**

Could the Minister state for Members what part the substantial delay in the production of the Promar report played in his decision to delay debate on this issue? I believe it was 5 weeks.

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

Yes, I think that was one element, but it certainly was not the entire elements. I think, as further information and correspondence has come to light from members of the Davies family, I have taken a broader view, in the light of fuller information.

**5.1.2 The Deputy of St. John:**

I wonder if the Minister could give any assurances that any of the land that has just been discussed will not be sold for any commercial development in the future? Perhaps that is difficult to say until you have lifted the covenant, but it is of concern to particular members of the Davies family, some of whom are present today, Sir. Thank you.

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

There is no intention on my part to release any of the land for housing or commercial development purposes, other than at the present time there is a possibility of the dairy. It is the only one that is on my horizon.

**5.1.3 Deputy R.G. Le Hérissier:**

Is the Minister aware that, irrespective of proposals that have been put forward, the dairy industry is in desperate straits at the moment and any delay is only going to serve to exacerbate the situation? When has he assured them that this matter will move forward and some kind of effective decision be taken?

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

I have given the Milk Marketing Board no assurances. I am in regular contact with the Board in respect of these matters. They fully understand the situation and they are working with us in order to achieve a successful outcome. It depends on a variety of factors and only when all these ducks are in place - metaphorically - that this will be able to proceed. One of those is the outcome of the Promar report.

**5.1.4 Deputy G.P. Southern:**

Will the Minister use his influence with the Chief Minister to ensure that the Promar report - which is quite extensive - is not accelerated by means of cutting-short the consultation period, which I believe is 4 weeks, at least? Over that report, will he use his best efforts with the Chief Minister to make sure that that does not happen?

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

As far as I am concerned, Sir, the Promar report has been commissioned by the Chief Minister's Department and the Economic Development Minister and the relevant Scrutiny Panel. It is for them to ensure that that process is carried out in a fair and proper way, and I do not intend to interfere with that process.

**5.1.5 Deputy J.A. Hilton:**

Acorn Industries currently provide work for 40 adults with learning disabilities on the site in question. Can the Minister assure the House that, in the event that Acorn Industries lose the site, every effort will be made to relocate them elsewhere?

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

I think that is rather tenuous; this particular statement, Sir. I have no suggestion that Acorn could be losing their site, but if they were to lose that site, I am sure that I and all the Members of this House would wish to relocate them in an equivalent or better position.

**5.1.6 Deputy K.C. Lewis:**

The Minister spoke of new correspondence and evidence possibly coming to light. Would he make this available to the Dairy Sub-Panel for scrutiny?

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

I really do not think that that correspondence is relevant to the economic effect of whether the dairy should or should not be on that site. It is to do with the covenant on that land.

**The Bailiff:**

I have notice of a second statement to be made on the matter of official responsibility by the Chairman of the Public Accounts Committee, which was submitted too late to the Greffier, I am afraid, for it to be included on the Order Paper.

**5.2 Deputy S. Ferguson (Chairman of the Public Accounts Committee):**

Thank you, Sir. Yes, I would apologise to the House for it coming rather late. Members will recall that the 8th amendment to the Annual Business Plan - P.92 2006 - called for the Public Accounts Committee to be asked to review the Property Plan and I also gave an undertaking that this report would be available to the States by the beginning of November. In the event, after discussion, the Comptroller and Auditor General agreed to undertake this report on the methodology underlying the Property Plan. The Comptroller and Auditor General has confirmed that the report will be available by the end of this month and will be presented to the States at that time. Since the States will not now be sitting until 7th November, the P.A.C. (Public Accounts Committee) felt that it should explain to the Assembly that this review was undertaken and will be issued independently by the Comptroller and Auditor General. Normal procedures will apply, in that the P.A.C. intends to consider the report by the Comptroller and Auditor General at its meeting of 6th November and may decide to issue its own comments. I would ask Members to delete the final sentence, not because I cannot read it, or I have forgotten my glasses, or because the P.A.C. is impolite, but because of the implication that the Comptroller and Auditor General works for the P.A.C. As this Assembly is aware, this is manifestly not the case. The Comptroller and Auditor General is fiercely and totally independent and reports only to this Assembly. I would apologise for this late amendment.

**PUBLIC BUSINESS**

**6. Goods and Services Tax: exempt or zero-rated items (P.86/2006)**

**The Bailiff:**

If there are no questions, we come then to matters of public business, and the first item on the Order Paper is “Goods and Services Tax: exempt or zero-rated items” - Projet 86 - in the name of Senator Syvret, and I understand the Minister for Treasury and Resources wishes to draw a matter to the attention of the Assembly.

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

I would just like to raise a point of order really, and that is in respect of item (e) of Senator Syvret's proposition, relating to life insurance policies. Last year, in approving Projet 44, the States agreed that it would exclude specifically financial services including life assurance. On that basis, Sir, I believe that the proposition is superfluous, in that the States have made a decision; it should not make that decision twice. I ask that section (e) be deleted as being repetitive.

**Senator S. Syvret:**

I am happy to agree with that on the Senator's assurance.

**The Bailiff:**

Very well. Well, if Members will be kind enough to delete sub-paragraph (e) on their propositions as being superfluous and in error, and Senator Syvret, you would like presumably to move your proposition as amended by yourself?

**Senator S. Syvret:**

Yes, I was going to ask your guidance for that procedurally. I was hoping that, rather than having to use separate debates, we could just take the amendment as read.

**The Bailiff:**

I think we will ask the Greffier to read it, if he will, but I think I will ask you to move your proposition as amended by yourself. So, I ask the Greffier to read both the proposition and the amendment.

**The Greffier:**

The States are asked to decide whether they are of the opinion to refer to their Act dated 13th May 2005, in which they approved the introduction in 2008 of a broad-based Goods and Services Tax at a rate of 3 per cent fixed for 3 years, and to agree to vary that decision in order to exempt or zero-rate the following items: (a) basic foodstuffs; (b) medical services and products; (c) education fees; (d) childcare costs; (f) books and newspapers; (g) children's clothing" and after paragraph (g), insert: "(h) domestic energy and fuel.

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

Before the Senator makes his address, could I declare an indirect interest, in that I am a director of one of the church schools and a governor of another. Although it is not a direct pecuniary interest, I do appreciate that some Members may think that I have a conflict here. Accordingly, I will not be speaking at all about educational fees and I will abstain from voting on that particular item, Sir.

**The Bailiff:**

Thank you, Senator. It is obviously open to any Member to declare such interest as he feels he ought to declare and that will be noted. I am not sure that as a matter of fact Standing Orders require you not to vote on this particular matter, because it is not a matter in which you have any personal financial interest, but if you wish not to participate, that of course must be a matter for you.

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

Thank you for your guidance, Sir.

**Senator J.L. Perchard:**

Before the debate begins, I would like to inform Members that I have interests in 2 businesses that are involved in the production and the sale of basic foodstuffs. However, as I have no direct pecuniary interest in the outcome of this debate, I intend to remain in the Chamber.

**The Bailiff:**

Thank you, Senator. The Greffier will note that interest as well.

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

I do not have difficulty here. Some people will have children going to private schools. I do not know whether they will have declared an interest. I do not have any children going to private schools, but my wife does suffer from a serious illness, which obviously this will have an impact. So, I think I ought to declare an interest in that.

**The Bailiff:**

Very well. Well, as I say, it is open to any Member to declare an interest if he feels that he or she ought to declare.

**Senator M.E. Vibert:**

I think the point raised by the Deputy of St. Martin about private schools is worthy of a ruling of yourself.

**The Bailiff:**

I am sorry. You are quite right, Senator. No, I do not think that any connection which any Member might have with a private school in that respect is material and needs to be declared in the context of this debate.

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

My declaration is similar to Senator Le Sueur's. I would like to declare an interest in that in my role as an accountant auditor, I have in the past prepared or audited accounts for 3 of the schools that will be affected by G.S.T. potentially. Accordingly, I will not be speaking on the subject and will be abstaining on that part of the proposition as well, Sir.

**The Bailiff:**

Perhaps I might just remind Members of what Standing Order 106 says. That is: "A Member of the States who has or whose spouse or co-habitee has an interest in the subject matter of a proposition must (a) if it is of direct financial interest, declare the interest and then withdraw from the Chamber; (b) if it is not of direct financial interest, but of financial interest which is general, indirect or shared with a large class of persons, declare the interest; and (c) if it is an interest which is not financial, declare the interest." But those latter interests do not require Members, in fact, to withdraw from the Chamber nor to participate in the debate.

**Senator B.E. Shenton:**

I wrote to the Greffier of the States yesterday in order to clarify my position in this debate with regard to my directorship of the Channel Islands Co-operative Society. As my remuneration for this work is fixed and not performance-related, it was agreed that there is no conflict of interest as defined under the Standing Orders and I therefore intend to participate in the debate.

**The Bailiff:**

Thank you, Senator. The interest will be noted by the Greffier.

**Senator W. Kinnard:**

I have an interest to declare in the area of basic foodstuffs, by the nature of my husband's involvement as a lawyer. It is again very similar. It is not terribly direct and it certainly is not performance related, so I intend to remain in the Chamber.

**Deputy C.J. Scott Warren:**

My husband and his office - a small team - do evening classes. I believe that my husband is not remunerated personally; other members of his staff may be, but I feel I should declare that. Also, I feel I should also say that I do run a small charity, and obviously, although that is not debated here, implications for these exemptions could mean that other such charities are also going to be affected.

**The Bailiff:**

Very well. Senator Syvret?

**6.1 Senator S. Syvret:**

Before the debate begins, I should declare that I have a Co-op number which I use when shopping. **[Laughter]** I do not believe it is a particularly significant pecuniary interest, but I should declare that in any event, given that the Co-op have entered the debate. Often when I stand here or I am sitting here listening to other Members, I look for support and inspiration to that smiley face that a workman anonymously drew on the dust in the skylights above us. It is good to have a smile put upon us from the public. I have to wonder whether they will still be smiling after the debate today. I do not normally write speeches, but I have done on this occasion, because the matters are of some complexity and of some importance. Indeed, I was up until 3.00 a.m. this morning working on the speech, for which I must thank the moral support of Sydney, the cat. Senator Perchard said on the Sunday phone-in that he hoped this debate would be based on the facts, rather than emotion. That is a sentiment I certainly endorse. During this speech, I will be exploring the facts, such as the fact of a higher rate; the facts of the vulnerability of our other tax mechanisms; the fact that that vulnerability will drive G.S.T. upwards; the fact that we, until today at least, are entirely happy to start taxing pensioners' medicines and the food on people's tables, while accepting that multimillionaires can pay zero tax in Jersey; the fact that, even today, we have no clear detail as to the winners and losers under income support; the fact that Jersey has economic and benefit differences that make it a very different place from New Zealand; the fact that it makes no sense whatsoever to begin taxing healthy foods; and the fact that taking money out of the Health Insurance Fund and giving it to the Treasury as G.S.T. does not represent an effective use of that resource, when we desperately need to invest in general practice and primary care. That is, I think, enough to be getting on with for the moment, although I may think of some others in the course of the debate. The subject matter of this debate is not, in fact, complex. The issues are readily grasped and understood. If we are being honest, we know that either approach to G.S.T. would work: the flat-tax approach favoured by the Treasury or the system of exemptions that I propose. Indeed, the Scrutiny Panel appear to have come to a very similar conclusion, saying in their report that they believe: "The decision whether or not to apply G.S.T. to these items involves a large degree of political judgement. It recognises that for some States Members, the pros and cons of a decision to zero-rate certain items and remove them from the tax base will include a moral perspective as well as a purely economic perspective." Given that both approaches to G.S.T. would work, we have the comparatively



rare luxury today of making our decisions largely on the basis of which philosophical perspective we prefer. Some Members will agree with the flat-tax approach of the Treasury and see no problem with placing a tax upon people's fresh fruits and vegetables, medicines, nursing home fees and dental treatment; a tax that will barely register with the better-off. Alternatively, some Members will agree with me that we should not tax these basic life essentials and instead look to raise a little more revenue from those who could afford to pay more. The fact is we have a choice today. We do not face one of those questions where really there is no choice. I will start by dealing with the arguments that the Treasury relies upon in opposing exemptions and explain why those arguments are largely without merit. There are in essence 3 lines of attack used by the Treasury and those who share their views. First, it is argued that the complexity and cost of having exemptions is prohibitive. Secondly, it is argued that poorer people in our society will be protected from the effects of G.S.T. by income support; and thirdly, it is argued that the actual cash benefit delivered to poorer people by exemptions is so slight as to be not worth bothering with. I will address each of these arguments in turn. Complexity: first, the supposed complexity and cost of exemptions has been grossly overstated by the Treasury. I have always been of view, and it is an opinion shared by the Scrutiny Panel which states in its report: "In summary, the Committee concludes that the compliance costs of zero-rating food as an issue is grossly overstated, particularly in the context of the huge increase in compliance costs associated with the introduction of G.S.T." The Committee went on to make reference to the views of a professional computer services provider and I quote: "Overall, Mr. Smith felt that from an I.T. perspective, the additional cost of implementing systems which catered for the zero-rating of basic foodstuffs would be negligible, given that businesses would need new or updated systems to cater for the introduction of G.S.T." Members might also wish to note the views of the Managing Director of the Channel Islands Co-operative Society, who said in his letter to all States Members: "It is inevitable that the significant cost of collecting the tax on behalf of the States will increase costs. We believe that it is only equitable that, where possible, these costs are minimised by keeping the mechanics of G.S.T. simple. Within retailing, our computer packages tend to be U.K. packages adopted for local circumstances. With regard to exemptions, it could be very beneficial to model any exemptions on the U.K., as we could then accommodate the collection of G.S.T. within our present system." He also had this to say elsewhere in his letter: "While it is true to say that the U.K. model is complex, it is also true to say that in the food market all the likely challenges have already been made and we can link into a proven model." All of these quotes are made with reference to food, supposedly the most complex of exemption areas. Similar analysis applies to all of the other areas of proposed exemption, where the supposed complexities are widely acknowledged to be less than those associated with food. The proposition refers to basic foodstuffs. The definition is deliberately not drawn tightly, as this is the kind of detail we go into in the Regulations. By not attempting to be exact at this stage, we allow for the participation of stakeholders in refining the proposals. However, let me suggest 2 possible approaches that we might take. We could go with the professional health guidance and introduce a zero-rating for those purely healthy foods and, contrary to the increasingly desperate flounderings of the opponents of zero-rating, healthy foods are very easily defined. Members will find on their desks, I hope, among the photocopies which I asked to be distributed, a list of healthy foodstuffs, which I will read out. May I ask the usher? I did hand this in to the bookshop this morning and ask that it would be photocopied and handed out to Members. In general terms, the healthy foods would be fresh fruit and vegetables, including potatoes, natural fruit juices and smoothies; skimmed and semi-skimmed milk; low-fat cheeses; bread of all types; fresh and dried pasta; breakfast cereals with no added sugar or salt; rice; fresh and tinned fish; poultry, lean meat, pulses and fresh eggs. Some examples of obesegenic foods are also listed - the kind of foods

we would like the tax to be on - confectionery, sweets and chocolates, cakes, biscuits, crisps, salted nuts, full-fat cheeses and full-fat dairy products, soft drinks - especially sugar/fizzy varieties - chips and deep-fried frozen potato products, pizzas, pastry and battered products, processed meat and takeaways. The interesting point about this list is that it, in fact, fits on a single side of A4 paper. It is certainly true that this approach would be novel and somewhat more challenging for retailers. However, if we are interested in being farsighted, we must not be afraid of novel policies. The second approach would be to adopt the U.K. V.A.T. (Value Added Tax) system of zero-ratings. This would be very easy for retailers. Many local chains are already part of purchasing groups and 99 per cent of what we buy comes from the U.K., where everything is already bar-coded for V.A.T. application. Contrary to claims that are made - i.e. that the U.K. system of V.A.T. would be difficult - we can see, given the particular circumstances of Jersey, that the V.A.T. approach would fit-in with our trading arrangements and habits extremely easily. Members do not have to take my word for this; just refer again to the letter from the Co-op. I do not propose to spend further time on the issue of complexity and cost. There is simply no need, as this is the weakest of the contentions advanced by the Treasury. If an argument about gingerbread men or Jaffa cakes is the best they can do, when, as we have heard from the major food retailer in Jersey that the arguments were settled long ago and the systems are proven, we really have to ask just how seriously they have thought about the issues. The evidence shows that arguments as to the complexity of exemptions are grossly overstated and heavily overplayed, especially when we consider that the Treasury are proposing certain exemptions of their own. The issue of alleged complexity is clearly so diversionary and irrelevant that it really need not detain us. Turning now to income support: we know that income support has a vital role to play; that it is - even with exemptions to G.S.T. - the first-line protection that poorer people will turn to. Zero-rating has never been intended as some kind of substitute for income support, although opponents of zero-rating - in the absence of any real arguments - insist in setting-up that particular straw man. The question we need to address is whether income support should be the only line of defence. Those who oppose zero-rating cite income support as the great panacea for all social symptoms of deprivation. We know that a substantial sum of money is going into it and even this has been topped-up a little recently. However, do we know if it is enough? Consider: we know the broad principles; we know the size of the budget, although there may be some pressure here; and we know that it is to be a more targeted form of benefit than that which it replaces. But are we in a position to make an informed judgment as to the reality of the efficacy of income support in the absence of key and fundamental data? To be able to completely gauge whether income support will protect people to our satisfaction, we need to know the thresholds, the qualifying incomes, the cut offs, the effect of different household circumstances, the exclusions, the claw backs, who will be the winners and who will be the losers. It has to be noted that both Social Security and the Treasury have been asked for this information, not by one, but now by 2 Scrutiny Panels. Those Panels were not successful in extracting that information. I too tried to acquire this knowledge by asking questions by email. I too was unsuccessful. This has to be a deeply disturbing state of affairs. After all, this is the key issue. We are told: "Do not vote for exemptions because income support will protect everyone" yet in order to be sure of that, we need the detailed information I have described. The absence of this information is so serious that under normal circumstances I would have pulled this debate until the information was made available. It is the key data. We simply cannot make a competent decision today without it. However, due to the circumstances we find ourselves in with G.S.T. having to be in place in 2008, I accept that we must resolve these questions now, even though proceeding on the basis of a variety of unsubstantiated claims for the purpose of the usefulness of income support seriously disadvantages my case. It is claimed that taking some of the money from G.S.T. and putting it into the income support budget is some kind of

a caring social policy, which we should not risk jeopardising with those nasty zero-ratings. But this argument is surely put to us standing on its head. How can it be remotely considered equitable to put money toward support by raising it in the first place, largely by a regressive tax, which is disproportionately burdensome on the poor? The very notion is utter nonsense. In a fantastically wealthy community which has, like us, a yawning chasm between the haves and the have-nots, we should be sharing the Island's prosperity with the less well-off; and we should be doing that with policies of wealth redistribution - namely a progressive approach to taxation - so that those who can afford to pay a little more contribute proportionally according to their means to the costs of society. I really wonder whether people think about these arguments before making them. At a time when our failure during the decade for eradicating poverty is starkly exposed, the notion that we must tax the poor to help the poor is both tragic and risible. But even if we accept, for argument's sake, that income support will help all those who struggle under the cosh of G.S.T., how sustainable will this situation be in even the medium-term? It is by no means clear now that the allocated budget is sufficient. So what happens when the rate of G.S.T. is inevitably raised - when the burden becomes ever greater on the poorest - when, as a result of G.S.T. increases, more and more people come into the income support net? At times of economic downturn, when the number of claimants goes up, where are all those extra millions of pounds going to come from? They will come from further taxes on the poor if we accept the bizarre Kafkaesque, catch-22 position of the Treasury: "You have to pay your tax on your food and your doctor's bills, so that we will have enough money to help you with the cost of paying the tax on your food and doctor's bills." You really could not make it up. I will turn now to the practical effect of zero-rating. Here I address the issue of the size of the cash benefit to poorer people that results from zero-rating. It is argued that the cash gains are negligible, and therefore, not worth bothering with. It is certainly true that the cash benefits of zero-rating are slight - at least with a rate of 3 per cent - but as I will explain in detail later, the rate will never stay at 3 per cent. It is also argued that the cash benefits of zero-rating do not improve substantially as the percentage rate of G.S.T. is increased. Again, there is a different analysis we can make, which I will return to further on. But even confining our analysis to low cash amounts, how qualified are we to scorn a few pounds? It is certainly very, very hard to have to listen - as I have done previously - to Members of this Assembly dismissing £20 here or £40 there as to be so slight as to be irrelevant, when such a substantial number of States Members are cash or property millionaires; in many cases, both. It is certainly the case that most Members of this Assembly have never had to contend with problems such as wondering if you have enough change left in your purse to buy a loaf of bread for the children's toast, nor whether you have a few coins to put into the electricity meter. Most Members of this Assembly have no concept or personal experience of what it is to really struggle and endure hardship. The make-up of this Assembly reflects largely a background of privilege and comfort, rather than any correlation with the make-up of our community. It ill behoves Members of this Assembly to pour scorn on the practical value of a few pounds before, in many cases, heading back to their expansive homes in the countryside. In my report, I fully accepted that the revenue lost by zero-rating would need to be recovered in some other way. I did also say that raising the rate of G.S.T. was not my preferred option. It is certainly one viable response, but I believe in a society so awash with wealth, we really should be looking to more progressive taxes targeted at those who can clearly afford to pay a little more, rather than resorting to racking-up the rate of an inherently regressive tax such as G.S.T. As Members will have read, the Scrutiny Panel which investigated this matter have taken as a given the desire to raise a fixed sum of £45 million through the sole mechanism of G.S.T. That the Panel should have taken this view and this working assumption is entirely understandable. That objective is, after all, the present policy of the States. So when Members read the Panel's report - for example, pages 60 through to

70 - we see a number of charts which show the range of savings arising to families with zero-rating at a rate of 3 per cent, and further charts which show the saving at a number of higher potential rates, all the way up to 15 per cent. Again, it is not surprising that the cash savings accrued to families through zero-rating do not become substantial. But these calculations are based upon an assumption of keeping the yield of G.S.T. at £45 million. The Panel has accepted as a given the Treasury policy of clawing-back savings delivered by zero-rating through the rigid mechanism of simply raising the base rate above 3 per cent, thus restoring the overall burden on G.S.T., albeit with the protection of certain items now being zero-rated. When you look at the charts I referred Members to, you will see that each one of them has the bracketed caveat: "Yield remains constant." In calculating the overall savings to families of zero-rating, the panel has built in a factor for the increased burden on families of a raised base rate of G.S.T. to pay for the exemptions. This methodology used by the Panel, while perfectly justifiable, results in a swings and roundabouts scenario, in which the cash savings accruing to poorer families with exemptions are substantially eroded by the greater cash cost of the higher base rate of G.S.T. on all other purchases. Under this approach, we would be giving with one hand and taking with the other. It is for this very reason, as I said in my report, that raising the rate of G.S.T. is not my preferred option. In essence, we would simply be retaining a similar regressive tax burden. Instead, we should make up the resultant loss of G.S.T. revenue, if we agree zero ratings, through other more progressive tax measures. The Scrutiny Panel in this section repeatedly point out that zero-rating will not be sufficient to really protect the poor from the effects of G.S.T. For example, they state on page 65 - the charts show clearly - that as the rate goes up, the amount in cash terms save the household also goes up. However, the effect of zero-rating as a proportion of the household's total G.S.T. bill is still very low. They go on to state at the end of this section that, and I quote again: "On this evidence, zero-rating seems completely inadequate to deal with the impact of G.S.T. on low income households." Indeed this is of course true, if we were looking to replace income support by applying zero-ratings. But that has never been the purpose or contention behind zero-rating. Zero-rating is not put forward as some kind of substitute or replacement for income support. Therefore, the arguments as to the supposed inadequacy of zero-rating in providing substantial protection to the poor simply - and, I think, deliberately - missed the point. The purpose of zero-rating is simply to act as a little help, a little further assistance to those on lower incomes, both as means of complementing the benefit of income support, and indeed, providing a little relief to those not quite poor enough to qualify for income support. So, we have to ask, given that great things are expected of income support; given that there most certainly are a great number of people who need it, how much sense does it make to erode the available sum of income support by using it to support people we will have brought into the qualifying bracket by dint of putting this G.S.T. tax on their essentials? Rather than setting-up this ludicrous circular process, why do we not keep a cohort of people from needing income support by having zero-ratings? The money that we did not then have to spend on income support could be directed to better benefits for the really poor. The Scrutiny Panel repeatedly suggest that income support may not be sufficient in any event to properly protect the poor. Indeed, they explain at a number of points just how the overall burden of the G.S.T. total is regressive and will impact heavily on poorer people. Surely, if this contention is correct, we need to minimise the draw on the income support budget for compensating for our G.S.T. and instead redirect the resource to increasing the protection available to those who already really need it. The Panel has assumed in its calculations that the yield remains constant; that is delivering £45 million in revenue. What happens when G.S.T. has to rise to more than £45 million, when it has to raise perhaps £80 million or £100 million? When the yield is no longer constant, but required to be substantially greater, what then of the burden on poorer people? For let us make no mistake, even at a yield of £45 million, the G.S.T. is still a substantial burden on low

income families. I do not plan to spend a lot of particular time addressing the merits of each of the exemptions that I propose. I believe that the merits or demerits of each item are readily understood by Members and when the time comes to vote, I will ask that the vote be put separately on each item. I will just touch though upon the health issues. I have forwarded to Members a substantial number of letters and emails from the Island's doctors. I will not repeat every point here. I trust that Members will have read them. I will just say this: good standards and availability of healthcare are the hallmark of civilised societies. There is not one of us here who has not needed healthcare for their families or themselves. If Members imagine for one instant that the people we serve want us to start taxing healthcare, then we truly have entered the realms of the absurd. If Members are not simply persuaded by the basic ethical argument, let us turn to the evidence. Study after study shows that poorer people tend to have less good health and that the barriers to healthcare they face are often financial. Given that we do not possess the kind of social benefits we might find in many E.U. countries or New Zealand, for example, how much sense can it make to put yet another obstacle between people who need care and the clinicians who want to care for them? We must - and by this, I mean Western societies in general - sooner or later grasp the nettle of preventative healthcare. If we persist with business as usual, the epidemic of such chronic diseases as obesity and diabetes will overwhelm our societies: catastrophe from both the personal and the political perspective. The very idea that we should begin taxing healthcare or healthy foods at this moment of history is utter madness. It would be a profound error that future generations will curse us for. Members need to reflect on the consequences of the decisions we make today. Remember that the flat-tax approach with no exemptions looks very simple and elegant to most of my colleagues on the Senatorial benches, but many of us will not be here in a few years time. Some of us will have retired and sailed-off in our gin palaces. **[Laughter]** When the hard times come, and we are going to have to close schools and hospital wards, unless we raise more tax to pay for them, when that time comes for those Members of this Assembly who like to imagine themselves as being here for a few terms, they will have no choice other than to raise G.S.T. to 10 per cent, 15 per cent, whatever per cent. What then? Who will be carrying the can for a system with no exemptions? The notion that using the health insurance fund to solve the health and social care issues is so obviously hopeless as to be scarcely worth bothering with. Firstly, is the proposal to draw on the Health Fund in order to pay the Treasury its tax demands sustainable? How long can this go on? What happens when the rate rises beyond 3 per cent? Can this approach work when the rate is 5 per cent or 10 per cent? Given the need to increase the role of general practice and primary care, can we say that spending the Health Fund in this way is a good use of a valuable resource? To this last question, I can say certainly not. But in any event, the Health Fund will only cover doctors' consultation fees and prescriptions. Every other paid for health and social care service will have to levy G.S.T. Already in Jersey, the evidence shows quite clearly that poorer people have worse dental health; hardly surprising, given the astronomical costs involved. Are we really supposed to even give the time of day to taxing this kind of treatment? It is utter lunacy. We have already seen that the claims of great complexity and cost in zero-rating food are wild exaggerations that simply do not stand up to analysis, and food is the most complex of all of the areas of exemption. When we turn to health and social care, we are dealing with an even easier area to zero-rate. Of all of the proposed zero-ratings, the Treasury position on healthcare is mind-bogglingly misguided. We can turn to their own suggested proposals to see just how weak and frankly silly their position is. The Treasury and others claim - and this is really the heart of their argument; bear in mind this is the main argument they will put to Members today to try and defeat exemptions - that we should not zero-rate healthcare costs because to do so would be complex and expensive and would not represent the focused targeting of support. But hold on a minute, what is this? The Treasury want to zero-rate

domestic property repairs and maintenance? So let us try and get this straight: if you are a pensioner, a student, a person with low income, you will have to pay G.S.T. on your already very expensive dental bills. The cost to zero-rate healthcare will be too complex, according to the Treasury. But yet, the very same Treasury is happy to suggest the zero-rating of property repairs, quite regardless of the significant complexities involved, and quite regardless of whether the homeowners - many of whom will be very wealthy - need the benefit. Well, talk about double-standards. The inconsistency is truly startling. Let me quote what the Scrutiny Panel has to say of the complex and anomalous property repair proposals of the Treasury: "In the Sub-Panel's view, there may be anomalies arising from the Treasury's position on zero-rating maintenance and repair. For example, it is unclear whether zero-rating would extend to gardening or swimming pool maintenance. If so, then it is clearly an unfair benefit to the wealthy. If these are to be excluded, then a boundary will have to be drawn, in which case, why can it not be drawn to exclude all maintenance?" The Sub-Panel suggest that the zero-rating of maintenance and repair will create inequity; people who are wealthy enough to have their work carried out through registered businesses will have the benefit of zero-rating, notwithstanding the margin that companies will put on materials, while the D.I.Y. (Do-It-Yourself) person will pay G.S.T. on all expenditure at the standard rate. The Sub-Panel also believes that the Treasury's position in this regard is inconsistent with its position on zero-rating basic food. It proposes zero-rating of repairs and maintenance on the grounds that it is difficult to establish definitional boundaries, but at the same time opposes zero-rating food because of the definitional problems which would arise. The Treasury really cannot have it both ways. They cannot propose zero-rating for building maintenance while opposing the far simpler and more needed zero-rating of healthcare. I put it to Members that this Assembly will look completely absurd if we vote today to begin taxing medicine on the one hand, while zero-rating the repair of conservatories and swimming pools. But this argument does not apply only to healthcare or food; we could make the very same comparison with each of the other proposed exemptions. One moment the Treasury state that zero-rating is too complex and not an effective targeting of benefit, the next they propose exemption to their own, which appear torturously complex, and in large measure, principally of benefit to the wealthy. I wonder how that happened? What are we to make of this state of affairs? What we see is an astonishing mutation of the Treasury position; a truly remarkable political flip-flop. Zero-rating is supposedly complex and not cost-effective with the proposals before us today, yet amazingly, it suddenly becomes just fine when it is a zero-rating proposed by the Treasury. We can see that zero-rating is perfectly feasible. After all, if it is good enough for the Treasury, then it must be good enough for us. We can see from the comments at the Scrutiny Panel that the alleged complexities of zero-rating food have been grossly overstated and the letter from the Co-op which confirms that zero-rating food, even under a U.K. V.A.T. definition, is simple for them, as the issues were settled long ago, and the business systems are proven and ready to plug in. Let us face it, as the Channel Islands' largest food retailer, they will know a little bit about the subject; obviously not quite as much as Senator Ozouf. I think the conclusion to draw is quite obvious. When we get below the diversionary flim-flam of the opponents of zero-rating, when we see beyond the obfuscation with irrelevancies, we get to the true sub-text of what is really going on. The real aim is to ruthlessly maximise tax revenue from G.S.T. This approach has 3 objectives: first, to maximise G.S.T. take at the outset, thus fending-off the need for more progressive tax policies; secondly, to enable cultural acceptance of regressive, indirect taxation, with a view to reducing direct taxation in the long-term; and thirdly - and in some ways, most significantly - the objective is to make sure that the less well-off people in our society really notice and feel the burden of paying for the public sector. It is hoped that by putting the poor under the financial cosh, we will cure them of expectations of high standards of public sector service provision. In order to vote

against the exemptions today, Members will need to be satisfied within themselves that there is a strong likelihood of the rate of G.S.T. remaining at 3 per cent or thereabouts. The States Assembly is sometimes described as “that place at the Royal Square surrounded by commonsense.” I am reminded of that gentle mockery every time I discuss G.S.T. with members of the public. Over the last 2 years or so, I have spoken to people from all walks of life about G.S.T. - literally dozens and dozens of people. The range of opinion too has been extremely diverse: some have supported sales taxes; some have opposed it on principle; some have supported exemptions; some prefer the flat-tax approach favoured by the Treasury, but without exception, every single one of those members of the public, regardless of their views, has accepted simply as a given, immutable fact that the rate of G.S.T. will be increased: that after a few years, once we have had the chance to get used to it, the rate will begin its inexorable rise. Indeed, the only people I have ever heard denying that reality are a small number of States Members. I have little doubt that the vast majority of people following this debate know full well that any realistic assessment of the medium-term effects of G.S.T. must be based on a recognition of higher rates, perhaps substantially higher rates. To imagine a fixed low rate is to delude ourselves and to fail the public. There are many possible reasons why a future States may want to raise the rate; they may have no choice. I will not attempt to run through all of those scenarios, but I will just mention a couple. It is becoming increasingly clear that the States face a structural failing and misalignment in respect of public finances. The evidence increasingly forces us to the conclusion that the States simply have insufficient taxation revenue to pay for all of the things that we need to deliver in a modern, 21st century society. This is of course a radical assessment. After all, we are very familiar with the fact that States’ finances are under great pressure, and even more familiar and used to simply accepting unquestioningly the received wisdom that any such problems are the fault of the States for wasting money and not being efficient enough. Many people, including many States Members, believe almost as an article of faith that any pressure on public finances are because we inappropriately spend money. Few people indeed readily come to the conclusion that these financial pressures are because we are simply not raising enough tax. Now, the response to the suggestion is of course very predictable. We will no doubt hear some Members today dismissing such talk as some kind of obsolete old Labour approach to tax and spend; the discredited policies of the 1970s. I do not advocate that approach. What I want to ask of Members is that they make a dispassionate assessment of the evidence. In a report accompanying my projet, Members will find the following information, which was supplied to me by the Economic Advisor to the States. This table lists the tax take as a percentage of G.D.P. (Gross Domestic Profit) in a number of different jurisdictions. The figures are E.U. 15 average, 40.6 per cent of G.D.P.; O.E.C.D. average, 36.3 per cent; U.K., 35.8 per cent; U.S.A., 26.4 per cent; Guernsey, 26.8 per cent; Isle of Man, 40.7 per cent, but Jersey, pre-tax changes, 21.8 per cent, and post-tax changes, 20.9 per cent of tax take in G.D.P. These figures were supplied to me by the Economic Advisor to the States a few months ago. These figures show that the tax take from the Jersey economy is lower than Guernsey and the Isle of Man, both before and after the changes to the taxation system; indeed, even lower under the proposed changes and very substantially lower than the European Union average. This evidence demonstrates the true nature of the minimalistic tax structure in Jersey. It is estimated by the Treasury themselves that the combined cost of all of the exemptions I propose would be only in the region of £6.5 million. Are we seriously trying to pretend that with such a low tax take, compared to other jurisdictions, we do not have the scope for finding this money through progressive taxation? The idea is manifestly nonsense. The truth is that, far from being some kind of mutant offspring of Denis Healey, Jersey has in fact tended to the opposite extreme, although one could be forgiven for not realising this, given the disproportionate influence on the discourse by self-interest groups such as the I.O.D.

(Institute of Directors) and the Chamber of Commerce, though in fairness to the I.O.D., about one-third of their members present are mostly in agreement with my argument that Jersey is an under-taxed society. Given that profoundly unexpected level of support, I guess I will have to forgive them for expunging any reference to my participation in the annual debate in their newsletter. This was reminiscent of Stalin having Trotsky airbrushed from the photos in an attempt to remove him from history. [Laughter] I wonder if I should read anything into that? If one can find such support for the view that Jersey is under-taxed among a group of people from which one might well have expected zero support for such a view, surely the States must at last start considering the possibilities. Jersey introduced income tax in the 1920s. Since then our tax system has been highly stable, with few - if indeed any - substantive changes from those days, until recently. We have therefore grown very used to taxation stability. What I want to ask Members to do - something the States have rarely been good at - is to look into the future, to take the long view and make a real assessment of the strategic issues faced by our economy and the tax revenue we take. I put it to the Assembly that the new taxation measures are unlikely to be robust and stable, even in the medium-term. Indeed, I suggest that any dispassionate consideration of the evidence suggests that stability and resilience within our new tax system is in fact most unlikely. Why should this be? With growing instability in the world, with a looming permanent energy crisis, with seriously aging populations, with unmatched labour competition from the economies of China and India, it is plain that Western countries of the European Union will have to take - again and again ever more draconian actions to protect their tax revenue streams. Even if at the moment they are ideologically in favour of tax competition, they are simply going to have no choice. They will not be able to watch their countries slide into poverty and chaos while tax revenue floods out to offshore centres. But even setting aside such external threats, we can draw similar conclusions in respect of internal pressure; for example, a number of people in the finance sector have said to me that if we as a jurisdiction are serious about maintaining our attractiveness and competitiveness as a world finance centre, 'Zero/10' can only be regarded as a staging post; an interim measure on the path to 'Zero/10'; the 10 per cent tax on finance businesses scrapped, so that they have the same cost base as that available to them in some competitor jurisdictions. In truth, you can see the logic of their argument, given that it has long been accepted by the Treasury and the States that being competitive is vital to Jersey's attractiveness as a place to do business; it is extremely difficult to argue with their rationale. If competitiveness remains a key imperative, we have then to accept the remorseless inevitability of zero tax on finance corporates. That zero sum gain can be the only rational outcome, as long as you accept - as the Treasury has done - the appropriateness of being a competitor in what is a race to the bottom.

**The Bailiff:**

Senator, I am sorry to interrupt you, but do you want to find a convenient moment to make a break in your address to the Assembly, or do you wish to continue to the end?

**Senator S. Syvret:**

I think I would prefer just to conclude, Sir. We are getting there.

**The Bailiff:**

As long as Members are content to agree. Can you give the Members an estimate, Senator?

**Senator S. Syvret:**

I will be 5 or 10 minutes. So what must we draw from these inescapable realities of the milieu in which Jersey now finds itself? We must recognise that the long decades of stability and



resilience within our tax structure are now over. We must accept that, by any dispassionate and prudent assessment, we have to plan for things to get harder, not easier. Indeed, when we consider the national and international pressures, we find that there is alarmingly little evidence to support the complacent view that everything is going to be fine and secure. It does, in fact, require a conscious and wilful act of obtuseness to ignore the evidence. I put it to Members that the States having to increase the rate of G.S.T. is an inevitability. It is going to happen; it is inescapable and it will not be simply an increase to maintain yield - the gross amount will need to go up. For that reason, we simply cannot make our decisions today on the basis of a rate of 3 per cent. To do so would be quite irresponsible. Instead, we must make our decision on exemptions, with the clear understanding in our minds that we are talking about rates higher than 3 per cent; 5 per cent, 10 per cent, 15 per cent, 17.5 per cent to match the U.K. - like the Isle of Man has. These are percentage rates of G.S.T. it is entirely feasible to imagine prevailing in a decade or so. When this happens, Members of this Assembly will not be able to say it was not warned. When considering the impact of G.S.T. in the medium and long-term, Members must now face, here today, the likelihood of rates of G.S.T. substantially higher being levelled upon people's basic foods, medicines, children's clothing and care home fees. Be under no illusion: this outcome is what Members will be endorsing and supporting if they vote against the exemptions. But if this happens, the opponents of zero-rating suggest we can introduce different rates, thus keeping the G.S.T. on essentials at a lower rate. I would like to draw the Members' attention to the photocopied page I produced, which shows a comparative table of jurisdictions and their approach to sales taxes and exemptions. The same table is in the Scrutiny Panel report. This information was originally compiled by the Treasury and produced in their comments on my last attempt to secure zero-rating. Perhaps they did not think carefully enough about this information before releasing it; perhaps they hope that we are forgetting about it. This information was produced to show that very few jurisdictions had zero-rating on their sales tax. It certainly shows that, but it also shows that while zero-rating may be rare, what we in fact discover is that the great majority of these countries have differentiated rates. They may not have a zero rate, but if the basic rate of sales tax is 15 per cent, healthcare may be at 5 per cent, food at 10 per cent and so on. This is of great importance to our decision. Of the 27 total countries listed there, 25 of them are European. The vast majority of them zero-rate healthcare and yet have differentiated rates for many other products. Some advance the argument that we should not agree to zero-rating now; instead go for the flat tax and if we do have to raise the base rate of G.S.T., then we will introduce different rates, such as keeping the tax on healthcare and food at a lower level than base. But this argument is fundamentally and completely incompatible with their other argument that what we must do is keep things simple. If it is generally imagined that, if the rate of G.S.T. has to rise, we will keep the essentials at a lower rate, then we have fully admitted all of the supposed complexities of zero-rating. You are faced with the same issues of definition and type and administrative complexity that is supposedly attached to zero-rating. But as the Scrutiny Panel has pointed out, different rates are at least as complex to administer; almost certainly more complex than zero-rating. After all, if you have G.S.T. at a general rate on most things, but with a few items at zero rate, this has to be far simpler than a variety of different rates on different products. There is no escaping this conundrum for the supporters of the flat-tax approach. If you believe that when the rate of G.S.T. rises, we will simply keep some items at the lower rate, then you fully accept all of the supposed problems of zero-rating. If, on the other hand, you are a flat tax purist who will keep a single rate, come what may, then you are accepting that when the rate goes up to 5 per cent or 10 per cent or 15 per cent, there will be no exemptions, and these are the rates that we will be requiring people to pay on their bandages, their bread, their wheelchairs and their heating. I wish to conclude by putting an argument I have not mentioned so far, and that is to ask Members to

think about the ethics and morality of what is proposed by the Treasury and to step-back from the detail of the arguments, and instead consider the broad question of how most of the people in our community will interpret a rejection of exemptions. While the cash benefit of zero-rating may be small - at least until the rate rises - in conjunction with an increased yield, we have to ask the question, is it right? Is it really necessary for us to tax these things? Do we need to tax medicines, school fees, fresh fruit and vegetables? How philosophically can we justify taxing doctors' fees, raising revenue from people based on their illness, when we simply do not need to go down that path; when we just do not have to do it? Make no mistake, be absolutely clear about this: if Members vote to tax healthcare or basic foods, they will not have the imperative of necessity to use as an excuse to justify their decision. We all know that if every exemption I propose today was adopted, we would find alternative ways of raising the revenue. The public know this too. No Member will be able to say: "We had no choice." Let us remember, the Treasury themselves planned to zero-rate property repairs, with all of the anomalies that that entails. How can we, in all conscience, with the prospect of the Treasury introducing such a zero-rating, sit here and agree with them that a similar exemption for medical care is somehow both impossible and unnecessary? As I have already suggested, Jersey faces a far more testing and uncertain future than the comfortable past we have enjoyed in the post-war years. Some of the challenges we face may be great indeed. To meet those challenges, we will need to call upon all the reserves of community spirit and resilience that characterise us. We will need the support and trust of the community. The people of the Island will need to feel that we are on their side, that we understand the struggles of the less well-off. We are not New Zealand; we live in a tiny Island in which people cannot escape living costs akin to those found in central London. The people are not stupid; they know that we will not be trying to unite the community as times become difficult if we leave this Chamber today having agreed to tax food and medicines and the other basic items before the Assembly today when we just do not need to, when we could instead be raising a little more tax from those who are able to afford it. Even a measure such as putting 1 penny on the rate of income tax would bring in an additional £16 million a year and income tax is progressive; the more your ability to pay goes up, the more it is justifiably required of you. I do not think there is any hiding place from the issues before us today. Members will have to contend with the consequences if they reject the exemptions of having decided, once again, to let the wealthy - and indeed, even the very rich - off the hook while we are going to start taxing bananas, dentists' fees, winter fuel bills and all the rest of it. If the Assembly makes that decision, it will be making a profound mistake for a number of strategic reasons. I propose the exemption.

**The Bailiff:**

Is the proposition seconded? [**Seconded**] Very well, adjournment until 2.15 p.m? The Assembly will convene at 2.15 p.m.

**LUNCHEON ADJOURNMENT**

**PUBLIC BUSINESS - RESUMPTION**

**Goods and Services Tax: exempt or zero-rated items (P.86/2006) (continued...)**

**The Bailiff:**

The proposition of Senator Syvret has been proposed and seconded.

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

I should start by confessing a guilty plea; I was, for the whole of the period of the evolution of the fiscal strategy, the Vice-President of the Finance and Economics Committee, and I suppose that it was in that role that I developed a great interest - some would say slight obsession - with G.S.T., but I certainly did spend, as a member of that Committee, a great deal of time on this whole issue of G.S.T. It is probably in that capacity, rather than the responsibilities that I hold today, that I attempt to address the Assembly. This debate is almost turning the clock back because I think we have heard this morning some vintage Senator Syvret remarks, but also turning the clock back because we are effectively re-debating something that we have debated on 2 occasions previously. On both of those occasions, the Assembly was convinced of the virtue of the proposal by the former Finance and Economics Committee of a simple form of G.S.T. There were differences on the individual items; their votes varied on foods versus medical services, but overall the Assembly was convinced - or the composition of the Assembly was convinced - with the argument that was put forward by Finance and Economics, not by small majorities, but by pretty large majorities. However, I do not take for granted the decision that the Assembly may maintain that decision today. I recognise and respect that there are new Members of the Assembly. There are new Members of the Assembly that are increasingly showing a good - I think - debating practice of coming to the Assembly and wanting to listen to the arguments and being convinced of the arguments that are put forward in the reports and propositions, and therefore I make no apology for trying at least to do a proper job in explaining my own reasons why it is that I believe the Senator Syvret's proposition should be rejected. One thing that Members can be assured of is that the previous Finance and Economics Committee did do an enormous amount of work on this issue. One of my favourite quotes from one of my favourite economic books is that: "Good economics does not always make for good politics" and that is, of course, I think one of the main arguments that I will be putting today and that is that it is great to have good-sounding, well-intentioned, and indeed, honourably-intentioned politics, but they do not necessarily make for good economics. We did a great deal of work on G.S.T. This Assembly considered it twice and we have now had the additional benefit of further work carried out by the Economic Affairs Scrutiny Panel, and indeed, since the debates last year, there have been a number of other jurisdictions that have come forward with proposals for G.S.T. In fact, the wealth of evidence that we have on G.S.T. is even greater than the wealth of evidence that we had on the good things and bad things about G.S.T. - on what to deal with it - than we had in the past. In administrative decisions, when an applicant's case is heard and if they are unhappy with the decision, they have the right to have a re-hearing. Well, here Senator Syvret is having his re-hearing. Well, what I would say, is in reconsidering an application under an administrative thing of planning, or indeed, any decisions that we take, it is important that the person moving the proposition explains why the original decision was wrong; moreover, whether or not there is any new information which needs to be taken into account in revising and replacing the decision. It is frustrating perhaps for some of us to debate this issue, but I do respect Senator Syvret's right to have the re-hearing that we are having today. What I did this morning, in listening to Senator Syvret's speech, was to really try and listen out for any bit of persuasive new information that I was not aware of from the past, from his previous submissions and his previous reports. I wanted to know whether or not there was anything I had missed or whether or not there is any new piece of evidence or information. I did listen very carefully to what he had to say and I have to say that I can say honestly to the Assembly that I heard probably one new thing in his line of argument and line of attack, and that was that effectively: "Beware States Members, what States Members need to do is to be aware of the fact that G.S.T. may go up, so we need to carve-out exemptions before." I have not heard Senator Syvret explain in such concrete and clear terms before his real fears about G.S.T.

going up in the future. I will come back to that principal issue, because that is really the thing that I heard new, is that G.S.T. is going up, you need to put the exemptions or zero-ratings - I am not sure what they are, but we certainly need to have those exemptions in now - because it is going to go up. He also explained, and his report clearly says that, that he is of a different political persuasion than some of us, that he believes that the States should be spending more money. He thinks the percentage share of taxation should be higher, and of course one of the ways of doing that in future is going to be to raise... if we cannot break the sacrosanct rate of 20 per cent, although I am not sure he thinks that is the case, but one of the ways of increasing taxation will be to increase G.S.T. What I would say to some Members is that, in fact, if you go ahead and exclude some of these issues, or zero-rate them, you are going to be making it - in my view - easier and more tempting to increase G.S.T., not a very persuasive reason not to go against his proposition, but certainly an interesting issue. Before going into the meat of the proposition - and I know that Deputy Power is not in the Assembly at the moment - I know that there are some Members who are concerned - and Senator Syvret himself strayed into this area - they are concerned about the overall fiscal strategy and it is worth, I think... and I hope this debate is going to be on the narrow issue of G.S.T.; not whether or not we should have G.S.T., but the manner in which it should be applied: suffice it to say that I do not believe that there is any alternative. The Finance and Economics Committee, the States, the public, the consultation spent months discussing, debating, examining and researching alternative methods of taxation. The reality is that Jersey is too dependent on direct taxation. Quite apart from any of the other reasons, we need to maintain the competitiveness of the economy and we need to do that by having the additional form of taxation in the form of G.S.T. Economics is the study of unintended consequences, and in any decision, in any economic decision, in any political decision, we have to deal with the unintended consequences of our decision, and indeed, in G.S.T. we certainly must deal with the unintended consequences of G.S.T. For that reason, while this debate is clearly on the narrow issue of G.S.T., we have to take, in account of our decision-making, the whole package of that fiscal strategy that Finance and Economics put together. Senator Syvret speaks about the problem of a regressive taxation system. He also speaks about the concern of the poor. Well, I need to say to Senator Syvret that he does not have a monopoly of concern over the poor; all of us do. We all are concerned and have crafted the G.S.T. proposals with a particular effort to deal with the unintended consequences and insulating those people who need it. It is absolutely right for States Members later on in the vote to link their decision today on the other aspects of the fiscal strategy, and particularly the linkage to do with the low income support; and indeed to make their decision today on the basis of a low income support, which although not completely delivered in terms of its detail, will be delivered in terms of detail before G.S.T. is ever decided. This, at the end of the day, is an agreement in principle. I very much hope that Senator Routier is going to be back after his brief operation this afternoon and I hope that he will be explaining - no doubt the Assistant Minister will be explaining in much more detail - just how important the timing of the low income support and the decisions that we are going to be making on income support can give Members the assurance that they want, in terms of insulating those people that need to be insulated. This is an absolutely vital issue. The position of this Assembly has always been that it wishes to help those people that cannot afford to pay G.S.T. But the most simple argument that Finance and Economics put forward was that simply zero-rating or exempting a whole range of issues from G.S.T. is not the favoured approach of helping people. I have never favoured the scatter-gun approach of helping the whole class of individual people on food, children's clothes *et cetera*. The scatter-gun approach is not the right approach for targeting benefit. Again, I take exception with the remarks of Senator Syvret in relation to his narrow definition of the fiscal strategies, because he only ever spoke about the G.S.T. system. I would remind Members that the fiscal strategy that was put forward by the States, while accepting

that G.S.T. is regressive in some ways, was a package of measures, and G.S.T. is coming in - or hopefully coming in - with a package of measures which is designed to increase the burden of taxation on those people at the higher-off. Now, we have had lots of comments about gin palaces, we have had lots of comments about self-interesters, self-interest from people at Finance and Economics and all the rest of it, which one could take exception to, but the reality is the fiscal strategy was a package of measures. Understanding that G.S.T. has an unintended consequence, but also a whole series of measures, is designed to take more tax out of those people that can afford it. I would urge Members to remember that the fiscal strategy was a package of measures designed to increase the progressivity of the overall taxation system. Many of us cannot claim to be original thinkers; indeed, small jurisdictions such as ourselves need to draw - must draw - on the experience of other places, and we have the opportunity of drawing from the experience and research of other places. Senator Syvret says that we are different, that New Zealand is a different place, and that we cannot compare the system of taxation. Well, I have been to New Zealand and there are people on low incomes, there are people with similar issues that we have to deal with, and they have had to deal with exactly the same issues in the introduction of an indirect taxation system. They have had to deal with people and insulating people on low incomes. We do believe that we are different sometimes, that we are special, that we punch above our weight, but the reality is that we are experiencing the same issues of other places, and I would submit to the Assembly that it is no exaggeration to say that a U.K. Chancellor of the Exchequer, given a clean piece of paper in designing a system of V.A.T., would never design the system that they have in the U.K. today. Anthony Barber said in 1974: "It is a simple tax." A simple tax; with hundreds of pages of explanations? Well, I would venture to suggest that the parliament of the United Kingdom, given the chance that we have to introduce an indirect tax would never invent a system of such complexity that we see in the U.K. today. I say that, because effectively what Senator Syvret is asking us to do is to entirely replicate the system of V.A.T. that they have in the U.K., albeit it a lower level. In fact, what I learnt this morning, he wants to make it worse, because he wants to make that this issue of food is targeted to particular health foods. Now, we had and we enjoyed, I think, the debate - those Members that were here last time - about Jaffa cakes, about whether or not the confectionery bit is the same thing as the sandwich, or whatever it meant. Well, frankly, the Jaffa cake issue is as problematic as it is today, and he said that the Jaffa cake issue does not matter today, because that has all been dealt with. But the reality is, if he does his research, he will know that there were still arguments going on about the definition of confectionery. This is an ongoing nightmare, which our own courts will need to deal with in terms of an interpretation if we went in Jersey. But what we have heard this morning is in fact that he wants to go yet further; he now wants to do even more complicated definitions of what healthy foods are and what is not. That, while absolutely well-intentioned and while absolutely I agree with him on all the issues of obesity and all the issues of problems that we have in terms of eating, I am afraid the taxation system is not the way to deal with people's health problems and obesity. If Jaffa cakes were bad in the U.K., then my goodness me, I think we are going to have a right nightmare if we go down the road of healthy foods, because one minute a food is healthy, I read in papers, and one minute it is not. It is just going to be an absolute nightmare. Earlier in question time this afternoon, Deputy Martin spoke about overseas trips, and this Assembly was perhaps in error in making a decision to send me on a couple of overseas trips, because I will confess that those overseas trips that I made, with my particular interest in G.S.T., yielded some very interesting and persuasive research into the whole issue of G.S.T. No doubt the former president of Finance and Economics, and now the Minister for Treasury and Resources, will talk about the Antipodean system of G.S.T., which is what we proposed, but when I visited the Cook Islands - by the way, the Cook Islands is an island off New Zealand, with a very small community

with exactly the same sort of problems that we have here, with a universal, Antipodean system of G.S.T. - they had exactly the same problems. En route to the Cook Islands, when I went to a C.P.A. (Commonwealth Parliamentary Association) convention, I visited Australia and New Zealand and spent quite a number of days - 2 or 3 - understanding and researching the issue of G.S.T. and I debated it within the excellent confines of the C.P.A. I debated the issue of G.S.T. with Liberals, with Labour people from Australia and New Zealand and I have to say to Members - and I said it in the last debate - that I have absolutely no doubt, following my own research, that the system that New Zealand, Australia, Singapore, Hong Kong and other countries that have brought in indirect taxation, is the right approach. Indeed, only last week, when I was in Luxembourg with the Connétable of St. Ouen, when we met members of the Assemblies of Switzerland, of the various different cantons of Benelux, of Luxembourg, I debated with some people that would probably be even more left than Deputy Southern, and I debated the issue of exemptions there with them, and I have to say that the conclusion that I have come to is absolutely clear. Exemptions and zero-ratings are well-intentioned, but they are fundamentally flawed in their execution. Moreover, they cost too much money. This Assembly is based now, I hope, on an evidence-based system of decision-making. This Assembly has set up a new system of government and that system of government has put in place a system of scrutiny, and that is why it was with great interest that I read the additional information that we now have before us in terms of the Corporate Services' own review on G.S.T. I have to say to them I think they had it broadly right. Well, I would say that, would I not, because they have broadly agreed with it. They have concluded that, in terms of their analysis, based upon evidence that a complicated system of G.S.T. is far less desirable than a simplified system of G.S.T., is a far more desirable approach than a G.S.T. combined with a low income support system. They have made a number of recommendations, including some for my own department, and I think that there is great merit in developing some of the recommendations that they have put forward. It shows that the debate about G.S.T. is not over yet. This is again an agreement in principle; the devil is in the detail, but the detail comes later and there is a lot more detail today, which is why we cannot make blanket exclusions just on the basis of the evidence that we have had today. There are going to be Members who are going to be concerned, as in the last debate, on individual items that we are going to be invited to vote on, and it is probably worth making a couple of points on each of the individual issues. So, I would have thought that, on the issue of food, it is a relatively open and shut case as to whether or not to include or exclude basic foodstuffs. I have already said that I am somewhat surprised that the issue of food now to be proposed by Senator Syvret needs to be straying in the sort of food police area, but I am afraid to say that the conversations that I have also had with the Managing Director and Chairman - I think it is the Managing Director or Chairman; Mr. Allan Smith of the Co-op - last night also confirmed a number of issues in relation to the Co-op position. They have said, and here is also an important issue which is yet to be resolved, which is very relevant to the issue of the Co-op's position; they are very concerned about the issue of price marking. They are very concerned, and effectively, what I think in broad terms, if I have understood it correctly, is they are saying either give up on price marking and have a universal approach, or go for the U.K. system and then you can have price marking. What I will say to the Assembly on the issue of price marking is that I will be honest and say I thought this issue was a done deal. I thought it was absolutely clear that you needed to have shelf price marking so that consumers knew exactly what the inclusive price was. I have realised that there were some issues to be dealt with there, and that a paper is to be drawn up on the issue of price marking and we are due to consult on that. Members will see that consultation paper: it is planned to be published within the next 3 weeks. We will have a period of consultation until the end of the year, in line with the standard consultation procedures, and it will be this Assembly deciding whether or not we

go down the issue of inclusive pricing. So let us be clear about the Co-op's position. They are having a real concern - which I understand and which we need to do more work on - on the issue of encoded barcodes for certain foods, and in discussion with the Co-op, there is a particular issue; in fact, as I understand it, the only issue is effectively goods that are weighed and priced on a kilo basis, and it is cheese and meat. It is about 2 per cent of the £100 million turnover and that is a particular issue about price marking. It is a particular problem that they have, no doubt shared with other retailers, which we need to tackle. It is absolutely clear there are always going to be issues of complexity that need to be dealt with, and I will commit to debating with Members of this Assembly and the retail sector to try and find a solution, but I do not believe that that is an issue which persuades us and can persuade us to have the exclusion or zero-rating for food. There is an issue of price marking, but that needs to be dealt with later, but it is not persuasive enough to simply say that it is far too difficult and you have to have the exclusion on food, which is effectively the representation that Senator Syvret made. I am going to pass on the issue of medical services and address that in a couple of moments. Part C of the option that we have is dealing with the issue of educational services, and I hope that the Education Minister will no doubt explain that there is, in agreement with, I think, the Corporate Services Panel, a better way to deal with educational services. Members, and indeed members of the public who have fee paying students, or who are going to fee paying schools, are rightly concerned at the margins, and generally about the additional cost of fee paying schools and the additional cost of G.S.T. on that. I would respectfully suggest to the Assembly and remind Members that private schools in Jersey - which we are talking about here - are in part grant-funded by the States, and a better and more elegant solution, I think now backed up by the Scrutiny Panel's report, is that the Education Minister needs to look at the issue of the budgets with education and the private schools and deal with it that way. Again, there is a problem, it needs to be dealt with, but it does not need to be dealt with by an exemption. Again, if Members are not convinced by that when we deal with the Regulations of G.S.T., then Members, if they are not persuaded that there is going to be a solution there with the Education Department, can again debate that at later stages. But at this stage, there is not a persuasive argument to simply exempt school fees, based upon what the proposition has said. There is an alternative way of dealing with the problem at that particular margin. I understand that concern of the issue of people at fee-paying schools. It is a concern, and it is going to have to be dealt with. The issue with childcare costs is obviously going to be a particularly emotional area, and Members are going to be concerned, I imagine, about the emotional argument of putting on G.S.T. for childcare. Well, I am one of the Council of Ministers who took part in a half-day discussion on the whole issue of childcare costs, and again, I think that the issue of childcare is much, much bigger than simply G.S.T. Simply taking out the exemptions, or putting in a zero rate of exemption on childcare is simply, I think, just prodding a stick at the problem. I think there is a need for a substantial review, which is going on in relation to child education, and I think that it is much bigger than G.S.T. Simply asking for G.S.T. exclusions or zero-ratings on childcare is not the solution to deal with that particular problem, and I think the Scrutiny Panel is absolutely right on that issue as well. I know that part of the proposition on life insurances has been withdrawn, and it would be perhaps tempting for us to say that that is an example of just how complicated this whole issue of G.S.T. is. I wonder how many Members really understand and could explain - and I am sometimes one of them - the difference between zero-rating and exemptions and what the actual effect on tax should be. So Senator Syvret had that one wrong, because he did not quite understand the system. I say that with no degree of saying that that is a point-scoring exercise. It just highlights the fact that there is an issue of complexity here which cannot simply be dealt with in simple carve-outs. During the last debate, I spoke and had an exchange with former Deputy Bernstein on the issue of children's clothes, and I explained to him that my

own market research on children's clothes, which are exempt in the U.K. from G.S.T., often did not mean that U.K. consumers of children's clothes were any better off than anywhere else. That goes to the heart of the argument, is that sometimes the imposition or absence of a duty or tax does not necessarily mean that consumers are better off. I cite in evidence to that argument - I use that particularly in the argument of children's clothes - the well-intentioned policy of this Assembly over a period of years to have low duties on petrol, tobacco and alcohol in the days when we were not too worried about some of the health issues there. But effectively, consumers were not better off, we just had bigger margins. The margins on petrol are still much higher than the U.K. A packet of cigarettes, taking out the duty and tax, is still about - I think - £1.29 to £1.39 a packet in Jersey, where it is 54 pence in the U.K., and the same issue is in alcohol as well. Margins are greater. I would respectfully suggest to Members that well-intentioned policies of carving-out lower duty rates and exemptions and zero-rating do not necessarily benefit consumers in the longer term. In terms of children's clothes, there is clear evidence in the U.K. that that is the case, and indeed, if Members have been reading U.K. newspapers in the last couple of years, they will know that that is exactly the case. But I suspect that it is probably quite difficult to get that exemption removed in the U.K. parliament, because it is one of those issues where good politics does not necessarily make for good economics, but the U.K. might be better to collect the tax from children's clothes and consumers might not even be better off, because my calculations about children's clothes, at various different national retailers across Europe, indicates that there is no difference. In some countries it is exempt; in some cases it is not. Now, Senator Syvret has also dealt with the issue of an administratively simple system, and he says that we have overplayed that argument. Well, the extent of the overplaying of the argument we can debate, but what Members can be absolutely clear about is that a system which excludes or zero-rates or exempts or whatever it is, is going to mean a much more complicated and administratively-burdened system. It is going to be more open to fraud. It is going to be more difficult to administer, and it is going to be more complex. There is an interesting report somewhere in my file here, which indicates that there is an E.U. recommendation that you should keep the system simple for the new accession countries, because you then do not have so much leakage out of fraud and all the rest of it, because margins of interpretation: "Oh, was that exempt or was it zero-rated?" It is a much more efficient, more simple, more administratively cost-effective way to have a simple system, which is what is being proposed. Now, Senator Syvret made a great deal of argument about the future of Jersey, and indeed, one of his principal arguments was: "Watch out, because G.S.T. is going to be increasing." I think he wants to persuade Members that because there are going to be problems going on down the piece with lower taxes on business, that in fact we are going to have to raise G.S.T. Well, I do not always agree with the Chamber of Commerce, but I absolutely agree with their letter that they sent to Members today. I hope that our system of G.S.T., at 3 per cent universally applied, will be as sacrosanct as our 20 per cent rate of income tax. It will not be from politicians of my political persuasion - I would describe myself as centre right - that will be wanting to put up taxation. **[Laughter]** There is an issue of international tax competition. There is an issue of unfair tax competition, which was debated in question time this morning. The Isle of Man does get a subsidy of, I think, between £50 million and £60 million on their V.A.T. arrangement at 17.5 per cent, which means that they can put their financial services rate at 10 per cent. But my own judgment and experience working with financial services practitioners is that the 10 per cent rate is a competitive rate, and a rate that is there to stay. So Members must not be persuaded, I say, with respect to Senator Syvret's arguments, that: "Oh, sometime down the road we are going to have to massively increase taxation." I think he wants to increase taxation, because that is his politics. I respect that. But there are some other people in this Assembly who are not of that opinion. Again, not good arguments, I think, to support his



conclusions. I am very optimistic that we can grow the economy, which was, of course, the other part of the fiscal strategy, to pay for the things that he and the Education Minister and other people want to spend. We can grow the economy and there is, in fact, a positive future for the Jersey economy. It would be very easy to suppose that exclusions of everyday items, such as the emotional products of food - we have heard of medicines, we have heard of children's clothes - that these exemptions and zero-ratings will significantly reduce the extra financial burden on people who are less well-off. But the evidence is clear. We will not provide a huge benefit by presenting these exemptions, taken with the income support system that is proposed. It has always been suggested, and always part of this Assembly's proposals that we have a progressive system of taxation. Members must not, please, I would submit, listen to Senator Syvret's comments, narrowly focused on the regressivity of G.S.T. What was proposed was a general progressive system of taxation; not G.S.T. alone, but G.S.T. with the additional burden of taxation with the proposals which were originally '20 per cent means 20 per cent' and then amended. We are putting in place a progressive system of taxation, and dealing with the bottom quintile with the income support system. If Members are not persuaded by that argument - because, of course, this is not the end of the road - the end of the road is the detail on income support, which will happen in the middle of next year; then we will have the legislation which will deal with, in principle, G.S.T.; then we will deal with the specific Regulations. So Members can be assured that even if they vote against - with their fingers crossed - Senator Syvret's proposition, they still have the nuclear weapon of either voting down or amending the G.S.T. proposals if the income support system does not meet their objectives. It is a package of measures, and what I would ask Members, respectfully, to continue to do is to adhere to the principle of the overall fiscal strategy package, which calls for an overall progressive system, which was the package of measures designed to deal with the whole of the difficulties that we faced. The list of exclusions that we are going to be asked to vote on appears very much like those that were introduced in the U.K. That system - and I am concluding my remarks here - is not a system that you would replicate today. It is the worst system of G.S.T. and V.A.T. in the world. Given a clean piece of paper, which we have to do, we would not reinvent it. Members can be assured that we are not the only jurisdiction to have to deal with this issue. There are numerous countries: Hong Kong, Malaysia, the Bahamas, Dubai, all recent examples which have grappled with exactly the same system. There is a choice, a U.K. system with lots of complication, lots of administrative costs, lots of problems; or the simple system which is broadly spoken about as the Antipodean system. No doubt, other people will quote from learned reports from those other jurisdictions that there are good reasons why the simple system is the best practice approach, which is regarded around the world. I believe that all of the arguments that were rehearsed once, twice and now a third time are as robust as ever in terms of keeping the Jersey proposed G.S.T. system as a simple one at a unified rate. Members can vote against this proposition with a clear conscience that if they are not persuaded by the income support system protection, by the different complexities that will need to be dealt with in terms of the price marking issue, which will be dealt with; if they are not satisfied then they can, at some point later in the day, agree for changes to that system of G.S.T. I do not think Members will be. I think that Members will be persuaded that the income support system will deal with the problems. We will find a solution to the price marking issue, and I respectfully suggest that Members reject all parts of the proposition. I will say one thing about medical services, and that may be an issue which may be developing during the course of the debate. I understand that there is a particular concern among Members about medical services and products. What we are being asked to do is to provide a generic, altogether exemption or zero-rating of all medical services and products. If the detail of medical services has not been worked out yet, then let us work on that detail, but do not tie the hand of the Treasury Minister to exclude everything in terms

of medical services and products. Vote against that proposition or abstain, but simply do not carve-out the whole issue, and get the detail of it right, and if the Social Security scheme needs to be expanded to cover other elements of cost, then so be it. But keep to the principles of a simple rate, which is the best practice, the researched practice, the Scrutiny-backed practice of a simplified universal rate of G.S.T.

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

I will be very brief, Sir. I am going to support the proposition of Senator Syvret today in its entirety, only because of the fact that I believe in any system, there will be people that will fall through the net. The States of Jersey have a very difficult task in looking after the poor who, quite rightly - as Senator Ozouf points out - we are all responsible for. In my experience, I believe that no system I have lived under - whether it be here, England or in Canada - has managed to completely catch everybody with any support mechanism. The detail that is forthcoming from the Social Security Minister in regards to the income support mechanism is meant to be the safety net that we should rely upon. Once we are convinced and support it, relying upon it, we can then go ahead and implement a G.S.T. without fear of anybody falling foul of the holes in what will hopefully be a watertight system. But, as we all know, in reality, no system is watertight. In researching an issue at the moment, I have been drawn back to this time last year, in respect of some newspaper articles with a philanthropist that was helping an appeal for a small child in Jersey who, although had been treated regularly at Southampton and Great Ormond Street Hospitals for what was the past 19 months at that time, was suffering from a terminal illness, and yet had to write to a philanthropist in the *Jersey Evening Post*, who highlighted the charity, asking for money to enable them to survive, because of the struggle they were having in paying medical bills and achieving living costs. In the recent questioning of the Minister for the Social Security system, and in trying to identify what would be there for people to fall back upon once the income support mechanism was in place, we were told unequivocally that the Parish system would come to an end and the income support mechanism would be the place to turn to for help and assistance. I do not believe that the systems we have in place today were designed to let people fall through them, but they do. I am certain that the income support systems that we have planned for the future are not designed to let people fall through them, but they certainly will. It is in those circumstances, when those things happen, people like the mother of this terminally ill child will have to turn to philanthropists and the media to get money for foodstuffs and medicines. So, to be able to rely upon the comforting words of Senator Ozouf in respect of not worrying about making a global tax on everything because we have the income support mechanism, I am, from both personal and third party experience, convinced absolutely that there will always be those that fall through the net, and it is those very people that fall through the net - the poorest people or those that are deemed to be sufficiently wealthy not to be in need of assistance - that will be at the most pressed during those parts of their lives when they fall ill. They will need, at those times, to be able to concentrate on purchasing their foodstuffs for their children and themselves, and their clothing, and their medicines, without having to factor-in whether or not the ingredients they need on the shelves of the chemists and on the shelves of the supermarkets, whether or not price inclusivity has been factored-in. Price inclusivity was not factored-in. Pricing on the shelves was not done in Canada, and it was left to the individual to arrive at the tills and to factor it in there. I am convinced G.S.T. will increase. I am convinced it will just be a matter of time, and I am convinced that the income support mechanism, no matter how much we work at it, will always have one or 2 holes. For that simple reason, in these vital key areas in regards to the people who will need them at those points of their life when they can least afford them, I will be supporting the proposition. To argue against exemptions that have been brought forward by the Senator as not being the right approach

turns the argument about our 'Zero/10' proposals on their head. But we have exemptions for certain types of company shareholders, and exemptions for certain types of businesses, but we cannot have exemptions for basic foodstuffs, medical services, childcare costs, education fees, books and newspapers, children's clothing. Unless the States of Jersey is willing to support and run a service that is likened to the daily bread food banks of North America, I suggest to this House we shall see real cases in the newspaper - as we saw this time last year - of people who are struggling, reaching out for help and only being able to find that within our community, because the mechanisms and the systems we introduce are all subject to that human weakness which we all have. We are not perfect, and nor are our systems. They never can be. So I would urge Members, before they put their trust in the G.S.T., to put their trust in their experience, put their trust in what they have experienced and who they have met, and in whose needs they have met. The Constables especially have much more experience of this, and one or two Deputies and the Housing Minister. They know the hardships. If they are convinced that the income support mechanism will catch all and be all, then I would suggest that they should vote for it. But otherwise, I would respectfully urge them all to support the proposition.

#### **6.4 Deputy K.C. Lewis:**

I will be brief. I will be supporting P.86 in its entirety, Sir, to exempt basic foodstuffs, medical services and products, childcare and education fees. With this tax, the less well-off will suffer. Middle Jersey will suffer, and even in our wildest dreams, this tax will not stay at 3 per cent. This is a tax on the family, on the sick, the elderly and the less well-off. I am not having a go at people with boats, Sir, but I find it quite bizarre that the proposed tax on marine fuel was quickly withdrawn, but no such thought was given to the sick and elderly. This is a classic example, yet again, of the 'have nots' versus the 'have yachts.' I will be supporting it, Sir.

#### **6.5 Deputy C. J. Scott Warren:**

I also support this proposition in its entirety, for the following reasons, starting with basic foodstuffs. While as Assistant Minister for Health, I fully support encouraging people to choose healthy eating options - and I am sure we all would support that - I am concerned that to zero-rate some food items, but not others may: (a) lead to confusion; and (b) would be completely out of kilter with the U.K. zero-rating of food, which we have been told by the Scrutiny Panel report and by the Manager of Co-operative Society would not be difficult to implement here. Talking of the U.K., our food is vastly more expensive already. You only have to go to England or France to see the very noticeable difference in food prices. That is fine for those sufficiently affluent and able persons to take their car to St. Malo once or twice a month to stock up, but not for those on lower incomes who cannot afford to do so. They are trapped here, with the high prices. Therefore I feel the social argument about lessening the effect of regressive taxation is the right approach, and with the U.K. model already in place this should - as I have just said - not be difficult to administer. Medical services and products: does this Government really want to penalise those who are ill, those who are seeking to improve their well-being and those in wheelchairs? Surely not. You will have read the letters. I will not name each person, but from the Medical Officer of Health, the President of the B.M.A. (British Medical Association), the Jersey Chairman of the Medical Staff Committee and many consultants and doctors; the list is endless. Are they all wrong? We need to be helping people to improve their health and general well-being, and not the reverse. The assurance of the Minister for Social Security that money can be taken from the Health Insurance Fund may be enough now, but what about when the 3 per cent G.S.T. rises and the money starts to run out? What then? Is this Island in such dire straits that we would need to

make those suffering ill health or disability suffer further - if protected now - with no guarantee of being cushioned by a fund when, and I stress when, the G.S.T. rate increases? Education fees: we are told that zero-rating G.S.T. on education fees will help the richer sector of our community more, that affluent people will benefit most from zero-rating in this area. Are we sure that we will not, in fact, be causing ourselves more expense when some middle income families decide that with 2 or more children being educated at private schools, finances are getting too tight? So their children will have to be moved into our public state school sector. Childcare costs: well, what can one say? There is already so much inequity and unfairness, with some rich people getting free provision for their young children and others, who have less money, having to do 2 or 3 jobs to fund childcare. You have all seen this note from the Centrepont. I will not read it out. The parents that use Centrepont are paying a high percentage of their income on ensuring that their children are in a suitable place doing suitable activities while they, the parents, are at work. To add a further 3 per cent tax to the childcare fees of these responsible parents will cause further hardship. So let us just compound the situation that is described so ably there by asking a sector of parents who are already paying twice - as the Scrutiny report rightly points out, through general taxation, they are paying twice - to pay an extra 3 per cent. This area must be exempt. Jersey also, as highlighted in the report, charges more than other places, including inner London, for childcare provision, and we cannot morally justify further charges on these parents. Books and newspapers: well, here we have the States Assembly signed-up to a policy of encouraging people to better themselves, become better educated and achieve a better quality of life. What do we do? Impose G.S.T. on books and newspapers. Daft? Yes. The U.K. does not charge V.A.T. on this area, and it will be easy for Jersey to similarly zero-rate these items. There is a tourism issue here too. Many people still like their daily paper when on holiday. They go into the newsagents, get out the usual money for their daily: "Oh, but sorry, it is more expensive here than if you had stayed at home." Will they feel ripped off? Too right. Will they come back here again? What will they tell their friends back home? I thought we were trying to revive the tourism sector, not destroy it. Children's clothing: what could be more essential to purchase if you have children than firstly the food and clothes? Clothes are not cheap in Jersey either. We do not have the benefit of going to a large U.K. superstore to buy very cheap children's clothes. We are restricted here in choice, and have to pay the asking price, unless we are well enough off to take a plane to England or boat to France - notice I did not say plane - to buy from the large stores there. Domestic energy and fuel: I also support this area being zero-rated, because the saving for those on lower incomes may save people from hypothermia and going into hospital, even worse. You may think I am exaggerating, but I know a number of people who are already afraid to use their heating during winter months. How will 3 per cent G.S.T., and even a higher rate in future, affect these already fearful people, including our senior citizens? I believe that States Members must keep the already very high cost of living here at the forefront of their minds when considering placing G.S.T. on each of these areas. Ask yourself, would it be fairer to exempt or zero-rate these special important areas to help those who are already struggling to make ends meet in Jersey? If the answer is yes, then there will inevitably have to be a higher rate on the non-essential purchases and luxury areas and items, a higher rate of G.S.T., or we will have to find another mechanism by which to raise tax. I believe that that is the better, or less awful, of the 2 options. I do not believe that the U.K. system of exempting these areas from V.A.T. is too difficult to instigate here, and I do believe that this argument has certainly been over-egged. We cannot ignore social issues as a government, and there is no reason to do so. The same amount of G.S.T. can be brought in using areas which will not adversely affect those on lower incomes. We will have low income support, though while that is true, I would ask about those just above the threshold; those that will not come within low income support; those on middle

incomes with many major financial commitments. What about them? What about the higher G.S.T. in future years? I would like to remind Senator Ozouf that the scatter-gun approach that he mentions is the *status quo*. That is what we have; no G.S.T. on these items now. We keep getting comparisons with the system of G.S.T. in New Zealand. I have tried to find a page; again, I know that I have read that New Zealand has a much lower cost of living than Jersey. So I urge Members to take the safe and the right and the socially acceptable approach and to support this proposition, each part of it, and to support the proposition in its entirety. Thank you.

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

It is a pleasure to follow Deputy Scott Warren. I do agree with a lot she has to say. It is a shame that Senator Ozouf is not in the House, because he made a big play of Senator Syvret's speech this morning, with nothing new in it, nothing rehearsed, except for the fact that he acknowledged that G.S.T. may go up. Then he went on to tell us all the things that he could do that were wrong with G.S.T., but he was going to solve all at different times. He also said that this is the third time we have now rehearsed this argument: "Do not vote on it today, and if you are going to vote, abstain, because there is plenty of time- 3 or 4 times down the line - to vote for these exemptions." Now, I am having difficulty in believing that, Sir. I think today we have to stand up, and we have to decide. He used a lovely phrase for these goods, "emotional products." Well, can I draw everyone's attention: I attended the Scrutiny. I would love to thank Scrutiny, Sir, through you, the Scrutiny Chairman, for giving States Members a chance, in open forum, to discuss G.S.T. again, because it never came from the Treasury Minister. As has been pointed out, Sir, we have a lot of new people in the House who have different thoughts. Now, we have a single-parent family - and the facts were not disputed this morning from the Treasury Minister - on the left, we have basic foodstuffs, and that left column comes to £136.60 a week, and on the left, Sir, it is luxury items, but that is taking the children out, recreation, bar, cafes, takeaways. I do not know many single-parents who do live like this, but there is a little amount each week put down, and that comes to £212. The total is £355 a week expenditure, and over that year which, as I say, has been agreed - the figures have probably been agreed by Treasury - they will pay £502 in G.S.T., if nothing is exempt. Now, we have all been promised in the debate on G.S.T. that low income support - in fact, I think people were popping up every exemption - that: "Do not worry, because low income support will solve this and G.S.T. will be covered for those on low incomes." Well, the figure is £1.75 million, and it does not take a mathematician to work out that that does not cover the £502 a year for 7,500 families. I do not believe, Sir, it ever was intended to. I think, if we really get the truth out of the Ministers or the Council of Ministers, they will only want to buffer the essentials, not the so-called luxury. But is it a luxury, Sir, when you have, for you and your few children, just £355 a week to live on, or £500 a year G.S.T? For many families - and I think Senator Syvret rehearsed his argument very well this morning - that is Christmas. They save £10 a week. Christmas gone, because it is paid out over the year in G.S.T. Now, this is why I really do support what Senator Syvret is doing. As I say, the comments from the Treasury say the income support scheme will fully and effectively insulate those on low incomes from the effect of G.S.T. We have yet to hear from - and I am glad to see he is recovered from his operation, Sir, I think it may have been more minor than led to believe - the Minister for Social Security. **[Laughter]** I did not mean that any way sarcastic, Sir. I did see him yesterday and I now see him now. I am happy to see him; I am happy to see him looking very well. We will hear, Sir, about the great low income support; as the Chairman of the Scrutiny Panel trying to help bring this in successfully and speedily has come up against every barrier you can imagine. Figures: what will people get? Where will it start? What incomes will it affect? What age group? I do not have the answers, Sir, but hopefully the

Minister will. I do have a couple of quotes that I really would like people to think about. It says: "Impacts on individuals." This is low income support 2005, Sir. It says: "This is transitional. Some people will receive more subsidy, mainly families with children. Others would receive less, mainly pensioners in States' accommodation, and some people with disabilities." This, Sir, I read out because this is something that I must really believe that people can say as a throwaway remark: "Well, what is £5 a week?" Is it acceptable to reduce benefit? If so, what is an acceptable amount; i.e. a loss of £2,600 equates to £5 a week over 10 years. This is in a low income support document. Well, good, and let us hope everyone saves their £5 a week and see what they would get for their £2,600. These figures are just promises, Sir. I have not finished yet on the Social Security, I am sorry Sir. Everyone in this House is going to stand up; the ones who are going to stand up, Sir, who cannot support the exemptions will say: "I cannot support the exemptions because the rich will benefit." What does Social Security do, Sir? They go to the Health Fund, they take nearly £1 million across the board, and say: "Nobody will be affected in the next year paying doctors' bills or prescriptions, because we are going to buffer that out of the Health Insurance Fund." The money is not needed obviously anywhere else, and the Minister for Social Security said in the paper: "It is for the whole community, not just the people on low incomes." Well, there you have it, Sir, it can be done. They can do it for medicines. Now why? Am I cynical, Sir? Yes. I think this one would have passed through, definitely. Senator Syvret would definitely have won the medical argument, except the Council have said: "Let us find a way round this." Can they find this £1 million every year? No, Sir, because it is going to be needed for low income support. There is not enough in the pot. There are more people that are going to be applying. As Senator Syvret said this morning: "It is money going around. Go out and spend your money, and then we will give you it back under low income support." As I have said earlier, Sir, they do not intend to give back people on low incomes, the lowest quintile - over 7,500 families, local families living in Jersey - the full £500 spend on G.S.T. on their meagre amount of £350 a week. They only intend to give them back a percentage, which the expert who was helping the Scrutiny Panel said would probably be on the basics, which adds up to £125 a year. So they will definitely all be £325 approximately worse off. That is what you are doing. It is not "emotional products." These people in the real world have to go out every day and buy these things. They have to have basic food; sometimes, yes, a little luxury for their children, a bar of chocolate. Fine, we are not asking to take G.S.T. off that, but they do buy it. Why are their children any different? Medical supplies, as I say, I have given you my opinion on medical supplies. We cannot do it for everyone, but we can find £1 million at Social Security and exempt everybody on certain medical supplies. It is only prescriptions and doctors' fee, not the rest that some people rely on, all other medical services. So, as I say, people will say it is a moral argument, and people will say they have probably heard my argument always before - and I have Ministers over there who are nodding, Sir - because I have not changed. I have heard nothing yet, and as persuasive as he is when he in the House, Senator Ozouf did not persuade me. He put more arguments, said there is tomorrow again and again, and it is always jam tomorrow. Out there, the people on low incomes are facing G.S.T. on that jam.

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

I think initially I would like to get back to the sort of general principles of what we are all trying to debate here today; G.S.T. as a whole. I have always supported a simple G.S.T. system. I have generally been in favour of as few exemptions as possible. I think we have to remember, what is the aim of G.S.T.? It is a tax on consumption. Now, we want somewhere in the order of £45 million in order to fund the so-called black hole of £80 million to £100 million. That is it. We need the £45 million. Accordingly, even contemplating exemptions on food or publications will completely destroy the concept of a simple G.S.T.

system. I would add, as an aside, that in addition I have always understood that while G.S.T. initially might have a slight impact on inflation, in the medium to longer terms it is a way of taking money out of the economy and is therefore anti-inflationary. That is at odds to the statement in the report accompanying the proposition. In general, no one wants to pay more tax, and that includes me. I have already brought up my bill, I imagine, by voting for '20 per cent means 20 per cent', and that was painful. By voting for G.S.T. as a whole, I am increasing the money I am going to be paying to Treasury yet again, and that is even more painful. Yet I do support the overall principles of G.S.T. at a rate of 3 per cent. I have already declared that I intend to abstain on education. There is one area where I might have wavered on my views on exemptions, and that is the one of medical services that we have discussed a lot today already. Specific medical services are, I would say, reasonably clear-cut. For example, doctors, dentists and opticians, I would say, are relatively easy to define by law. I would note that it is easier to do that, but it is not easy, if you can see the distinction, to base some form of exemption on such legal definitions. It may be related to how we have done things under 'Zero/10.' However, the proposition itself is rather wide-ranging, and can even extend as far as perhaps cosmetic surgery, for example. That would be probably too far for me. I am far tougher. **[Laughter]** Perhaps in 10 years, I will contemplate it, but hopefully not at the moment. I get told I still have my youthful looks, thank you, Senator. I am far tougher on medical products, because we get into the issue of definitions, which I shall talk about later. I do welcome the proposals by the Minister for Social Security to mitigate the impact of G.S.T. on items covered by the Social Security Fund. Again, we have talked about that. There are details and fine-tuning to do. We will have to address that at the time. But if we exempt items - medical products specifically - I would be extremely nervous of the definition creep that would occur between, say, prescription medicines, over-the-counter products, vitamins and then ever onwards. I have considered this area at quite some length, and I take into account the following: first, one of the platforms I stood upon, and was elected upon, was supporting, in general terms, the fiscal strategy, which included G.S.T; the latter, I have always said, with a caveat for income support provided for the genuinely less well-off in an appropriate manner. To date, I am satisfied with the principles of income support, but we do, of course, await the details. Now, I would add as well that many people on the dole, as we have all been hearing, were initially in favour of exemptions, but when you discuss the difficulties of defining such items as food, they appear to agree, to me, that the benefit of a simple system outweighed the call for the exemption of various products. I will come to that later on. I also do have a reservation, and I am afraid that is my political stance, that we must ensure we do not alienate the middle earners by continuously loading up their tax bill. There is a dissatisfaction out there with how we run things, and we need to ensure that is addressed. When I was canvassing last year, one of the matters frequently raised is the level, as ever, of States' expenditure and the perceived level of waste that takes place in the system, and this conversation is going to carry on for ages. So, as I have stated, I cannot support a simple G.S.T. system and at the same time support exempting medical products. Now, if part (b) of the proposition should have been for medical services, I might have supported it, and the difficulty I have with this proposition is that it is not, and accordingly, if I do not support medical products, I cannot support all of the part (b) and I will be voting against that part. I am afraid I am also going to be voting against the rest of the proposition, and I am going to explain why. Fundamentally, it comes back to having a relatively simple system of raising a certain amount of revenue. So let us have a look at the remaining parts. I am going to touch on life insurance, even though I am glad that Senator Syvret has withdrawn part (e). So I will say I was disappointed that this appeared in the proposition produced by someone who is generally renowned for his research. Financial services products and insurance are basically exempt. As a type of financial service product, it is already exempt, but as we have been

hearing, the whole thing is a fairly complicated area. Childcare: now, I am going to make the caveat that I have always assumed - and I have assumed this from the report - that childcare does exclude nursery school provision, which I would personally place under education. With that in mind, I would say, in my view, for childcare, an exemption would probably be more complicated than the benefits that will be derived. Many childcare providers are individuals or possibly small companies, and I would lay fairly good money that their turnover is less than £300,000. The point of that is they will already be below the *de minimis* limits, and they will already be exempt because of the general rules of the system. Now, let us come to the fun stuff. I would like to draw the attention of Members to page 8 - I believe it is - of the comments by the Minister for Treasury and Resources. Basically, it is a table with high, medium and low on it, and on there - and there are the various elements of the proposition - there are some boxes marked H, which means "high compliance impact" and "high administration impact". Now, I am not that concerned of the cost of the remaining proposed exemptions. It is £4.5 million a year. It is not a lot if you say it quickly, I would imagine, but I am really concerned about the complexity and administration costs, not just for the States, but to everyone else. I would note that one of the difficulties in considering this proposition is that there are not really any firm definitions. For example, I am still unclear as to what are basic foodstuffs, although we now seem to be veering towards healthy foodstuffs. In addition, are we exempting or are we zero-rating? The report refers to zero-rating; the proposition offers a choice. There is a huge difference between the two. As I was drafting this speech, Sir, I went to the truly exciting H.M. Revenue and Customs website on V.A.T., and it does seem to me that much of the basis for the exemptions leans towards the U.K. as an example. That in itself is not a particularly wise scenario, given the appalling reputation of that system, compared to other schemes elsewhere in the world, which is why we are trying not to follow it. Now, once my printer had recovered from printing off 22 pages of definitions for food, and a further 11 pages for catering, I noticed the following items. I thought I might share them with Members, although given that we have had lunch, hopefully we are not going to be feeling quite so hungry as we were. Ice cream and similar products are standard rated, but frozen yoghurt that is designed to be thawed-out before being eaten is zero-rated. Live horses - and this is under the food section - are standard-rated, while live animals are zero-rated. Now, I am going to remind Members of Senator Syvret's list of healthy food, and at the top of that list was fresh fruit and vegetables. It is true that in the U.K., vegetables and fruit, a basic healthy food, are zero-rated, while ornamental vegetables - and the example used here is a cabbage - are standard-rated. Fruit and vegetable pulps are zero-rated, and juice and juice concentrates are standard-rated. So, having completely confused the picture, I would like Members to visualise a nice, green, healthy, crispy apple, potentially a raw basic food. It would seem to me that if I buy it in the U.K. just to eat, it would be zero-rated. If I buy it for - I do not know about a flower display - a food display arrangement, it will incur V.A.T. If I liquidise it into a pulp, it is zero-rated, whereas if I turn it into apple juice and drink it - or possibly even cider, which might be preferable - it is standard-rated. This is a very simple example, but it illustrates a very complex area. Exempting basic food is a complete nightmare. We have just had lunch. If I want a sandwich and I go and buy it at a shop as a general grocery item, it is zero-rated. If I eat a sandwich as part of a buffet, it is standard-rated. If someone provides me with a packed meal as part of a function, or as part of some inclusive deal at a hotel - perhaps a picnic lunch - that is subject to V.A.T. in the U.K., but if the hotel provides a picnic lunch as a separate chargeable service, this is probably not subject to V.A.T. Members have already read about gingerbread men, and indeed, the Jaffa cake is always a well-rehearsed argument. Is it a biscuit or is it a cake? I do regularly see reports of V.A.T. cases involving food being reported in the financial press. I would think it is fair to say that stating that U.K. case law would give us a precedent to follow these such definitions, and will overcome the issue of the complexity



of such definitions, is not particularly helpful. The law keeps changing and the law keeps expanding. Not the best grounds, I would say, for a simple system. The definitions even attempt to cover the context of what is hot food. One recent example of a legal case was basically whether an item was hot food or simply food that had been warmed-up. If items are specifically sold for consumption while still hot, they are subject to V.A.T., but if they happen just to be warm because they have been freshly baked and have not cooled down yet they can be zero-rated. **[Laughter]** I hope you are all taking notes of this; we will be asking questions later. Finally, you will be pleased to know, if the mixture of standard rate and zero-rated food is served - and any Members who have given up on me and gone outside the Chamber should be listening to this - one of the examples we have been given is a cup of tea with a biscuit, in which case we have to do a slightly separate and complicated calculation. So G.S.T. is going to be a tax on consumption. Everyone is going to pay something, and I accept and insist that the ones most hard up will be covered by income support. If we want a simple system, we do not exempt food. I hope Members would have gleaned from my comments that while I believe the report from Scrutiny is a very well-written report, I do not accept the particular conclusion in their report, and the one repeated by Senator Syvret, that the complexity of exempting basic food has been overstated. We have to go back. If you think I am kidding, go the website and look up the definitions. There are pages of them on food, and the ones I have quoted are directly from there. Finally, my concluding remarks on this aspect is again to refer to the Scrutiny report, which is if that we exempt food, my understanding from their report is we are going to achieve £17 per household per year, or less than a half a pence a day. An awful lot of hassle. I do have confidence in the Minister for Social Security and the Minister for Treasury and Resources that income support will cater for the less well-off. Domestic fuel: we have agreed already to introduce a winter fuel allowance, and we again have income support. G.S.T. is a consumption tax. Who else are we trying to assist? The Scrutiny report, I think, does quite rightly say and identify that winter fuel allowance will protect a vulnerable group of society. Anyway, what is domestic fuel? In which case, why do not you exempt your phone bill? Is it not a vital thing for communications purposes, for example? Is it coal? What about the charcoal for your barbecue in the summer? I think I will stop on that point. I am not going to go down the food line, but Members will get my drift. Now, books and newspapers, again, one of my favourite subjects. I think we need to consider what we are trying to achieve here by exempting them. Surely many books are leisure and luxury items. Yes, some are for educational purposes, but how do you distinguish them? Do not forget, we as the States already provide an excellent library service that includes a mobile library and it can obtain books from pretty well anywhere in the U.K. very quickly. Equally, again, we are talking quite low amounts on relatively low value items. It is about 20 pence on your average paperback. Again, there is the danger of exemption creep. If one uses the U.K. model, the difficulty lies in how we define what is a book, magazine or periodical. Broadly speaking, it comes down to the amount of printed text on the page, and it can therefore capture printed invoices, i.e. stationery. My final comment on this particular area, and I will try and sum this up fairly carefully for obvious reasons, is the result of a quick visit to the local newsagent this weekend, where we purchased the following items: *GQ*, the *Sunday Sports* - which is why I am holding it very carefully - *Take a Break* and *House & Garden*. I would not call those the basic essentials for life. To be honest, even though the headlines for *GQ* are sports, sex, music, style, gear, girls and politics, I do not think that is educational material; at least, I would have hoped not. On a more serious note, if Members think about the sheer volume of periodicals and publications that exist, surely they will recognise that this is an area that, quite rightly, should be subject to the consumption tax. Children's clothes: I refer Members to the comments already released by Treasury. If we exempt children's clothes - which in the U.K. are regulated by size - then small adults can go and buy them, and large youngsters, who,

while still young, simply do not fit into any such clothes any more, do not get the benefit. I might return the compliment of Senator Kinnard to answer, because I do not know what her shoe size is, but by way of example, a case in the U.K. apparently has decided that women who buy size 5 or larger shoes have to pay V.A.T., whereas those with smaller feet qualify for children's tax exemptions. **[Laughter]** So I reiterate, if it is the less well-off that we are concerned about, then the Minister for Social Security can give the assurance that income support will cover the need. I have spoken for quite a long time. The Members will be pleased to know that I am now completing. The Islanders in this House have constantly stated that we want simple tax, a low tax and an easy tax. Now, I would say these exemptions will generally blow a hole through this philosophy. I will be abstaining on part (c) of this proposition, and I will be voting against (a), (b), (d), (f), (g) and (h).

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

As we have heard, this new tax will affect nearly everybody here, from the children who spend their pocket money on a packet of Smarties to the old age pensioner who saved hard all their life, and for everybody in between. The proposed exemptions proposed by Senator Syvret, if accepted, would increase the basic rates. It is difficult to weigh-up both sides. On one side we would like the rate to be as low as possible for many years, but if we look at those families who have low incomes - it is this area that concerns me greatly - we have to make sure they will be helped. We have been informed the income support scheme is there for those families. The Scrutiny Sub-Panel says, and I quote: "Even with a full package of proposed zero-rating, income support will still be required to pick up most of the strain on low income families." So, it is acknowledging that this will have an effect on them. Senator Syvret feels the rate will continue to be increased. Is there any comfort given by Treasury that it will not be increased out of proportion? But what of those families, pensioners, who are just above the income support? We know that there are some and with the scheme coming in next year, we have been told that there will be losers. There are 2 items of the proposed exemptions I wish to comment briefly on. Childcare: we are all aware of the different types of childcare offered. Parents rely greatly on this to enable them to work to pay the mortgage, but we also encourage mums to go back into the workplace, and without places like Centrepoint it would be difficult to achieve. While I would like to support Senator Syvret's proposal, I feel with a proposed early years strategy, looking at those years from 0 to 5, that the Minister for Education, Sport and Culture should take this on board as an area of concern and look at ways of supporting low income families. It will be debated here in this Assembly and it will be our duty to ensure that it is. I would also like to ask how come the Minister, on this important matter, has given no reassurance? Medical services and products: this may seem very minor to some people, but to certain people in our society it is a very important necessity, and it is the only area that we cannot plan for. Our mobility may be impaired due to arthritis, we all wish to remain active and lead a disability-free life, but as you all know, there is no guarantee of that. We cannot budget for it. Disability knows no age barrier, no class barrier. We cannot ignore it and it does not go away. We just have to live with it, but it does come at a price. One of the strategic aims is for the people to stay in their homes as long as possible. With the proposed 3 per cent added to all medical services, it will make a difference. Some of these aids are expensive. A mobility scooter can easily cost up to £5,000. You may say: "Why have one?" but if it is the only way that you can get around and keep your independence, then it becomes an essential item. Then we need to look at those members of our society who are in residential and nursing care homes. As you are aware, nursing care can cost £1,000 plus a week, £52,000 a year, that is without paying doctor's bills, prescriptions. So, with the proposed 3 per cent on that item, you can all work it out what it would cost. The average length of stay in a nursing home is approximately 6 years. It will mean a lot of worry to

elderly people, wondering what to do about their future and what they can afford out of their hard-earned savings. The Minister for Social Security has said that the income support scheme will absorb 3 per cent cost of G.P. (General Practitioner) and prescription bills. If you are in that income support scheme, then you will be helped with these bills, but it is again people who are just above that level that will be affected. There are other medical bills which do not fall in that category, such as dressing pads, incontinence, appliances and we have had a number of letters from G.P. and hospital consultants saying that the recent M.O.H. (Medical Officer of Health) report will need to address the Island health issues. We tax the areas that affect our health, like drink and tobacco, but we now are to be taxed for being ill and disabled. Another 2 areas are the most important, books and papers, but they are not in the same league. G.S.T. should be kept simple so the ordinary people in the street can understand exactly what they have to pay. I will finish with a letter I received last week from a lady, and I will read part of it out, with her permission. This lady has a long-standing medical condition; she was born with it and will continue to live with it, despite medical care and treatment. She is 64 years old, relies on her old age pension and she is just above the H.I.E. (Health Insurance Exception) level, and I quote: "I cannot work or go out or drive or walk or stand much, so I tend to live on eggs, . I have not been around town for 3 years, so I am housebound. Also, I live alone. At one point, the dressings for my legs were very special, at £34.50 a day. I can no longer afford them, so we changed to simpler ones. However, the cost is still over £330 a month. Half my pension goes on these bandages, plus extra for medicines, consultations, . I do not buy anything except basic food, and then there is electricity and telephone. , but my pension sails away. My worry is if this new tax comes in, G.S.T. will be on all my medical dressings. I cannot cut back any more. I have cut out the daily paper; I only have groceries and do not have any extras." Then she ends with: "Please, can you help?" That says it all, Sir, thank you.

#### **6.9 Deputy A.D. Lewis:**

Senator Syvret should be commended for his stance on this issue, and his efforts are certainly honourable, and I am sure, well-intended. When you hear heart-rending stories such as the Deputy of Trinity has alluded to, one can understand the emotions that are perhaps playing in this Chamber and outside it. But in my last life, it is well-documented that, as chairman of a local business organisation which has been referred to already today, I was very much in favour of the introduction of G.S.T. I lobbied quite hard to persuade the then Finance and Economics Committee to consider a much higher rate, partly because I believed that the very debate we are now having would occur and that strong social and political cases would be put forward for exemptions, which indeed is what we are seeing today. One of the loudest cries, of course, is that the cost of living in Jersey is already high, and yes, it is. The average weekly shopping basket in Jersey costs some 22 per cent more than in the U.K., according to the Treasury, anyway; but average wages in Jersey are 30 per cent higher. That is fine, if you have a job, I accept; if you have not, it is a different story. But also, direct taxation is considerably lower at every level. We are now where we are. The government of the day, fearful perhaps of a public backlash - and perhaps sensibly - agreed to introduce the tax at a very low rate, which is why we have the 3 per cent suggestion; perhaps one of the lowest in the world. I have not researched it fully, but I certainly have not found one much lower than that. But it was made perfectly clear at the time that this could only be achieved if the tax was kept simple, i.e. with no exemptions. That is why, as I understand it, that so many of you agreed to keep it simple, and what are some Members trying to do today? Make it more complex. I have had some experience of good old-fashioned U.K. V.A.T. and, believe me, it is a nightmare to administer and I am sure many retailers here are fearing the worst. I admire what Senator Syvret is trying to achieve, but to me, it just does not stack-up. I have read, with

great interest, the excellent report done by the Corporate Services Scrutiny Panel, and on page 27, it states very clearly who the main benefactors of such exemptions will be. It is the middle classes, it is the upper classes, not the poor and the lower paid. That is because exemptions to G.S.T. are not discriminatory, everybody benefits. If we agree to all of Senator Syvret's recommendations, what other costs are there? Well, for a start, there will be the cost of potentially 10 more civil servants working it all out, sharpening their pencils. That is instead of perhaps having 10 more teachers, 10 more nurses. That is what it really means. Another aspect of exemptions, which has not been mentioned today, is the impact it will have on the importation process to Jersey. Jersey imports annually over half a million tonnes of freight, mainly through the Port of St. Helier. There is limited space, limited resources there; although I understand the Minister is doing something about that, it is still limited. Many of the goods' process of exclusion will be imported through time-critical deadlines, foodstuffs may be perishable, many medicinal products may be urgently required and newspapers must be delivered for sale on the same day. So, delays in the Customs clearance of these goods will be unacceptable to both the trade and the public, and believe me, such delays will occur. Many U.K. retailers operating in the Island stock their stores on a daily basis with goods imported by the container load. Most are mixed loads, containing many thousands of product items, which will cause an administrative nightmare. I understand what the good Senator is trying to achieve, but I do not believe this is the way. There are other ways and other Members have extolled those ways quite articulately today. Exclusions exclude everyone and do not target the needy. Let us keep it simple and help the needy with well-targeted provision provided by agencies funded by the very tax which the Senator seeks to compromise. Let us get this tax in and working and if it increases, as many people predict, let us have this debate then, not now. Thank you, Sir.

#### **6.10 Deputy S. Power:**

I am going to be very brief. I listened to Senator Syvret and I think he made an excellent speech, and I also think that some of the points that Senator Ozouf made were good. However, I would say that in this Chamber today there are 14 of us who were not here last year and I find myself in a rather invidious position today, Sir, where I am having to vote on the qualitative aspects of this proposed tax - or the rate on this tax - without having had a say in it being brought in, because had I been here last year, I would not have supported it. But I respect the fact that I have to make a decision on this today or tomorrow and I find myself in what is an invidious position. The Assembly brought in a G.S.T. - a goods and services tax, a tax on consumption, a sales tax - and the proposal at the moment that it is to be 3 per cent on everything: a flat rate, no exemptions. I find that if one looks at the history of this Assembly in bringing in innovative tax schemes, in the very recent past, I can remember boat fuel, which was rejected, V.R.D. which we had wrong, benefit and kind, and I.T.I.S., and I understand that Treasury are struggling with bedding down I.T.I.S. even now at the moment. We are now going to bring in G.S.T. and, in a short while, 'Zero/10' and, as has been confirmed, '20 means 20' very shortly. So, we have a track record which is far from perfect and that is why I say to the Treasury Minister that he must get his facts right and the Council of Ministers must get the generics of this tax right, throughout the work in progress year of 2007, before it goes to the next stage. I am very worried about the timescale for G.S.T. and I do not want to go into detail on that. I do want to say though that, in my view, the closer G.S.T. is to zero per cent, the better. We are not going to get zero per cent, but the indication is we are coming in at 3 per cent and that is guaranteed for 3 years. Now, my view is that if we have exemptions, we are going to get further and further away from the 3 per cent, and every incremental half per cent or one per cent rate on that increases the rate by 30 per cent, as much as that. So, reluctantly, I have to say that my preference, as I stand here this

afternoon, is to stick to a G.S.T. of 3 per cent without any exemptions, unless I am convinced otherwise by Treasury.

#### **6.11 The Very Reverend R.F. Key (The Dean of Jersey):**

I should point out that I rise to speak simply because a number of Members have asked me whether taxation has an ethical and moral dimension, and if part of my role in this Assembly is to hold up a mirror to those Members, Sir, who have votes, then I feel that I would be being negligent if I did not at least offer some comments. The first is to say that it seems to me entirely right that any taxation system is a mixture of progressive direct taxation, on the principle that those who can afford should. But also, in common with the way in which charities work in some of the poorest countries of the world, rather than passing things out freely, by charging even a few coppers for some clothes or whatever else it may be, is to have some indirect tax that reminds all of us that consumption costs and that choices are to be made which is not, in itself, anything that has an ethical black mark against it. It seems to me that the greater principle, which I think all those involved in the Council of Ministers want to see upheld - certainly there is no one I would rather trust to add up the figures than Senator Le Sueur - and is the protection of the poor. Any wealthy society that does not deal with poverty - not simply abject, but also cultural - and that does not, as those who have campaigned against it in the last 10 years have said, leave a significant minority with their noses pressed against the window pane of a standard of living to which they can hardly aspire - with all the social negative consequences that that has - any society that does not protect the poor, it seems to me, does have only a questionable right to the claim to be truly civil. I have to say that the idea that there should be no exemptions is a very simple one, and I understand Deputy Le Fondré's arguments, and I would find them persuasive, I think, were it not for the fact that I understand it. Those who have followed this debate in the years before I arrived here will correct me where I go wrong, were it not for the fact that the present Treasury proposals have exemptions in them, as I understand it, whether it is building works or anything else. I can understand the concept of something simple that has no exemptions, if it is truly simple and it has no exemptions, but once you have one exemption, you really lose the right to play the card that we have to have it simple and have no exemptions. You cannot have your cake and eat, it seems to me, if I can just hold up that mirror to you. I was also warned: "Dean, if you do speak on this, the expectation is that you will go in on what is the perceived side of the poor and you will lose, so that may be a dangerous thing to do." Well, that has never really stopped me doing very much heretofore. I do not want to speak on the economics of it, but I want to offer you 2 ethical ways forward, and of course, Sir, it is up to Members to make up their minds. There are those who will feel that there is simply something morally wrong, or at least morally questionable - let me use emotive language - about taxing either sickness or simply buying the food that keeps you alive. It is not the only ethical view, but it is certainly a very strong one and it is one that Members have eloquently expressed in the debate so far. I do not want to cast the slightest aspersions on those who are saying to us: "Really, the exemption route is not the one to go down." So, it seems to me that though, if I had a vote, I probably would vote for at least some of the exemptions, particularly those on medicine and food, because however you define it, any group of civil servants will have enormous fun working out 22 pages of lists defining what is what, and anyway, is that not what they get paid for? Anything that helps me to make healthy food choices is self-evidently a good idea. But it seems to me if the Assembly is going to vote against Senator Syvret's proposals, that if we are to be leaders ethically of the society we serve, then we need to offer to that society 3 guarantees. The first is that there should be no predetermined artificial limit on welfare, and I am probably using the wrong word - but whatever the fund is - so that then we do not have to make choices between protecting the elderly or protecting single-parent

families. That should be the sort of choice we do not have to make. The second guarantee, it seems to me, is one of communication. It may be that Jersey is much better at this than the United Kingdom - it certainly could not be much worse - but very often those in greatest need simply do not know the rights they have or the benefits to which they are entitled. If I may say so, Sir, this is especially true of the older members of our society whose sacrificial service, in previous generations, guaranteed the freedom which we are so keen to enjoy. The third guarantee it seems to me we must make is that we are failing the poor if we do not educate lifestyle choices, so that we enable those who may have dropped-out of education too soon, or who find themselves disadvantaged - whether it is by the scars of other's decisions or the scars of decisions made foolishly themselves - so that they can make the best use of the money they have, rather than find that they run short simply because they do not have what we take for granted, which is the ability to make informed and sensible decisions, to plan a budget and see it run to the end of the week or the month. My telephone goes quite regularly with people telling me that the money that the State has decided is enough for them simply has run out. It does not matter very much, Sir, whether the person on the end of the phone is someone that simply cannot make ends meet or someone who has made foolish choices, or someone who has just slipped through the system. My concern is not just for them, but also for the children that are invariably at the end of the phone with them. So, it seems to me, Sir, that the House has 2 ways forward. It can protect the poor, if it so chooses, by voting for at least some of Senator Syvret's extremely well-argued - it seems to me - proposal, running the risk that that does of, yes, the rich would also enjoy those zero rates, of course they would. If not, then it seems to me, it would be short-sighted simply to say we have a simple G.S.T. system. We would be heard by those for whom we are responsible to be out of touch or doing that ostrich head-in-the-sand thing if we did not find an alternative way of protecting the poor, that does not have artificially imposed financial or philosophical limits, so that we are voting with the strong suspicion that if we get it wrong, it will be the least advantaged members of society who end up paying that price. I do not believe that there is a single Member of the Council of Ministers who wants that to happen. So, whether Members are pro-exemption or against exemption, may I, through you, invite them to be pro the poor and pro their care. Thank you, Sir.

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

I think that is probably a useful time for me to get up and say a few words, if I am fit enough. I look at the time, because I was told that, after coming out of the surgery, I should have 24 hours rest, and I came off the table about this time yesterday, so I think it is safe for me to get to my feet. When I first started thinking about what I might say today, I looked back at the previous occasions when we have debated these provisions, the attempts to introduce exemptions into the system. At those times, the States did not believe that it was an appropriate thing to do and so we think about what has changed now. Of course, there has been an election and we have an invigorated new Assembly; new Members, who will want to have their views heard on this issue, and quite rightly so. Of course, Senator Syvret has also made an election commitment to bring the issue back to us, so that is all happening and it is all well and good. Of course, there have been other things which have happened since the last time we debated this, and most recently, we have seen the Scrutiny Panel's report, which is well-researched and has the evidence there to back what I have to say was probably a lot of the evidence that the Finance-and-Economics-Committee-of-old had in the first place to help them make a decision that exemptions was not really the right way to go. Since the last debate, we have approved the Income Support (Jersey) Law, which in addition to providing an equitable and fair support system, will also protect those on lowest incomes from the effects of G.S.T. Senator Syvret has expressed some disquiet about the lack of information

about the income support system, and I will touch upon that a little bit later. I thought it was particularly useful that Senator Perchard sent Members the figures produced by the Scrutiny Panel at the weekend, which gives the effects of G.S.T. on the lowest 20 per cent of the population. It showed very clearly that with or without the exemptions, which are being proposed again today for the third time - admittedly there are some new ones this time - but there is a slight additional tax on those in that quintile. But of course the vast majority of those people will be protected by income support, and it is also clear that the effect of the exemptions, which Senator Syvret has brought forward again, will provide a remarkable - and, I assume, unintended - benefit to those on the highest incomes, which I assume goes against what the Senator really desires. I just wonder whether he has studied the evidence as well as the Scrutiny Panel has. With regard to medical services and products, I looked back again at my notes from the debate last year and at that time, I said that it was possible that the cost of G.S.T., added to the G.P. medical services and prescriptions, could be covered by the Health Fund, and at that debate, the proposition to exempt G.S.T. on medical services and products was rejected with the knowledge that the Health Fund could be used to protect the cost of G.P. visits and prescription charges. I want to make it clear that I am as concerned as the Dean, as Senator Syvret, and as I am sure every Member in this House is, that people on low incomes have to be protected. Of course, there are different ways of achieving that and we will all do our best to ensure that those people are protected. No doubt others will comment on the practical administrative difficulties of exemptions and zero-ratings and I will leave that to them, but I have to say I think that Senator Syvret has let Members down by giving Members only really half a proposition today. If he had wanted Members to really take this proposition seriously, I would have expected him to provide the cost benefit analysis on the financial effects of making each one of the exemptions, but of course, fortunately, the Scrutiny Panel has carried that work out for us. The proposition itself should also have the alternative source of replacement funds, which will be needed to cover the shortfall created by the exemptions, unless of course we are to dramatically cut expenditure across the States, and at a level which would even cut into social and health services we need to provide. I recognise that there is a mention in the report of alternatives and the ones that the Senator floats are on page 8 of his projet. As I say, it would have served the States much better if an alternative method of raising the necessary tax had been included in the proposition, rather than just floating them around as ideas without any real evidence to back them up. I should also point out that the Senator has not really come to grips with an understanding of how the Social Security Fund works. I will leave that, I could speak about that for quite some time, but I will skip over a couple of pages of my speech, because I think we probably can deal with that on another day. I accept that Senator Syvret has identified that those people who are not within the income support system, will not have the same protection and will be required to pay G.S.T. We should not forget that the States have already discounted, for very good reasons, the only other main tax-raising options capable of raising the significant taxes required during the fiscal debate. **[Aside]** They were of course increasing income tax, or putting a tax on jobs by creating an employment tax. These were both rejected. We all have to realise that we cannot get away from the fact that we have to raise the taxes somehow. If the exemptions, or zero-ratings, were accepted, we would be left with little option but to raise the rate of G.S.T. for the remaining goods and services. This option, Senator Syvret is saying, listening this morning, he said it is inevitable that 5 per cent, 10 per cent, 15 per cent or even 17.5 per cent G.S.T. is where we will be in the future. Of course, while I realise that having high taxes and high spending is the Senator's main aim, this is not what people of Jersey are saying to us. Moving on to income support, the Senator, in his opening remark, said that he had been unable to get any detailed information about the scheme. This is of course quite right, because all the detailed calculations will be made nearer the time of implementation of income

support. Firstly, I hope all Members accept that those in the income support system will be protected from the effects of G.S.T. by the additional funds being provided. What I am able to say at this stage is to give an indication of how far up the income ladder the income support system will protect people. Of course, the exact figures are not finalised yet, but the system is being designed to protect people and families who may have incomes which would place them in the first, second and third quintiles. Quizzical looks. **[Laughter]** Although there is no clear link with the established quintiles and income support recipients, what I can say is that in the bottom quintile, which is where people have incomes of zero to £17,500, the vast majority will be protected from G.S.T. with the exception maybe of a single healthy home owner. Looking at the second quintile, which is in the £17,500 to £28,000 bracket, there will be many families who will qualify for income support. In the third quintile, which is the £28,000 to £40,000 income bracket, there will be some large families - particularly those including people with disabilities - and they will receive income support and therefore will be protected from G.S.T. Deputy Martin's understanding of how the protection of income support is, I am afraid, way off the mark. The Deputy assumes that all people within the income support system will all receive the same amount of protection. This is, unfortunately - as I say, I am afraid - a grave misunderstanding of how the system is being designed, and it is not something which is going to be developed later on when the system comes in and we have more detail. It is what is known now; it is the way the system is being designed. The amount of support each individual will receive will depend on their assessed need and then their own income will be taken into account. They will then be given a top-up benefit to ensure they have sufficient to meet their needs, and these amounts will vary and so will the amount of the G.S.T. protection. So, the amounts will vary and the G.S.T. protection will vary. So, I do hope Members will accept that those people receiving income support in those income brackets and family circumstances will be protected. Why Senator Syvret is now saying that it is not an appropriate method to protect people beggars belief when that is exactly what the States, for a number of years, have required and voted on several times for us to achieve. **[Aside]** I did not say that, Senator. May I remind Members that it will be this House that will set the level of protection at a later stage. If you are uncomfortable with making a decision today, please keep in mind, Members, that it will be this House that will make the decision of how much protection will be afforded to people. So, the focus of this debate appears to be on those people above the income brackets, or who do not qualify for income support for some reason; that is where this debate is focusing on, because income support will protect people. It is not about people on low incomes at all. This debate appears to be, as I say, focused on middle incomes and how to protect those people. What we need to look at is perhaps the basket of goods which the average household purchases, and consider the other items which people buy, and which the Senator has not selected, and which would have to attract a higher rate of G.S.T. to make up the difference. Of course Scrutiny have done that work for us and have quite clearly identified that a higher rate will be required in those circumstances. If I look at the work that the CRSP (Centre for Research of Social Policies), carried out on the basket of goods which people have described as modest but adequate, we see that there are other items which the Senator has not selected for exemption, which some would also consider as basically essential to them. If we accepted this proposition, we would have to assume that those items would attract a higher rate of G.S.T. and therefore negating the exemptions being promoted by Senator Syvret. So, looking at the basic goods which CRSP tell us about, they say that people's tastes and habits have changed so much in recent times and that it is quite common for people to buy non-basic foods, which are pre-prepared, ready made meals and many have a takeaway on a regular basis. The reality is that many people on lower incomes buy non-basic foods and it is the wealthier who continue to buy the basic foods. I realise that this can be a bit of a generalisation, but it does go to show that the basic food principle and



those on lower incomes does not really ring true. Looking at children's clothing - and perhaps I should record that I have an interest in men's clothing retail business, so please keep that in mind, but as far as this proposition is concerned, I have no direct pecuniary interest - it should not be forgotten that people on low incomes also need to buy clothing for themselves and not just the children. So, if they are faced with a higher rate on adult's clothing, they could be worse off. Now, turning to medical services, which obviously has created a lot of discussion; not only medical services, but also products. Of course Members are aware that secondary care - hospital care - in Jersey is predominantly free, but some people do choose to pay for private care, whether through insurance premiums or directly. In fact, I could thoroughly recommend the free service. Yesterday was very, very good. I would suggest that if people are willing and able to fund their private care that they are in a position to pay an additional 3 per cent. Looking at the cost of visiting a G.P., I am sure Members are aware that the G.P.'s fee is paid in 2 ways. First, the Social Security Fund pays a subsidy, which is currently £15, and the patient pays the balance of the fee when the 3 per cent G.S.T. is applied to a doctor's fee. On average, it would create an additional G.S.T. charge of just over £1 for that visit. It is my intention, as I think Members are aware, to protect all patients that are visiting G.P.s from the effects of the G.S.T. by increasing the subsidy from the Social Security Health Fund. This would save any additional administration created in complicating the G.S.T. system, as it could easily use the existing subsidy system of sharing the cost of seeing the doctor. This is a system which is well-established, and something that is appropriate, and people seem to be thinking that it is just a wheeze that the Council of Ministers has come forward with. Well, that is far from the truth, it is something that I do every year. I have to assess the costs that are charged by the general practitioners and make a decision about what the subsidy will be. Looking at the cost of buying prescribed drugs, which is the main medical products, we must not forget that people are currently protected from the increase in cost of drugs, whether it be caused by increased business costs or any application of G.S.T. The Social Security Health Fund covers the main costs of the drugs and that obviously would include the G.S.T. portion, which it does with all the costs which are involved in providing drugs. It is my intention, if the States agree, to maintain the prescription charge which the patient pays - which is currently £2.10 - at a level which will continue to cover the costs of the drugs, but it would also include the additional costs which any G.S.T. would have on those costs to the pharmacies. The patient would continue to pay £2.10. The Deputy of Trinity read a very moving letter from a lady asking for help. Obviously, making a comment on a particular case off the cuff is extremely difficult, but it is, particularly for those sort of circumstances, that there will be a medical component within the income support system and, only last sitting, this House agreed a change to the Health Fund Law, which will enable the medical benefits to be paid for extra and different items than what they are currently paid for, which would include things like bandages. I do hope that Members recognise that they have already agreed that change and that is something which will enable us to assist people. We can help and we will help and that is something that we want to do. I am sure every Member wants to do that, and in the circumstances, obviously with the proviso that people who are in need of assistance, we will do our utmost to help them.

**Deputy R.G. Le Hérisier:**

I wonder if I can ask for a point of clarification from the Minister. The big problem, as I understand it from the letter, and it is a more general problem, is people who are on the margin do not get H.I.E. help at all, but need some help. How does the Minister propose to deal with that through the income support system?

**Senator P.F. Routier:**

Certainly, I am quite happy to deal with that. As we know, the Law that we debated at last sitting agreed that the H.I.E. system - the existing system - would no longer exist. The system, with regard to income support in the future, will be a graduated system; there will not be a straight cut-off where people will fall outside the scheme. This will be a far better way of assessing people's needs and, if they have additional needs, they are more likely to get support than the current system, which has been failing.

**Deputy G.P. Southern:**

May I also ask for a point of clarification?

**The Bailiff:**

If Senator Routier is willing to give way, yes.

**Deputy G.P. Southern:**

Since we are discussing this particular case, can he guarantee that such additional benefit will go up to the £300 a month, or £3,600 a year level? Will he guarantee that? £300 a month was the individual case for bandages; will he guarantee that such will be covered?

**Senator P.F. Routier:**

I cannot give that guarantee today, but certainly the principle of what is being proposed is what we are looking at. But we know that the existing H.I.E. scheme has been letting people down, and we will do our utmost to ensure that the graduated scheme that we are putting in with income support will certainly help people far better than it currently is doing now. Talking about the prescriptions that people will be supported with, with the current subsidy scheme, it should be noted that the most expensive drugs are included in the prescribed list which is covered by the prescription subsidy. It tends to be the more reasonably-priced items which do not feature on the prescribed list. So, with regard to the Senator's claims that charging G.S.T. on medical services and products is not appropriate, I would say that the issue is not as great as being portrayed, as it is not the issue which I think he is trying to gain the support from the medical profession. Whatever people's incomes are, there are simpler ways of dealing with things like medical benefits through the health subsidy scheme rather than tinkering with the G.S.T. simple system. I suspect some Members have seen in the evening paper that Senator Syvret was making accusations that what I was suggesting was an illegal use of funds. I can assure Members that that is not the case and when I saw that article, I have to say that I was not too amused, and I bit my lip and I did not react to it, which I think is probably the best thing to have done. But I did not take kindly to the suggestion that I might have been suggesting something that was illegal. The purpose of the Health Fund is to help towards the cost of illness and that is what has been done for years, and that is exactly what increasing the subsidy when visiting G.P.s and maintaining the prescription charge does. The Senator described the mechanism of the Health Fund subsidy as just paying the Treasury. Well, this is ludicrous; it is absolutely ludicrous. G.P.s' fees vary across various practices and they all make up their charges through various costs which they endure and that includes income tax, rates, all the costs that they have within their practice; and it includes profit, because they are in business to make a profit as well as to look after people, obviously. The principle that the money that we are suggesting that the subsidy covers is covering the overall cost which is charged by the G.P. - it is not specifically to cover their income tax or their rates - it is the overall cost of doing business, and we cover the cost of their fees; we share the cost with the patient. The thought that we are subsidising the doctor is not legally true. We are supporting the patient. So, it is legal and it is appropriate. Senator Syvret quite rightly

highlights that we, the States, should be aiming at good standards and availability of healthcare, and recognises that barriers to healthcare need to be removed, and I endorse that wholeheartedly. That is of course what we have been waiting for. The new directions, which the Health Committee have been working on for quite some time, is something which we are waiting for and I can assure you that the Minister for Health can rely on my support to ensure that we do have an appropriate new method of providing primary care and secondary care, and if it requires a redirection of the Social Security Health Fund to achieve that, I will certainly be supporting that.

**Deputy J.A. Martin:**

Can I ask for a point of clarification on the Health Fund? Is the Minister able to say how long he can sustain this at 3 per cent, or if it goes up through the Health Fund on prescriptions and doctors' fees?

**Senator P.F. Routier:**

Well, I can give an indication of what is happening currently with the Health Fund, because what we have been waiting for is, as I say, the new directions policies to come forward and we have been building up the Health Fund to ensure that we are able to support those new directions. The fund currently has £44 million in it. Over the last few years, we have been having an increased surplus of about £5 million per annum in anticipation of working towards the new directions system and we cannot wait for the new directions system to be put in place.

**Deputy J.A. Martin:**

I am sorry to labour the point, but the Minister is not answering my question. I am not asking about new directions, I am asking him to clarify how long the Health Fund can cover G.S.T. on doctors' visits and prescriptions. Can he answer the question? If not, I am quite prepared... that is okay.

**Senator P.F. Routier:**

Well, I think the calculation could be worked out. It is costing £1 million at the present time, and there is £44 million in the fund, and we are getting £5 million additional each year. So, if new directions did not come into place, it can carry on for ever and a day. But certainly we want new directions to come into place and to be able to help to support the new method of providing healthcare: 44 years plus another 5 years, it can just keep going, if nothing else happens. I will move on, Sir. Now, if we move back to the basket of goods of which C.R.S.P. have described as being modest but adequate for the type of household which Senator Syvret wants to protect, we also find included in the items which are usefully listed by the Scrutiny Panel from the Jersey Household Expenditure survey things like other food, non-basic foods; as I say, alcohol, tobacco, adults' clothes, house, sole [\*16:34:42] goods, services, transport, telephone, T.V., recreation, going out to a café, having takeaway meals, toiletries. All those things are things which are being proposed not to exempt, and I would maintain that people on lower incomes all spend money on those things, and I think it would be a particularly bad move if we were to have those exemptions and increase the rate on those other items. So, it really will not support people very much at all. I am afraid the proposition is misguided and, importantly, it does not offer Members the replacement taxes to fill the holes that it would create. I think Members will recognise - and I hope Members will recognise - that the proposition is not appropriate to support the exemptions, and I hope I have given assurances that the income support system will be supporting people even up to, as I said, the third quintile of people within the community, and there are ways of supporting people, with paying their G.P. visits and prescriptions, and also there will be a way of supporting the new

directions proposal which will come forward and provide a better service of healthcare to the Island. I urge Members to vote against this.

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

It is clear that an inescapable consequence of approving exemptions is that they will lead to a higher headline rate of G.S.T. if the same quantum of tax is to be raised. Furthermore, it is an inevitable consequence that the implementation of G.S.T. with complex exemptions will result in a less efficient collection administration. I stated, during my Senatorial election campaign, that I supported exemptions in relation to medical and educational services. I intend to honour my election promise. However, I feel that the present exemptions may be too widely drawn for some Members. Nonetheless, it is important to tune G.S.T. as one of the tools to promote better health and education. After this debate concludes, I will consult with the Treasury Minister to suggest that he brings forward proposals for finely tuned exemptions on medical services and educational services that provide protection where it is needed most. I fully support the Treasury Minister in all his other G.S.T. proposals and in all other matters. Thank you.

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

I am at a loss almost to know where to start, because increasingly - sitting through this debate this afternoon - my breath has been taken away by the sheer nonsense I have been hearing from some quarters, and I thought that the Deputy of St. Lawrence was going to be the acme of this nonsense, but no, he has been beaten hands down by the speech from the Minister for Social Security. The Minister for Social Security started off his speech by saying: "I admit there is a slight additional tax on the poorest; the lowest quintile." A slight additional tax? Let us focus on that slight additional tax on the poorest - those in the lowest quintile - and see what it is. As we heard this morning in a reassurance from the Treasury Minister, he accepts the figure produced by the Goods and Services Tax Scrutiny review that the annual G.S.T. bill under Treasury proposals of 3 per cent for the whole of the bottom quintile amounted to £502 a year: that is £502. That is approximately £10 a week in tax coming from those in the poorest quintile. That is what "a slight additional tax" means. Most of these people are exempt from paying income tax; they are too poor to pay income tax. This is the first tax they will be paying; an additional £500 a year from the very poorest. That is the reality and it is not contested. It is argued that exempting all the issues in this amendment will only reduce that additional tax burden on the very poorest to £457, and that is supposed to be an argument not to exempt these basics. We intend - if we apply this fully - to make every poor household on this Island £500 a year worse off than before in tax. That is the intention, so we should not soften it in any way whatsoever. Let us bite the bullet; let us have a simple system. For the sake of having a simple system, let us do it; and do it to the maximum we can. It is then argued that: "But do not worry about the least well-off; these 7,000 households. We will compensate them by our tax system. We will put £1.75 million into the coffers for income support, thereby protecting them." I am glad the Minister for Social Security went on to new ground for him, and started talking about who is going to get income support in the future. I accept what he said; it is not just the bottom quintile that are going to receive some income support. Well, if the people in the bottom quintile are paying £500 a year tax, and there are approximately 7,500 households in there, you can do the maths. That works out at over £3.5 million worth of tax that we are taking off them; 7,500 households at £500 a year is over £3.5 million. Not £1.75 million, but £3.5 million plus. But now we are told it does not just apply to the bottom quintile; it applies to those who are in the second to bottom quintile - some of them - and even stretches as far as large families in the middle quintile. Let us assume, based on the figures produced by the Income Distribution survey in 2002, that this

might be the something like 8,500 families who are in the relative low-income households, i.e. below 60 per cent - the poverty threshold. So, it could be, perhaps, the 8,500 families who are below the poverty threshold after housing costs, in which case, we are talking about £4.25 million in order to compensate all these families, not £1.75 million. So, the reality of what is going on here, because of the regressive nature of this tax, is that we are about to make the poor on this Island - the relatively poor - worse off. That is what we are doing, and yet again, we are told that for the sake of simplicity, we must not soften the edges on it. We should not have exemptions. The Minister for Social Security then started talking about the C.R.S.P. standards for a moderate but decent living standard. May I remind Members that I asked him about this specific question a fortnight ago - maybe a month ago - and said: "Why are you not applying the C.R.S.P. standards to the low income support?" Effectively, he said: "Because they are not relevant, we are not going to those standards; we are going to apply lower standards." So, he went on about the C.R.S.P. standards, saying: "This is not just essential spending, it is non-essential spending." It is going to go nowhere near the C.R.S.P. standards. He admitted that within the last month. He then criticised Senator Syvret, not just for what is in his report, but what is not in his report, and said: "Well, if you are suggesting that we raise tax in some other manner, you must give us chapter and verse. You must give us the whole whack. How are you going to do it?" It is a pity he has left the Chamber, but may I remind him that sometime in the last 18 months I produced alternative ways of raising tax - quite extensive - which raised up to, if you included all the ways of doing it, something like £97 million. If you wanted to raise tax sums of this order - and we are talking about total exemptions - and the total is only £6.5 million, you can do it in a relatively straightforward manner. For example, if one were to take down the threshold on G.S.T. instead of raising the rate, it is possible to get another 10 per cent out of the tax without changing the rate, or approximately something like £4.5 million. In just doing that, you could cover much of what we are talking about today. But, for example, some form of land value tax - which I believe is still being investigated 15 months after I first suggested it - it is still being investigated, I believe, by Treasury and Resources. At a very moderate level, a tax on land - instead of a tax on consumption, a tax on the poor, a tax on medicine, a tax on food - could be used really relatively easily to do exactly that. If you want to raise sums of the order of between £1 million and £6 million, you can do it relatively easily. It is not that difficult. If I turn to the document produced by the Treasury and Resources Minister in his comments to measures proposed by Senator Syvret, I would direct my attention - and Members' attention - first to the table on page 8 of the document, and Members will read the table. It is entitled: "G.S.T. as a Percentage of Household Expenditure by Quintile." Now, when we debated this some while ago, Members perhaps did not appreciate the chicanery that is involved in presenting such a table. The fact is that in presenting the figures which indicate how regressive or non-regressive a tax is against expenditure, you do not see very much regression. You see, for example, in this example, for the lowest quintile, the tax works out at 1.8 per cent of expenditure, and for the highest earners, it is 1.6 per cent. So, it is barely regressive. It is allowable.

**Senator M.E. Vibert:**

It am not quite clear on which document we are looking at, Sir.

**Deputy G.P. Southern:**

Mine is a computer version; it is page 9 in the printed version. This is then compared with figures, with the exclusions, which is 1.3 per cent flat across the board. So, we have reduced the regressivity a little bit. Any economist, mathematician or accountant worth his salt will tell you immediately that this table is a nonsense. If you want to examine the regressivity or

otherwise of a tax, you take it based on income. Now, I have been saying this to the Treasury and Resources Minister until I am blue in the face. I have said it for the last year: "Why do you keep producing these figures - which are misleading - to the House, when you know that you should be doing better?" When I asked the advisor to the Scrutiny Panel on his report: "How would you describe it, using this sort of device to pretend to show the absence of regressivity?" he said: "It is certainly not normal." Anybody worth their salt would be showing you figures against income. When you do that you find, not enormous, but certainly substantial regressivity. You find that those in the bottom quintile are paying something like 2.4 per cent of their income in tax. Those in the top quintile are paying 1.4 per cent of their income in this tax, a difference of about 70 per cent; significantly regressive. So, the first thing to note is that Members in the previous House may well have been misled by these figures. I hope this House is not similarly misled. When you turn the page on to the next diagram, which probably is page 10 - unless you are in a computer version, in which case it is page 9 - you find the graph bar chart there. Superficially looking at the graph, you see that in the basic foodstuffs, the lowest quintile are paying 40 per cent less. The reduction in G.S.T. is 40 per cent for the lowest quintile, and 120 per cent for the top quintile and you think: "Wow, it is 3 times more." So, we are making the wealthy 3 times better off. What you need to do, of course, is again go back to income. When you look at income figures, what do you find out about these quintiles, in terms of their income? Why? According to the income support figures of 2002, the income after housing costs for the bottom quintile on average - after housing costs, so rent is taken out - £154. Income in the top quintile after housing costs in the 2002 figures - it may well have changed - £1,361 a week. We are talking a factor of 9 to one. So, 9 times more income and 3 times better off on your food expenditure in that particular household. The fact is, the figures produced here are wrong, if you want to understand the way in which this tax works. The reality is it is regressive and it will hurt the least well-off most. We have been told, and we have been told time and again by speakers today, this is the third time that this has come back to the House. What is different? What is different is this is a new House, and we have just heard from one new Member, Senator Cohen, who has said that he will honour his promises, and I am glad to hear him say that, because this is a new House with many new Members. In fact, many Members, yes... apart from a few who stood in the last election and were sharply focused on the effects of this regressive tax. All of us made some sort of commitment to do one thing or another, and we have to bear that in mind. At times today, I have wondered if the Scrutiny Panel, for all their efforts, were thinking: "Well, it just was not worth doing" because some of the comments I have heard today have been spurious, to say the least, for somebody who says they have read the report. So, for example, in the document we have in the comments on this proposal: "The proposed exclusions would double the cost of administering the scheme, from £1 million to £2 million, and double the number of civil servants required, from 10 to 20." I leave it to the Chair of that Scrutiny Panel to point Members to the sections that rubbish this statement, but it is absolutely exaggerated. They have exaggerated the cost of compliance and of administering with exemptions for their own purposes. Then we read it is not just Jersey that has reached the conclusion not to include exemptions. We have pointed to a table at the back of the comments, in Annex 1. Just take a moment to turn to that table in Annex 1 of the comments. Just take a moment to turn to the comments and to that table and observe what is going on. First of all, I point you to that middle row - medical and dental care - and read across the line. Exempt, exempt, exempt, exempt, exempt, exempt, . The vast majority of people who have G.S.T. and V.A.T. and such, exempt medical and dental services - and why ever not? Because to do anything else, and to do - especially, while I am here - what the Minister for Social Security proposes, is an arrant nonsense. You would not believe it if you invented it, and he appears to have invented it. What he is proposing is that a tax paid by people on this Island, in terms of the health

insurance contribution, is used to pay a tax on these services. How does that make any sense whatsoever? The tax puts up the cost of a prescription and the medical bills: "But do not worry; we are going to pay it with some other tax." Talk about a complicated way of producing a simplified system. Why do we not, like the vast majority of regimes in the world, exempt the tax? It is as obvious as the nose on the end of my - or any other Member's - face. Take a look again at foodstuffs. They are quite correct in saying few and far between are the countries that exempt foodstuffs entirely. But look across, down the whole range. The Czech Republic: instead of 19 per cent of standard rate - 5 per cent. Pick any one you like. Hungary: instead of 25 per cent - 15 per cent. Germany: instead of 16 per cent - 7 per cent. Right across the broad spectrum. No, not exemptions; only Ireland and the U.K. and Cyprus and Malta do that, but nonetheless, a substantially reduced rate. Now, we are talking now about introducing G.S.T. at 3 per cent. It seems to me that you did not want to go to 1.5 per cent or 1 per cent. The way to do this - to reduce the tax on this - is to exempt. Let us get it back down to zero. That is what we have to do. That would be logical; that would join the club of people who depend on G.S.T. or V.A.T. to bolster their revenues. Do we really want to join the club of 6, these so-called new, progressive regimes - Singapore, New Zealand, Dubai and the others - who tax these things at the full rate? I do not believe we do. Again, look down the list. Books and newspapers again, all at a lower rate. All at a lower rate. They accept the moral and economic arguments, that in imposing a tax like this on consumption - on families - that you do make exemptions. There they are. The table almost makes the case for Senator Syvret. It certainly does not make the case for the Treasury and Resources Ministry. So, all this emphasis upon simplicity for the sake of getting a pretty simple tax picture, and you are asked to ignore the effects on low income families. I cannot stop until I mention Deputy Le Fondré of St. Lawrence. He talked about the complexity of exemptions, referred time and time again to the great big lists that you can get from the U.K. Treasury web or Customs web about V.A.T. exemptions. But one has to ask oneself, why they are there? They are there and they are so extensive because they have been argued about and done to death and decided. That is why it is so easy to find these lists of instances. They have been done and dusted. It is not a problem. As the Managing Director of the Co-op says, to adopt their scheme and adapt it for us is the simplest way to go. So, all this obfuscation around the complexity of the scheme is an absolute nonsense. When he referred to the difference between an ornamental cabbage and a real cabbage, I had difficulty keeping my face straight, because if you do know the difference between ornamental cabbages and a real cabbage, ornamental cabbages are poisonous - usually. If you try to eat them, you will make yourself very, very ill, and it is perfectly logical that they should not be classed as foodstuffs. Never mind. He then also referred to the emphasis that he met on doorsteps and in hustings on the States saving money. Well, we have already seen one example of how not to save money, and it is to raise tax on medical care and then to pay it with another tax, which is going out of the pot. It is spending money. What about books and newspapers? He referred to libraries. May I remind Members, who pays for the books in libraries? Who pays for the books in schools? We do. So, that 3 per cent again is coming back to us. Do you want to increase the expenditure by the States? Well, slap 3 per cent on books. That will do, for a start. An absolutely nonsense argument. Childcare: we are very confused, I think, around childcare. Again, how do we pay for childcare? How do we pay for childcare among those most in need of childcare, who need to go back out to work, and have young children? Well, we set up a system of childcare allowances in order to enable them to do it. So, let us slap 3 per cent on that to pay for the charge, which we are going to slap on childcare as well. The more you examine this proposal, the more you see that exemptions are not the complicated way to do things. They are the simpler way to do things, and they are the most commonsensical way to do things; the most practical way to do things. We heard earlier from Senator Ozouf, who suggested that - in

some way or other - those who have not had the opportunity to vote against G.S.T., those new to the House, might want to let this through. Because, at some stage - and I notice some of the old hands are smiling - we are going to have a second chance to bite at this one. Well, let us clarify that: (a) I do not think it will happen, so do not cross your fingers and do not hold your breath; but (b) it makes no difference when and if the proposals finally get knocked together and come back to this House for our assent. It will make no difference whether you can knock-back G.S.T. in general at that time or not. It will make no difference whether you vote for or against these exemptions now; you can do it later, anyway. What you will do if you vote for exemptions - and perhaps all of them, should you wish - if you vote for exemptions now, what you will be saying, and giving a clear message to the Treasury and Resources Minister, is: "We think these items should be exempt, and we are giving an indicator that that is the appropriate way that we want you to structure the G.S.T." As I mentioned earlier, it is not absolutely inevitable that making exemptions automatically puts the rate up. We have time to look at alternative mechanisms for compensating for even the total of £6 million. We can do it if we wanted to, and this House can do it if it wants to, but the starting point must be to vote in these exemptions now, as the right starting point. Before I finish - and I am going to finish - I will come back to the figures. If we let through G.S.T. without exemptions, we are burdening the poorest families with an additional £500 tax per year, and that will not be entirely compensated for by income support. The figures do not add up. We will be burdening the lowest income families with an additional £500 of taxation; clearly said there in the report and not contested by the Treasury and Resources Minister, but merely exempted because low income support will cover it. It will not. It will not, and the message going out to the poor out there will be one certainly I cannot associate myself with, and I will be voting for the majority of these exemptions.

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

Deputy Southern and I always have good sparring contest, and sometimes he gets the better of me and sometimes I get the better of him, and this morning he asked me a question about the Scrutiny Panel report, and a figure of £500 a year in there, and asked whether I thought it was sound. I said it was not my figure, it was that of Scrutiny Panel's advisor, but it looked reasonable, on the basis that if there was an average income of £17,500 a year and a G.S.T. of 3 per cent - 3 times 17 is 51 - it would give us about £500 a year. If I had stopped for a moment to think, it would have occurred to me that roughly only half the items that are in the average spending would be liable to tax, and the actual amount of tax in the year is more like £280. That is the figure that I have worked on and Social Security has worked on. That is the figure, in fact, which was in the presentation last week. So, I think we can easily get confused and carried away by figures, and all to no need, because whatever the figure - as I said in an answer to a question this morning - it is a commitment that we will meet, whatever that cost is. I stand by the fact that overall I still think it will be in the region of £2 million, not £4 million, for the very reason that I have explained in the last few minutes. I think it is therefore important that Members do not get carried away or misled by figures, or confused by figures. I know it is very easy to get confused by figures, and I will try to talk about principles, rather than figures. The Deputy also makes a comment about regressivity and seems to imply that I do not believe that G.S.T. is regressive. I have always said it is regressive, and if you do it on the basis of household expenditure, it is very slightly regressive. If you do it on the basis of household income, it is rather more regressive. We do not disagree with that. Nor do I disagree with the Scrutiny Panel's comments that no matter what you do... however, we say that our rating would not be to make G.S.T. less regressive - Section 5 shows that the effect on the overall regressivity of G.S.T. would be minimal. In other words, yes, G.S.T. is regressive, with the exceptions. G.S.T. is regressive without the



exceptions. Whether you put them in or not makes very little difference indeed to regressivity. So, please, let us not use regressivity in this argument, let us use principles. Finally, in his comments, he refers to the Appendix at the end, and suggests that the weight of numbers - with the 27 European Union countries and their hangers-on, each with a different system, each with different figures, each with 2 or 3 different rates - that is the way he prefers: a nice, complicated system, whereas thinking in the last few years has said: "What a load of rubbish; let us make it a simple system, one rate across the board." That is the way they are going now; that is the way the rest of the world is going, and that is the way we should be going, Sir. But to get back to the main proposition, which I now have to stand up and defend for the third time, I accept that that is the wish of some Members, but I hope that Members who debated this last year - or who saw last year's debate - will now abide by the decision we took last year, which was to keep G.S.T. simple. When the States rejected similar proposals last year, they did that, I believe, in the knowledge that they wanted to keep the system simple. That principle held good last year; that principle holds good today. But for those Members who were not in the House last year, I would just like to put the whole G.S.T. proposal into context, because it arose from the move of corporate taxation to 'Zero/10', and the resulting £80 million to £100 million deficit that created, and we said we had to find a solution to that £100 million. The solution is in 3 ways: to cut States spending by £20 million; to grow the economy by £20 million, and to raise taxes by £60 million. The tax rate these measures proposed were an I.T.I.S. system of £5 million, a G.S.T. of £45 million, and a '20 means 20'-type proposal, taxing the better off of £10 million, and the introduction of an income support system to protect those less well-off. It was a package with 4 components, not one; and it is important to consider this as a package of 4 components. Why? Because I.T.I.S. does not affect the least well-off, because they are not paying income tax at all. So, if you are not paying income tax, it is not progressive, it is not regressive; it is neither. But for those who are paying income tax, I.T.I.S. is directly proportional to a person's income. G.S.T., on the other hand, is regressive, although only mildly so. 'Twenty means 20' on the other hand, is very progressive and it only affects those at the top incomes. It takes money away from those on higher incomes and gives it in the form of the income support system to those on lowest incomes. So, as a package, the whole package is progressive, even if G.S.T. itself may be mildly regressive. We have built-in that income support system. We approved the Law 2 weeks ago; we have committed to funding as much as we need to deliver the extra impact of G.S.T. on those people who are going to be suffering and in receipt of income benefit. I would like to thank Senator Routier for explaining that that does not just affect necessarily people on the lowest income quintile, but it can affect different people as well with particular medical or other needs. Today's debate is not about income support. Today's debate is about G.S.T. Those Members worried about whether the income support system is or is not adequate should direct their attention to that. I want to ensure that we have an income support system that works; an income support system that Jersey can be proud of, and to give that commitment which the Dean asked for, that there should be no limit on the welfare fund to help those in need, but we will provide support for those in need. The morality of bringing in a G.S.T. has to be coupled with that income support system. I would say for those people who are suffering difficulties because of certain medical or other conditions, a 3 per cent additional cost is a part of the problem, but the main problem is the cost of the treatment itself. That is what we have to look at, as well as just the G.S.T. elements. I give this background about 'Zero/10' and the £100 million deficit because I am aware that there is concern among the Members that this tax package, if we did not have the exclusions, would be detrimental to the less well-off. I said last year that it was not the case; I say again today it is not the case, but our job as States Members is to ensure that that is not the case. I think certainly it is interesting that both proponents and opponents to this proposition have both pointed to the

comments of the Scrutiny Panel. I join in by doing that, because I believe that the Scrutiny Panel report deals with evidence. The evidence there concludes that those proposed exclusions make very little difference overall. They make very little difference, because what you save on the one hand, you lose by increasing the rate of G.S.T. Senator Perchard, at the weekend, came up with some figures, which again made much the same point. Even if we did all this, the figure for the least well-off, they would be about £25 a year better off under the new system if we did not have the additional income support. But the fact is that we do have additional income support, not at £25 a year, but at more like £270 a year. So, I ask Members, are we really going to lose the chance to have the simplest G.S.T. system in the world, at the lowest rate in the world, for amounts that small? Do we really want to follow the route of the U.K. and have a system that even the U.K. accepts is the most horrendous and the most complicated in the world? Of course not. That is why, as part of my fiscal strategy, I put in that extra component about the income support. If we want to protect the poor, that is how we do it; not through tweaking exemptions and messing about and complicating a simple system, but by doing it through the income support system. That is why I promised to put in as much money as it takes to protect those on income support from the effect of G.S.T. So, if then we have designed a system which will protect the poor, what is the remaining justification for these exclusions? Perhaps there were some Members who think: "Well, what about those people just above the income support threshold who are not going to get that benefit? How is it going to affect them?" I would say 2 things there. First, for the most vulnerable group, the impact overall is about £25 a year. For higher income quintiles, the effect is less than that, maybe £10 a year or £15 a year. Are we really going to tweak our system for that sort of level; not for the most needy, but for the average middle class person? Of course, we have to look at this in the context of the overall tax system. People do not just pay G.S.T; they pay income tax as well. But taxpayers who do pay tax who are only just into the tax brackets, tend to pay very low effective rates - maybe 1 per cent or 2 or 3 per cent - whereas people on middle incomes will be paying effective rates of 10 per cent or 12 per cent. So, the tax system itself will help doing this, and that is why I say it is so important that Members look at G.S.T. not in isolation, but as part of a package. Again, we have to remind ourselves whether these exclusions are designed to help the poor; the exclusions suggested by Senator Syvret. To a certain extent, they do protect the poor, as the chart on page 10 of my report shows, but they also improve the lot of the well-off even more. So, it is a very blunt instrument that we have there. I say to Members that the way to help those on low incomes is not by blanket subsidies and exceptions, but by targeting support in a more effective way. Senator Syvret's proposition is not an effective way. It is crude, it is blunt and it is misguided, just as his 2 previous attempts were. So, I could go on, but I hope I have demonstrated to Members why the whole principle of looking at G.S.T. exclusions is wrong. It is clear that if we do pass many of these exclusions, the rate will have to rise. It will rise not just because of loss of revenue; there was talk about the additional administration costs, or complexity costs. I agree it is not just the pure administration; those costs can be relatively easily contained. It is what I call a tax leakage - the non-compliance - a tax avoidance which occurs when you change a simple system into a complicated system. That is where the difficulty arises; that is why they are going to need a rate higher than what might otherwise mathematically be calculated. The Director of Customs and Excise has pointed out to me, and to the Assistant Minister for Home Affairs, some of the complications in their department by having to deal with exclusions at the point of entry, probably in the middle of the night when the ship docks, and you are up against time pressures and perishable goods. Nonetheless, Sir, I try to be a consensus politician and I accept that there are certain Members who have concerns about medical services and products, and I can understand that. I think had it not been for the fact that the proposition lumps together medical services and products in the one heading, Members would

have had a lot more sympathy for medical services alone. I am prepared to commit to work with the Health Minister and with the Social Security Minister to see how we can best deliver health services to the benefit of the Island and to the benefit of keeping G.S.T. simple. But I think, just as with healthcare and with education and with other things, there are different ways of addressing the problem. If there are anomalies, the way to address those anomalies is within the individual grants or the way we treat those particular aspects. We keep the tax system simple and we tweak on the outside, not on the inside. Now, Senator Syvret suggests that his amendments might not cause anybody difficulties, and he tends to gloss over the problems about food and basic foodstuffs, but I think I would make a couple of simple comments. I also looked at the U.K. V.A.T. - in fact, over the weekend - and it is horrendous, but it is there and it is established. I would not want to follow it, but at least it is a precedent of some sort. What I would not want to do is to go into uncharted waters and have our own particular list of foodstuffs with no previous legal experience, no idea about profitability, no idea of where it was going, whether it was doing the right thing, and then say: "We start from scratch to try to catch-up on what has taken the U.K. 30 years to get wrong." In his report, Senator Syvret seems to imply, in my view, that there is only one right way of addressing G.S.T., but I accept that there are 2. I would loosely call them the European model - the E.U. model - and the Southern Hemisphere or the Antipodean model. I accept that both of them work. It is just that one is simple and one is complicated. The complicated one tends to have a high rate and so you need to have maybe a lower rate and exemptions, and all sorts of confusion. The simple model, on the other hand, sticks to one rate and says no exemptions, and that rate is usually lower. While I have not quoted as many examples of the Antipodean models as I have of the European one in the Annex, it is clear that the rates in those countries tend to be lower than the rates in Europe. As I say, both systems work, but the European model is far more complicated. When we went out to consultation some time ago, the comment from the public I had was: "Keep the system simple." A second comment I had was: "Keep the rate low." What we are proposing here, Sir - what I have proposed in a fiscal strategy and what I want to adhere to - is to keep that rate low. The proposition from Senator Syvret very much reflects the U.K. model, and I would just remind Members how many complexities there are in that. But I think if we look at the U.K. and elsewhere, the simple fact is that the U.K. model not only is misguided, but the U.K. V.A.T. system itself does not comply with the E.U. 6th directive. The chances are that if the U.K. government had the courage of its convictions, it should amend its own V.A.T. legislation to reflect the E.U. norm. But I repeat that that is an old and outdated system. We should not be following bad, old law when we have the option of good, new law. I urge Members not to introduce a bad law and then wring our hands about the failure to change it. For those who were in the House a few years ago, can I remind them about the Disabled Transport Scheme. That scheme was brought in for the best possible motives, but against all professional advice. We blithely brought it in and then spent the rest of our life trying to change it. Please, let us not make the same mistake again. I have quoted the fact that not only places like Singapore and New Zealand, but all the new countries looking at G.S.T. are of the same view, that they should keep it simple. Somewhere I had comment from the person bringing it in in Malaysia, who said that the only way to go is to keep this simple system. That is the view across the world, sir. Here we are: "A simple, broad-based tax system with a low rate should be introduced from day one and should be kept simple." The main complications in the European V.A.T. are the proliferation of different rates, exemptions, serial rates and blocks on business-recovering input tax. That is not the way to go. Jersey also has one other tremendous advantage which Members may have overlooked, because G.S.T. is a complicated subject. That is that part of my proposals last year was for a very high registration threshold of £300,000 a year. Unless your regulation level - unless your turnover - is more than £300,000 a year, you do not have to

register for G.S.T. Not only do you not have to register for G.S.T., you do not charge G.S.T. I suspect that many of the concerns people have about childcare and small childcare providers; you may well find that those people have a registration threshold of less than £300,000 a year. Home decorators, electricians and one-man bands almost certainly will be below that registration threshold. They would not be charging G.S.T. unless they choose to register. Senator Syvret also suggests that what I am doing is trying to tax the poor at the expense of the middle income and well-off, and I disagree with that entirely, Sir. My proposals are certainly that the tax burden should be more inclusive, but that it should be more progressive. With the approval earlier in the year of the '20 means 20' proposals, those proposals are indeed achieving just that. Furthermore, within his report and his comments this morning, Senator Syvret seems fixated with the idea that G.S.T. is bound to rise. Now, can I remind Members that G.S.T. has been introduced to fill a deficit - called a "black hole" - of up to £100 million per year, as part of a package? We have to raise £45 million to fill part of that package. Now, is that "black hole" going to rise? No, it is not. It is fixed with a give or take of a couple of million pounds. So, is there any need for G.S.T. to rise to fill that black hole? No, there is not. If G.S.T. is to rise it is because Members cannot keep their own spending under control. It is nothing to do with the fiscal strategy. Furthermore, even were the rate of the G.S.T. to rise because States Members could not keep their spending under control, can I again return Members to the views of the Scrutiny Panel? Even if the rate of the G.S.T. were to increase significantly, exclusions would still be of little benefit for those on low incomes. All this doom mongering about higher rates - which I do not want to see, and I think most of us do not want to see - would still not be solved by these exemptions. What the solution is, it is not to bring in those exemptions, but that States Members to say no to additional spending. I also would like to remind Members of questions this morning when I was asked about the I.T.I.S. system and whether we might bring everyone on a same basis. I said I brought that system in on a simple basis with a view that, in future, once we had bedded it down, we could then adjust it if we needed to. I think the same is true of G.S.T. G.S.T. at present is complicated enough. Let us bring it in, in as simple a way as we can and if, in the fullness of time, we find any little anomalies and tweaking we need to make with it, that is the time to do it, not now. Senator Syvret then went on to suggest all sorts of other possible tax-raising measures, and ended up, I think, suggesting maybe a 21 per cent income tax rate, rather than 20 per cent. I do say to the Senator, and to this House, that we have debated all those things at the time of the fiscal meeting last year. He made some of those proposals and Deputy Southern made some of those proposals. They were all debated by this House and they were all soundly rejected. We have a fiscal strategy; we know where we are going, and all we need to do now is to deliver that, because that is what I think the public out there expects us to do. They want to have certainty; they want to have clarity. They have elected us to govern. We have said what our fiscal strategy is. Now is the time for us to be delivering it, and the more we tinker about with this, the more that confidence in us from business, industry, and the public tends to diminish. When that happens, then we find that the economic growth - which is another part of our fiscal strategy is no longer delivered. So, I say to Members, Sir, please do not be swayed on this tide of emotion or misplaced compassion, or letters from medical professionals, but to go back to the principles of what we are trying to do and say: "Does the Treasury Minister's proposals meet our aim? Do they meet those principles?" As someone has said: "Yes, costs may be higher in Jersey, but so too are incomes." I think, based on the evidence that we have - the evidence from Crown agents, the evidence from the Scrutiny Panel - we could take note of that. To those who say: "Well, will income support be sufficient?" the answer is: "Yes, we must make it sufficient." I think, in conclusion, Sir, Senator Syvret this morning made a few comments with which I have to take exception. One is about the retailers' appetite for V.A.T. I think their appetite would be purely for V.A.T. on

food, on a basis identical to the U.K. Anything else, and their computers would not function at all. They can work their computer system either on the U.K. model or on the Antipodean model. If they want to run their computers on the Jersey model, then they are going to have to program them specifically to meet the Jersey needs. He also, I think, has 2 other fundamental flaws in his proposals. One is that we should tax the rich more, that that is the only way to do it. Well, we are taxing the rich more through '20 means 20.' The other even more worrying proposal is that he believes that Jersey does not pay enough in taxation at the moment. Well, I will just point out to him and to Members that Jersey's success over the last 50 years has been based on the fact that we do have a low rate of taxation, and long may that continue. I think he also then went off about races to the bottom and so on, but really, to come back to the proposition itself, this is not the way to go along with it. Do not make a simple system complex; do not make a low rate higher; stick to what we agreed last year. Let us go forward in the knowledge that we can deliver a good G.S.T. system, and we can deliver a good income support system as well. It is not a question of one or the other. We must do both, and we shall do both. Thank you, Sir.

### **ADJOURNMENT PROPOSED**

**Senator S. Syvret:**

I propose the adjournment.

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

Before we propose the adjournment, there are 2 propositions on Members' desks, if I may beg leave of the Assembly to lodge them, with the knowledge that they need to be lodged today in order to be able to hopefully be taken on 5th December.

**The Bailiff:**

Thank you, Senator. I have 4.

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

Well, I have 2 of my own.

**The Bailiff:**

I hope that all 4 either have been, or will be very shortly, on Members' desks: the draft Harbours (Amendment No. 40) (Jersey) Regulations (P.139/2006); the draft Amendment No. 31 to the Tariff of Harbour and Light Dues (P.138/2006) - both in the name of the Minister for Economic Development; and the draft Public Employees Contributory Retirement Scheme (Existing Members) (Amendment No. 8) (Jersey) Regulations (P.137/2006); and the draft Public Employees Contributory Retirement Scheme (New Members) (Amendment No. 11) (Jersey) Regulations (P.136/2006) - both in the name of the Chief Minister. Those have been lodged. If Members agree, we will now adjourn and reconvene at 9.30 a.m. tomorrow.

**Senator W. Kinnard:**

Sorry to interrupt, Sir. If I could just say, there is a note in every Member's pigeonhole in response to a question I was asked by the Constable of St. Helier about police resources.

## **ADJOURNMENT**

### **The Bailiff:**

Thank you, Minister. The States stand adjourned until 9.30 a.m. tomorrow morning.