

STATES OF JERSEY

OFFICIAL REPORT

THURSDAY, 9th DECEMBER 2010

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

[09:36]

Deputy P.J. Rondel of St. John:

Sir, before we start the business of the day, and given the way the debates are going, is it prudent to ask the Members, if necessary, they would be willing to sit on Saturday to finish the business of the House?

The Bailiff:

That is very much a matter for P.P.C. (Privileges and Procedures Committee) to consider and then bring to Members. Chairman, do you want to just take note of that and then see what ...

Connétable J. Gallichan of St. Mary:

Yes, I will take note of that. I am sure, though, there are many Members who have arranged ... there are lots of community functions on but we will have to take that into consideration.

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

Sir, I have a proposition down for debate today and I think the best thing for me to do, considering where we are at this stage of things, I anticipate there is going to be a very difficult appetite, if not waning support for any debate on it. So with the leave of the Assembly I will withdraw it and relodge it in the new year.

The Bailiff:

Which projet is this, Deputy?

Deputy P.V.F. Le Claire:

It is the Financial Services P.87.

The Bailiff:

So you are agreeing to defer that, not withdraw it but defer it?

Deputy P.V.F. Le Claire:

I think it is going to be time barred if I defer it so I will withdraw it and relodge, if that is appropriate.

The Bailiff:

Very well. Thank you very much, that is withdrawn.

PUBLIC BUSINESS – RESUMPTION

- 1. Expenditure Proposals for 2012 and 2013 and Draft Budget Statement 2011 (P.157/2010): third amendment (P.157/2010 Amd.(3)) – second amendment - approval for debate (P.157/2010. Amd.(3) Amd.(2))**

The Bailiff:

Then we continue with the debate upon the budget and the next matter is the amendment in the name of Deputy Green. But if Members agree, it seems to me it would be helpful for Members to know before Deputy Green makes his proposition as to whether they are going to debate the amendment to that lodged by the Minister. As Members know, under the Public Finances Law amendments have to be lodged 14 days before, but there is an exception for the Minister, presumably to deal with the last minute things, it says: “Does not apply to an amendment moved by the Minister if the States agree that the amendment may be debated forthwith or at a time approved by the States.” So, Minister, do you ask the Assembly then ...

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

Yes, I think Members are aware that this is an amendment which I have been asked to bring for the Council of Ministers. I would ask Members leave to permit the debate to happen I am proposing it, I promise, to be brief. I think all of the arguments in relation to these issues are well understood, Members know probably how they are going to be voting in these issues, it is straightforward and I would ask Members for the permission to debate the amendment after Deputy Green has made his proposition.

The Bailiff:

Is that seconded? **[Seconded]**

Senator A. Breckon:

Sir, could I ask of you a question of procedure? If we debate their amendment, which I believe would - if their exemptions are accepted - increase it from 5 per cent to 6 per cent, if we approve that first then where does that leave Deputy Green's amendment?

The Bailiff:

Well, of course we do have to debate any amendment to Deputy Green's amendment first so that if it is passed then what Members will be debating thereafter is whether to have exemptions with a 6 per cent rate. If, on the other hand, Members want to have exemption with a 5 per cent rate then they will vote against the Minister's amendment and then vote for Deputy Green's amendment.

Senator A. Breckon:

Would you just confirm to a simple country boy that it is not possible to increase the rate to 6 per cent and then not have the exemptions, that is not possible by what is being proposed?

The Bailiff:

No, because the amendment is clear only if there are exemptions, is it not, yes.

Senator P.F.C. Ozouf:

As we went through yesterday, if the amendment is accepted but then the underlying proposition is rejected then we default back to the 5 per cent.

The Bailiff:

Yes, because the amendment itself has been rejected. Very well then, all those in favour ... the appel is called for then in relation to the proposition of the Minister that he be allowed to propose his amendment to Deputy Green's amendment. If members return to their seats.

Senator F. du H. Le Gresley:

Are we allowed any discussion on this?

The Bailiff:

Briefly, if you wish to, yes, I did not realise anyone did want to.

Senator F. du H. Le Gresley:

I would like to if I may. Can I carry on?

The Bailiff:

Yes, please do.

1.1.1 Senator F. du H. Le Gresley:

I am rising to object to this late amendment, if merely to point out to Members that the 6 per cent basic rate that we could end up with has never been consulted with the general public. In the

consultation exercise that went out through the F.S.R. (Fiscal Strategy Review) there was never ever a mention of a 6 per cent basic rate which will have a very bad effect on many of our industries, particularly tourism, retail. I think Members need to realise that this is very much a last effort by the Council of Ministers and I would strongly urge Members to reject it. Thank you.

1.1.2 Senator B.E. Shenton:

What we are debating here is just whether to allow the amendment to be debated, nothing to do with 6 per cent rate or anything else. I am going to vote against it because I think the ability of the Minister to bring late amendments was more to cover inaccuracies in his budget statement and I think this is an abuse of process. Also I am unhappy with the fact that a Minister is bringing a proposition which is then bringing an amendment to the proposition that he does not agree with. I think this is not the way government should be run, I think it is amateurish and as I said before I think it is an abuse by the Minister and I will be voting against the ability to lift Standing Orders to allow it to be debated.

The Bailiff:

Just to be absolutely clear, Senator, it is not of course lifting Standing Orders, it is provided for in the law, but it is entirely a matter for the States, as the law makes clear.

1.1.3 Senator P.F.C. Ozouf:

The Minister's ability is to assess all the amendments that have come in and to make propositions subject to the leave of the Assembly in order to deal with consequences that have arisen by the amendment. It is clear to Members, if they want to have the opportunity of debating this, to have a revenue neutral option, then they will vote and permit the amendment to happen. I am in the hands of Members.

The Bailiff:

Very well, the appel has been called for. So if you want to debate the Minister's amendment you vote pour, if you do not you vote contre and the Greffier will now open the voting.

POUR: 27

Senator T.A. Le Sueur
Senator P.F. Routier
Senator P.F.C. Ozouf
Senator T.J. Le Main
Senator F.E. Cohen
Senator S.C. Ferguson
Senator A.J.H. Maclean
Senator B.I. Le Marquand
Connétable of St. Ouen
Connétable of Trinity
Connétable of Grouville
Connétable of St. Brelade
Connétable of St. Martin
Connétable of St. Saviour
Connétable of St. Clement
Connétable of St. Peter
Connétable of St. Mary
Deputy J.B. Fox (H)
Deputy of St. Ouen
Deputy J.A. Hilton (H)
Deputy J.A.N. Le Fondré (L)
Deputy of Trinity
Deputy K.C. Lewis (S)
Deputy I.J. Gorst (C)

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Senator J.L. Perchard
Senator A. Breckon
Senator F. du H. Le Gresley
Connétable of St. Helier
Connétable of St. John
Connétable of St. Lawrence
Deputy R.C. Duhamel (S)
Deputy of St. Martin
Deputy R.G. Le Hérisier (S)
Deputy J.A. Martin (H)
Deputy G.P. Southern (H)
Deputy of Grouville
Deputy P.V.F. Le Claire (H)
Deputy S. Pitman (H)
Deputy of St. John
Deputy M. Tadier (B)
Deputy of St. Mary
Deputy T.M. Pitman (H)
Deputy T.A. Vallois (S)
Deputy M.R. Higgins (H)
Deputy A.K.F. Green (H)
Deputy J.M. Maçon (S)

ABSTAIN: 0

Deputy A.E. Jeune (B)
Deputy A.T. Dupré (C)
Deputy E.J. Noel (L)

1.2 Expenditure Proposals for 2012 and 2013 and Draft Budget Statement 2011 (P.157/2010): third amendment (P.157/2010. Amd.(3))

The Bailiff:

Very well, so then we return to the amendment which is to be proposed by Deputy Green and I invite Deputy Green to speak to his amendment after it has been read.

The Greffier of the States:

Page 2, paragraph (b) after the words “as set out in the budget statement” insert the words “except that the estimate of total taxation revenue in 2011 shall be decreased by £4.8 million by introducing exemptions or zero-rating for Goods and Services Tax from 1st June 2011 for the following items: (1) foodstuffs in line with United Kingdom value added tax arrangements, and (2) domestic energy, and the element of the food costs offset of average G.S.T. (Goods and Services Tax) bonus and that income support relating to the items being exempt or zero-rated shall be adjusted accordingly.”

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

I think Members might be relieved to hear that I do not intend to speak for too long on the subject because the matter has been well aired and articulated in the past. But before starting I would like to just acknowledge and thank the Deputy of Grouville for her help and assistance in providing information for me.

[9:45]

In the Minister’s opening speech, the Minister for Treasury and Resources talked about trust and confidence. Trust and confidence. Of course he is right, this is important and I believe that this Assembly has demonstrated a firm grip on our economy and has the trust and confidence of industries which generate our wealth. This is a win/win situation, as this wealth allows us to help the less well off. That said, there is a problem. Fairly or not, right or wrong, there is a perception that this Assembly does not care about the less well off and those who are commonly referred to as “middle Jersey”. This may be unfair but this is the perception out there. Rightly or wrongly, people think we do not care. I know that is not true but, as I said, that is the perception. Taxing life’s essentials such as food and heating, in the view of many Islanders, confirms this perception. No matter how we try to mitigate the effect with other allowances or benefits, the fact remains that this Assembly taxes food and heating. Taxing food at any time is wrong and we are taxing food at a time when there is unprecedented food inflation. We heard yesterday from Senator Breckon some of those examples and I have no doubt he will remind Members again today. We are taxing food and heating, not only during a time of rampant inflation but at a time when wages are at best frozen and at worst, for many, reducing. We are taxing food and heating when we have just agreed to increase G.S.T. by 66 per cent. The message heard out there by the ordinary person is that we do not care. I heard from Members yesterday and I quote: “We need to show support for the ordinary person.” Well, this is your opportunity. Despite all the assurances given to the contrary, G.S.T. is a regressive tax. It is regressive when you tax food and heating and essentials in life. It is regressive because the less well off and the more vulnerable pay a greater percentage of their income in tax. For many families after the rent or mortgage the remainder of the family’s income goes on food and heating. Food and heating that we tax. I know others will argue that the better off pay more and of course this is true, but as a percentage of their total income it is the better off that make a considerably lower contribution as a percentage of their income, as I said. G.S.T. is a rising tax and while it may be possible to argue keep it low, keep it simple - which is a view I do not hold - that

case no longer applies and becomes less and less applicable every time we increase G.S.T. That said, G.S.T. has its merits, not least that it is difficult - even with creative accountants - to avoid paying G.S.T., but the fundamental question is: is it right to tax the essentials in life, essentials that take up a greater percentage of the less well off person's income? I believe not, and that is the whole basis of my argument. Taxing food and domestic heating is morally corrupt. Not only is it morally corrupt, but it goes against this Island's Strategic Plan, this Assembly's Strategic Plan. Let me explain. We look at our plan 2009 to 2014 and we go to number 11, I have marked it in my book here. I do not intend to read the whole lot but I would like to just pull out a few things from here: "Enhance and improve healthcare provision and promote healthy lifestyle. A major shift in health and social care policy is needed if we are to improve Islanders' health and social well being, enough to head off projected increases in health care costs, we need to put the emphasis on provision rather than cure and make healthy choice the easy choice." Why must we do this? Well a healthy population has a greater sense of wellbeing and will be more productive. "Government leadership and action will be required to support individuals in taking responsibility for adopting or maintaining healthy lifestyles. Lead on actions necessary to support people to manage their own health through the promotion of healthy lifestyles." I think people will get the gist of where I am going. "Key indicators, reduce mortality rates for circulatory disease, cancer and complications arising from diabetes." Prevention rather than cure, that is one of our Strategic Plan's aims. So how does G.S.T. on food support this? I do not think that anyone would disagree that healthy diets are a major part of the strategy. This requires a good, sound, basic healthy diet; good, sound, basic food. Please bear in mind that food inflation, according to our statistics unit, is running at 3.2 per cent. But anyone who does the food shopping will know that we are paying considerably more than that and that prices have increased significantly over the last year. It is not that the Statistics Unit's figures are wrong, it is that healthy food such as fresh fruit and vegetables have increased by 12 per cent, potatoes by 19 per cent, wheat in excess of 47 per cent, corn, 61 per cent, and so on. As I said before I am sure Senator Breckon will give you some other examples. These are not my figures, these are figures I got from the Statistics Unit and I am very grateful to them. All those increases are on food that are already at least - and I am a caterer so I know about buying food - 15 per cent higher than the U.K. (United Kingdom) and then we add 5 per cent G.S.T.. If these figures are correct, that 3.2 per cent increase in food costs - and they are, I believe, I have read and looked into it very closely - it stands to reason that some items must have reduced in price. I have just read out the things that have gone up such a lot. They have. Canned foods have reduced in price. Prepared foods have reduced in price. Frozen convenience foods have reduced in price. So the foods that have reduced in price are those that are high in fat, high in salt and high in sugar. Our policy of taxing food is removing the option of a healthy diet from many and driving lower earners in our community to make less healthy foods a staple part of their diet. Not a matter of choice but a matter of survival. I ask Members, how does that fit in with strategic aim 11? I suggest that we are being totally hypocritical here and what is the point of a strategic plan that we ignore. It is a fact that poor diet is a major contributing factor in so many of today's diseases. It is also a fact that these conditions are more prevalent in the lower quintile of earnings and we are spending more and more on food, and anyone who does the shopping knows this. One major retailer confirmed my worst fears when he said that it was the lower priced, high in fat, high in salt, high in sugar foods that have increased in sales, while fresh fruit, fresh veg, non-processed meats have significantly decreased. Not an opinion, not my opinion, but a fact confirmed by retailers. The Medical Officer of Health's report in *Our Island Our Health 2009-2010*, if you just allow me to refer to a couple of items in here. In page 15 looked at the main causes of premature death - cancers, heart disease, strokes. These were linked to high blood pressure, overweight and low fruit and veg intake. Not something I have made up, it is in the Medical Officer of Health's report. Then go to another page, page 51, I was just picking out cancers but it applies to others as well: "Both men and woman are at risk of developing bowel cancer. This risk increases with age, 8 out of 10 people who are diagnosed with cancer are over 60. Other reasons in the likelihood of developing cancers include a close family history of bowel cancer, taking little exercise, being

overweight and having a diet high in red meat and low in vegetables, fruit and fibre.” We tax those items. Having looked at the Strategic Plan then and the Medical Officer of Health’s report, what are we - as an Assembly - going to do about it? I will tell you what we are going to do at the moment is we are going to add 5 per cent to those inflationary costs. That is wrong. We are making life more difficult and storing up even more costs to the health service. I am staggered that we have even considered it, it really is indefensible. Now, let us just look at heating. We have had unprecedented increases in heating and power cost, most of which we have absolutely no control over as an Assembly. Of course the price of oil is a major factor here. Keeping it local though, in 2008 we saw an increase of electricity of 25 per cent, I know this was later reduced by 5 per cent in 2009, but electricity is the heating choice of our social housing, oil has continued to increase and despite that 5 per cent reduction the statistics office tell us that there has been an overall a 6 per cent increase in the costs of heating. Life is hard out there, hard out there for many people. There are many people that are struggling. Our average local families and the elderly are living on fixed incomes and often experiencing wage freezes and reductions in wages. The elderly have, if they have got savings, little interest being generated by their savings and those are the hardest hit of all groups and they are feeling the pinch and that is why I say G.S.T., when you put it on food and heating, is a regressive tax. Now, just moving on quickly to the costs of introducing these exemptions, the loss of taxation income is one, the administrations costs to both the States and the traders is another. But dealing with the latter first. So long as we adapt in its entirety the U.K. food exemption list, no additions, no extractions, there may be things in there that we do not like and I have to say I started from the point of view of: “Let us take G.S.T. off only the healthy foods” but that is far too complicated. So long as we take that list in its entirety, let the U.K. have the battles over jaffa cakes versus biscuits - and I am sure somebody will have a packet of jaffa cakes to show us today - milk versus smoothies. Let them do that; we will just embed in law that we will exempt the food that the U.K. have on their list. So we do not need a department to do that. The Treasury Department tell me that they will need 3 more staff along with associated costs, why? Having an established system that has bedded down in the U.K. over many years, having zero-rated goods already, the principle exists, why does it take 3 staff to take the list from the U.K. and distribute it to the retailers? I would like to hear why. I wondered if the Minister for Treasury and Resources had spent perhaps a little bit too long as a Minister for Planning and Environment because my experience of working with planners and architects is at the drawing stage when you are planning a building - remember you have not got a brick laid, you have not even dug a foundation - you say: “I do not need that power point there” and they say: “Well, that will not save any money.” “But I would like another power point over here” and there is a deep, sharp intake of breath and £2,000 added to the bill. I just wondered if maybe the Minister for Treasury and Resources had spent too long with the planners. Anyway, back to G.S.T., there is no need to increase staff. We can make this as simple or as difficult as we want to make it. There is a one off cost to retailers but this is significantly reduced if you stick to the U.K. lists. There may be things on there that you do not like and I heard on the radio yesterday talking about gingerbread men with buttons or gingerbread men with belts, and it is quite ridiculous that one falls in to one group of tax free food and not the other. But as long as we stick to that, accept the principle that we wish to help the less well off and put up with some of the idiosyncrasies of it, then we do not need a big department. The software systems that the retailers use over here are geared up for zero-rating and are geared up for the U.K. list, as long as we keep it simple. Simple from my point of view, not simple from the Minister for Treasury and Resources point of view. I am told it will be difficult for the small trader, but let us just examine that, 98 per cent of food sales go through the major retailer. Those who have a turnover, I think it is below £300,000 - the Minister for Treasury and Resources will confirm that - are exempt anyway, do not have to add G.S.T..

[10:00]

So that just leaves a few medium sized companies who I can assure you are happy to re-price every time they get a food delivery at the moment. With the rampant food inflation the way it is, they

have to re-price every time and I know that as a caterer when I was purchasing. So there is no difficulty there then. But there is the difficulty of £4.2 million in balance that we will lose in 2011's budget. Remember, this is not a full year effect so it would be in excess of £8 million if it was a full year effect. So about £4.2 million. But there is the whole of 2011 because we are talking about an indicative 3 year budget. There is the whole of 2011 to find other ways of plugging that gap. I have decided not to speak about it this time, but that leads me on to a couple of suggestions which I will just brush over, 6 per cent G.S.T. is not one of them. I can tell you that now, that would be 100 per cent increase in G.S.T. so that is not one of them. But I will speak about that when the Minister for Treasury and Resources brings his amendment. There are other alternatives, as I suggested to the Minister for Treasury and Resources, such as taxing non-Jersey foreign-owned company ... sorry, Jersey ... you know what I mean. But I will resist debating that now because we are going to have that debate later, but that is an option. I think I have dealt with most of the comments the Minister for Treasury and Resources made. But the Minister for Treasury and Resources, in my view, is opting for a "let us make this difficult" view. Members will have to decide for themselves which is myth and which is not. On page 9, I think, of the Minister for Treasury and Resources' comments he states that exemptions might not pass through to lower prices. I think that is page 9. Of course this is a risk, because I felt very let down last year with some of the hospitality when we debated very hard, won that, and then it gets an increase almost immediately afterwards. But I have had an absolute guarantee **[Laughter]**. An absolute guarantee in writing, from the Co-op which is one of the major retailers, that they will lower their prices and that is both from the chief executive currently and the chief executive designate. When they do lower their prices, if other traders choose not to then I suggest the public vote with their feet and go and get their double divvy on whatever day it is. Tuesdays and Wednesdays, thank you. In other words, the consumer will control this one because we have got a cast iron guarantee from the Co-op that they will do that. Just before concluding, some Members have expressed to me that this is a blunt instrument, that it is not targeted, and I suggested it is better honed than freezing G.S.T. for 6 months. If accepted the principle will be there permanently. If accepted, only food and heating will be exempted. If accepted, the better off will be making larger non-food purchases and will still pay 5 per cent. We have an opportunity here to help the most vulnerable, to help the less well off in our society and support those members in making healthy choices in their diet. We have a chance to show that we care. No matter how we look at it, G.S.T. when you tax food and heating is regressive. Taxing life's essentials is morally wrong. I ask Members when they consider voting, if you think we are making things complicated - I do not support that view - is it complexity versus simplicity or right versus wrong? Please bear that in mind.

The Bailiff:

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

Connétable D.J. Murphy of Grouville:

A point of clarification, the proposition asks us to introduce exemptions or zero-rating. I am sure, as the proposer knows, there is a vast difference between the 2. Could he explain to us which one he favours and why?

Deputy A.K.F. Green:

I do not favour any one in particular, I am quite happy to see the tax either removed, i.e. zero-rated, or exemptions. I do not mind as long as people do not pay tax on it.

The Connétable of Grouville:

There is a vast legal difference here.

The Bailiff:

The Deputy has made his position clear, he does not mind which it is.

The Connétable of Grouville:

There is a vast legal difference, perhaps we should be told what it is.

1.3 Expenditure Proposals for 2012 and 2013 and Draft Budget Statement 2011 (P.157/2010): third amendment (P.157/2010 Amd.(3)) – amendment (P.157/2010. Amd.(3) Amd)

The Bailiff:

Well, then you can raise that in your speech, Connétable. Very well then, so we have 2 amendments to be dealt with then to Deputy Green's proposition. The first is name of Senator Ferguson and I will ask the Greffier to read the amendment.

The Greffier of the States:

Page 3, after the words "food costs offset average G.S.T. bonus" insert the words "of income tax".

1.3.1 Senator S.C. Ferguson:

I do not expect Members to agree to this amendment, you know, they are considered the poor of the Island and so on. However, I am not being cynical. What this amendment does, due to the very helpful comment by the Council of Ministers which did my calculations for me, it highlights the extent to which this House has bent over backwards to make provision for the less well off and for those on marginal rates when we brought G.S.T. in. As the comments say, I am not sure which page it is, I have got the word copy of it, but as the comments say, we increased income tax thresholds by an extra 3.5 per cent, we included protection from G.S.T. for those on the original income support. There was an allowance for households who did not pay tax of the G.S.T. bonus and the Le Fondré proposition doubled the G.S.T. bonus and provided an increase in income tax exemption. This was one of the prices we paid for not having food exemptions when we brought in G.S.T. so that we in fact gave a financial benefit for those on low to middle incomes of £12 million which was twice the estimated cost of exempting fuel and food from G.S.T. in 2008. You know, you cannot have your cake and eat it. You might want to, but particular in straightened financial times it is totally unfair to not only take the £12 million but also have the benefit of the exemptions and this is the basis of my amendment.

The Bailiff:

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

1.3.2 Deputy T.M. Pitman of St. Helier:

Very simply I would just like to say, now I am far too young to remember so perhaps people will correct me but was it McMillan who said we never had it so good? Well, if we all follow Senator Ferguson's attitude, some will never have it at all so I will never vote for this. Thank you.

1.3.3 Deputy P.V.F. Le Claire:

It is unfortunate, I did not really appreciate the language that the Senator used when she said that the States had bent over backwards to help the people in the ... I am not going to get the quote exactly right, but the States had bent over backwards to help those most in need when we introduced low income support. I think what we need to bear in mind is the fact that low income support was a move away from the parish system of welfare payments that have been in place in Jersey for a number of years and transferred over and tried to make some sense of the - and is still trying to make some sense - of the benefits that we provide people that are not necessarily there because of the fact that they are in the low income bracket. Maybe because, in some instances, they are there because of medical reasons. If we take into account also the fact that we have got a significant bill in relation to rent rebates because this House has failed continuously to address the

high cost of housing. I am reading at the moment the Jersey Island Plan Inspector's Report and I am hoping most Members will help me in grilling the Minister for Housing and the Minister for Planning and Environment in the future as to whether or not they have read this in great detail because it is certainly recognised in here by the examiners of the Island Plan in the Housing section that the States is in a very, very serious position and it is in a situation that is worsening in relation to housing and the cost of housing. I find the comment that the Senator made absolutely unpalatable and I think that we need to bear that in mind when we vote against this today and let her know that not only is her amendment unacceptable but her comments are as well. I think people need to realise that we are now funding the improvements to the housing programme in social housing from the sale of housing within the social sector. What kind of nonsense is that? If we continue to ...

The Bailiff:

Deputy, I think this is drifting a little way off the amendment.

Deputy P.V.F. Le Claire:

I am trying to confine my remarks to "we have never had it so good" and "the States have bent over backwards to help those" ...

The Bailiff:

Yes, but the amendment is to withdraw the tax mechanism introduced. I think you need to keep to that.

Deputy P.V.F. Le Claire:

I would just like to finish then, because I may be off track, I may not be able to get back from it, I have been that pushed off the road by the comment. I think it is also important to recognise this. Low income support has been frozen at this year's rate and that means there is not going to be anymore than there was this year for next year. So what happens if there is more people that need it? I just think this political approach from the Senator in what she is doing and how she is putting it across is going to inflate and antagonise people. Certainly it has gone down very badly with me this morning.

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

Yesterday I called one amendment from Senator Ferguson mean-minded and mean-spirited. This indeed reinforces that opinion. The fact is that yesterday this House voted to tax the people of Jersey by an additional £30 million annually, taking from the average household around £900 a year in tax. If this proposition is to succeed it will put some perhaps 10 per cent of that tax back. That is all. We are talking of tens of pounds over the year rather than hundreds and yet this Senator proposes that we further the damage to the prospects of the people of Jersey by her mean and petty amendment. I urge Members to oppose this wholeheartedly.

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

I am just slightly confused in the conversation I have just had. I was originally supporting this. It is a very simple principle. We have previously put income tax exemption thresholds up by various amounts to compensate for G.S.T., what Deputy Green in his proposal on the bottom line he said: "In the element of the food costs offset the average G.S.T. bonus and of income support relating to the item being exempted or zero-rated should be adjusted accordingly." My understanding from Deputy Ferguson's amendment is that all she is doing is inserting the words "income tax" in there. The principle of that is that where we have previously given amounts on income support and a G.S.T. bonus, which Deputy Green is willing to take away in recognition he thinks - that is a different debate - that people will be better off under exempting food, he has ignored the fact that income tax thresholds were also adjusted. Therefore, purely from a balancing the book principle, all one is going to do if you are going to take away from the lower end, you should also be taking it

away from those who have benefited previously. That was my understanding and, if I notice any reasons for not supporting it - which I will wait to hear about - I was going to vote for it.

1.3.6 Deputy A.K.F. Green:

I have to say I was angry when I saw this amendment come through. Last night I went to see a play at Les Landes School and excellent it was too. Scrooge. **[Laughter]** Bah humbug, and this would make part of that script, I think very aptly.

[10:15]

I cannot believe it. Food and heating is a small part of what people pay G.S.T. on and that income tax allowance was for the whole of the G.S.T. Unfortunately I do have the figures on my computer, I do not have them clearly to mind, but as I remember it was something like 12 per cent or something, and I am sure the Minister for Treasury and Resources will tell me, of the G.S.T. take was food. I cannot remember the percentage. But we are going to take away all of the allowance just to score a political point, I find it disgraceful.

1.3.7 Deputy M. Tadier of St. Brelade:

Let me address that point, first of all. It seems curious that one Deputy who has voted to increase G.S.T. by 2 per cent without any assurance that exemptions are even going to go through, is calling another Member who wants to take a very small amount out of people's pockets, rather than a very big amount of 2 per cent which will effect everybody in the Island, whether it is exempted or not, is calling another Member Scrooge. But that is just my personal opinion. Nonetheless, of course I do not agree with Senator Ferguson, I think she is flawed for 2 reasons in her amendment. First of all because she is proposing to take away the whole of the G.S.T. bonus, what I am saying is here we are looking to take exemptions off food, but those who get the allowance still have to pay G.S.T. on many other items, so that is partly why I think it should remain. The other point that she made though is she has this feeling that the States only really cares about the very poorest in society and ignores perhaps another swathe of society, which I have some sympathy for, I think that is partly true. But if she really does want to do something that will help right across the board in Jersey and not simply for those on the lowest incomes, all she has to do is simply vote for the lower rate of 5 per cent rather than of 6 per cent and in doing that she will be doing something for the whole of the Island rather than for a small section which she thinks is currently the case. So I implore her to really just forget about this particular amendment and go for the lower rate of 5 per cent by which she will be helping all of her Island constituents.

1.3.8 Senator P.F.C. Ozouf:

This debate in all of its parts has the potential of becoming really sort of an emotionally charged debate. I think many Members have made their mind up on this amendment and probably a lot of the others, so I think I am going to certainly be brief and hopefully other people will be too. I probably need to have a word with Deputy Le Fondré again. Actually the Council of Ministers is opposing this amendment for the reasons that are set out in the comment, which are very clear, that the proposal by Senator Ferguson goes much further than those originally given in terms of the G.S.T. bonus. We will come to the substantive debate about the revenue neutral issues I think it goes to. I think Senator Ferguson has done one useful thing, if I may say - and I am going to urge vote Members to vote against it - she has reminded Members of just how much money was given back for the whole of the introduction of G.S.T., not just the issues there. It was not simply it was a net revenue gain to the States but a substantial amount of give back in terms of other amendments. So the Council of Ministers and I do not support this. I thank the Senator for having made the point but I think we should probably just conclude this, I am not sure that this is the debate really to have.

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

The way I interpret this amendment is this: it is okay to take away the G.S.T. bonus that we give to people who do not pay income tax in order to compensate them for the 3 per cent G.S.T. on food,

and it is okay to take away the elements similar that were applied to income support. But we are saying it is not okay to take the element that was applied to income tax threshold levels, I do not understand what we do not understand about that. It is okay to do it to old age pensioners, and others, whose incomes are below the income tax thresholds, it is okay to take it away from people on income support, but not taxpayers. I will be supporting this amendment. Thank you.

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

I am now, after the last 2 contributions, more confused than I was. Because my understanding was in distinction to some others, that what this amendment was doing was removing what we had given back, but only on the food element, not on the whole of the G.S.T. and that seemed to me to be reasonable.

The Bailiff:

Can I assist from the Chair, Deputy, because certainly, as drafted, it must be that you are right. In other words, what Deputy Green's amendment says is the elements of the G.S.T. bonus and of income support relating to the items being exempted or zero-rated shall be adjusted. What the amendment of Senator of Ferguson does is add in there, also income tax. So it would read: "The elements of income tax relating to the items being exempted or zero-rated shall be adjusted accordingly." So from that I take it that what the Senator is saying is that part of the income tax allowance which was brought in because of food and other matters should now be taken out. So that seems to me clear from the wording of the amendment.

The Deputy of St. Mary:

Thank you, Sir, for that clarification which will have helped all of us. That is the first point. The second point is that in the flurry of papers that we have all been given in the last 2 days from the Council of Ministers, and maybe others, do not have the comments. So the comments of the Council of Ministers on this particular amendment, I have all the others, I do not have that and so I just wish that one other Member of the Council or another Assistant Minister could simply stand up and explain why the Council of Ministers are opposing this amendment. Because the Minister for Treasury and Resources said they are and that was the first I knew of it and I would just like to know why.

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

I appreciate that it is slightly confusing and the words in Deputy Green's amendment that the Senator is trying to amend appear quite innocuous in that we will just be taking away the elements which relate to food or which were up-rated in relation to food, Sir, and I thank you for your clarification. I think the problem the Council of Ministers had is that the whole of the G.S.T. bonus - if I just take that one first - the whole of the G.S.T. bonus was introduced to offset against food, even though it was not related to the physical amount of the cost of food in the quintiles which related to G.S.T. So an amount was given, it was given by this Assembly because it felt that it related to food but it did not have any relationship per se to the amount that people paid in G.S.T. on their food bill. That is perhaps where there is some confusion. If we move on to the income tax thresholds, they were increased twice in relation to G.S.T., 3.5 per cent and 2 per cent respectively. Members will remember because we have addressed this issue over a number of times, they were increased, it was said because of some of the issues raised during previous food exemption debates, therefore, propositions came back saying: "No, let us not exempt food, let us do this instead." That amount of money was not directly related per se to the amount that the community pays in G.S.T. in relation to food and, therefore, there is some confusion. If this is accepted the Minister for Treasury and Resources for one is going to have quite a bit of difficulty in going away (a) understanding first what amount of the increase is in relation to what the community pays in G.S.T. in relation to food, and (b) what the Assembly wanted when they were approving those propositions and was it in relation to food or was it in relation to the G.S.T. spend in general. That

is where the confusion arises. I am not certain that I will have thrown much light on it in this debate but that is why the Council of Ministers put forward their comments that they were opposing it for those reasons. Members might take a different view and say no, they think that perhaps, for example, the 2 per cent was in relation to food because of what was said during the debate. But, as we all know, what is said during a debate and what the proposition says and then what happens can be 3 different things. So I will maintain my opposition to this for those reasons and I hope those reasons are now somewhat clearer. Thank you.

1.3.12 Senator S.C. Ferguson:

Well, at least people understand the amount that we put into insulating people on the food side. Deputy Le Claire missed my point, he got on to planning, he may have been in the States when the rent rebate debate came in, I was not, so I cannot comment on that. For the rest of the people, whether they were for or against, thank you for your comment and I ask for the appel.

The Bailiff:

The appel is called for then in relation to the amendment of Senator Ferguson. I invite Members to return to their seats and the Greffier will open the voting.

POUR: 8

Senator B.E. Shenton
 Senator J.L. Perchard
 Senator S.C. Ferguson
 Connétable of St. Martin
 Connétable of St. Clement
 Deputy R.C. Duhamel (S)
 Deputy J.A.N. Le Fondré (L)
 Deputy A.E. Jeune (B)

CONTRE: 38

Senator T.A. Le Sueur
 Senator P.F. Routier
 Senator P.F.C. Ozouf
 Senator T.J. Le Main
 Senator A. Breckon
 Senator A.J.H. Maclean
 Senator B.I. Le Marquand
 Senator F. du H. Le Gresley
 Connétable of St. Ouen
 Connétable of St. Helier
 Connétable of Trinity
 Connétable of Grouville
 Connétable of St. Saviour
 Connétable of St. Peter
 Connétable of St. Lawrence
 Connétable of St. Mary
 Deputy of St. Martin
 Deputy R.G. Le Hérissier (S)
 Deputy J.B. Fox (H)
 Deputy J.A. Martin (H)
 Deputy of St. Ouen
 Deputy of Grouville
 Deputy J.A. Hilton (H)
 Deputy P.V.F. Le Claire (H)
 Deputy of Trinity
 Deputy S. Pitman (H)
 Deputy K.C. Lewis (S)
 Deputy I.J. Gorst (C)
 Deputy of St. John
 Deputy M. Tadier (B)
 Deputy of St. Mary
 Deputy T.M. Pitman (H)
 Deputy A.T. Dupré (C)
 Deputy E.J. Noel (L)
 Deputy T.A. Vallois (S)
 Deputy M.R. Higgins (H)
 Deputy A.K.F. Green (H)

ABSTAIN: 0

1.4 Expenditure Proposals for 2012 and 2013 and Draft Budget Statement 2011 (P.157/2010): third amendment (P.157/2010 Amd.(3)) – second amendment (P.157/2010. Amd.(3) Amd.(2))

The Bailiff:

Very well, then we move next to the amendment lodged by the Minister for Treasury and Resources, the one which was referred to earlier, and I will ask the Greffier to read the amendment.

The Greffier of the States:

Page 3, for the words “the estimate of total taxation revenue in 2011 shall be decreased by £4.8 million by introducing” substitute the words “the rate of goods and services tax shall be increased to 6 per cent from 1st June 2011 and not to 5 per cent as proposed in the draft budget statement with the introduction of.”

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

I hope Members have got the amendment to hand because it might just be helpful just to cast their eyes over the numbers. The impact of zero-ratings, which is the assumption that we are taking from Deputy Green’s option, the impact of zero-ratings of food and domestic energy is directly £4.8 million for the 7 months, £8.2 million for the full year. The net cost, netting off the cost of income support, is £4.6 million and £7.8 million for a full year. The rate required to be revenue neutral is in fact in between 5.7 and 5.8 per cent. Despite the comments of Deputy Green who will still remain a good friend in terms of Assistant Ministers and his work in this Assembly, I think he knows that there is additional costs over and above just simply the revenue and there is also the administrative costs and there is also, based on all the experience of other jurisdictions that have variable rates of G.S.T., there is a compliance cost. We have a very high compliance cost in terms of the revenue from G.S.T., that will be impaired if we have exemptions with a more complicated system. That is absolutely backed up by the advice of the global forum such as the O.E.C.D. (Organisation for Economic Co-operation and Development) and I.M.F. (International Monetary Fund) in terms of that. Hence also you need to consider the complications of having a fractional rate in terms of G.S.T. that is complicated for business. Mistakes are made, the advice is that you should have a rounded number, so taking all those things into account, that is the construction for the 6 per cent. The Council of Ministers’ position is to have a balanced budget to fill the deficit by 2013. That is the responsible thing to do based upon the advice of the fiscal policies we have rehearsed before. This amendment will ensure that no matter what the outcome of the exemption debate on food, it is revenue neutral. My opinion is that we should have a medium credible term plan which balances our books. This has a cost, hence the difficult decision that if we want exemptions we have to accept that there is no rabbit, there is no simple solution, we have to raise the revenue from consumption taxes. I will come back and summarise at the end but Deputy Green is no doubt going to say there is a lot of other sorts of revenue. I am afraid there may well be other forms of revenue and we need those other forms of revenue in terms of economic growth.

[10:30]

This needs to be taken as a standalone item. We need that foreign-owned entity revenue; we need a rate of 6 per cent if we are going to have an absolutely clear debate in terms of revenue neutral policies. I make the amendment.

The Bailiff:

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

1.4.2 Deputy A.K.F. Green:

I thought I would come and use my own words and there are plenty of other options and the Minister has to look at them. But maybe I need to go on one of the Minister's sartorials, I do not know, but when I was looking at this I have to say I was quite angry when the amendment came in, but when I was looking at this, taken the Minister's figure £7.8 million on a full year, as I understand it a 1 per cent increase in G.S.T. will bring in around £15 million. So is this to create another slush fund for the Minister to spend money on. We could do it the other way around. We can go £4.6 million greater expenditure, less income, if you like, whichever way you look at it for this year and plug the gap next year. It is a 3 year plan to get within a neutral budget. There are loads of other opportunities for the Minister to get that money in. I do not really want to give him another £6 million, £7 million slush fund.

The Bailiff:

Does any other Member wish to speak?

1.4.3 The Deputy of St. Mary:

This is pretty extraordinary that everyone is hanging back on just voting on 6 per cent instead of 5 per cent. It is a fairly odd way of carrying on. I just want to make one point really which is to emphasise to Members what the J.H.A. (Jersey Hospitality Association) circulated to Members in their recent letter. Their line I think is that they would like to see G.S.T. rises restricted to 4 per cent. We should have gone for the 4 per cent. Yet that was not even brought. So now we are looking at 6 per cent. I cannot do better than to put on the record and remind Members of what they say in their letter. "The hospitality sector is responsible for generating G.S.T. receipts of approximately £6 million per annum; some 13 per cent of the total." That is about one-seventh or one-eighth. "Hotels contribute almost 50 per cent of the £6 million. It is understood that 80 per cent of the current 3 per cent G.S.T. charge has been absorbed into prices and tariffs in order to remain competitive. This has significantly contributed to profitability falling to critical levels." This is in our second industry and that is just the effect of 3 per cent. "The Treasury argues that G.S.T. is not a tax on business as it can be passed on. This is not the case with the accommodation sector who have not been in a position to pass on G.S.T. and, therefore, it has become a direct tax on turnover." They also point out - which I find interesting and it is extremely relevant - about the contrast between the impact of this tax and the impact of possible alternatives that the Assembly could adopt. They are talking about the 2 or 3 per cent increase in the rate of G.S.T. "This is contrary to the position of the finance industry that is protected by the I.S.E. (International Service Entity) provisions." In other words, if we go for 2 per cent or 3 per cent increase in G.S.T. the finance industry is not affected. They simply get the proposed rise in I.S.E. from £100 to £200. "These proposed increases will have little or no effect on their pricing or competitiveness. We believe, therefore, that the hospitality and retail industries will bear a disproportionate burden of future tax rises." A disproportionate burden. One of the key elements in this debate about 6 per cent is where the tax burden should rightly fall. I was in conversation yesterday with someone who works in the finance industry. They said that if I.S.E.s went instead from £100 to £200 yielding £3 million, if they went to £500 yielding an additional £9 million it would not make a jot of difference to those businesses because they are not here for whether it is £100 or £200 or £500 in fees. They are here because of the quality of the advice. They are here because of the professional relationships. There are here because of what Jersey has to offer. As we are repeatedly told, we have a world class finance industry. They are not here for £200 or £300 or £500 in the fee that a business registered here pays. What we are talking about here and the specific point I want to make is we are disadvantaging our second most important industry. That is all.

The Bailiff:

Does any other Member wish to speak?

1.4.4 Senator F. du H. Le Gresley:

I really only want to repeat what I said when we discussed whether we were going to debate this amendment at all. A 6 per cent basic rate proposed has not been consulted on with the general public. I would also add that the 2 per cent over the social security ceiling for employees and employers has not been consulted on. Our Minister for Treasury and Resources prides himself on consultation with the public but we are going to end up with a budget that has not been consulted on in tax raising measures. I would also again follow the Deputy of St. Mary on the effect that a 6 per cent rate would have on the tourism industry. When I discussed this with some leading hoteliers they described it as a doomsday scenario and an absolute disaster for the industry. I would also ask the Minister, we now know that if we 5 per cent rate he proposes to reduce the *de minimis* waiver to £240. I would ask him when he sums up does he now propose to reduce the *de minimis* waiver to £200? I would hope that that would be his intention. I will also remind Members that we still have other amendments to debate which if they are approved will raise extra revenue in 2011. I would much prefer to see some of those amendments approved, particularly mine [Laughter], than see a 6 per cent basic rate. This is something that we must reject.

1.4.5 Deputy G.P. Southern:

Following yesterday's results I quite frankly fail to see the logic on which many Members of this Assembly work. I am almost at the stage of giving up trying to look for logic [Approbation]. Giving up trying to look for logic in the decisions of this Assembly [Laughter]. Do not be silly. That is in my D.N.A. Obstinacy is built in. So I will not be going away. The Assembly yesterday voted to raise taxes on the people of Jersey by £30 million. There was no escaping that. What they said deserves to be treated with respect, despite many people saying that middle Jersey or low earning Jersey, all of Jersey ... What they are saying is: "Ouch, the recession is hurting." Whether they are jewellers or retailers it does not matter. Jersey is hurting. This House yesterday chose to ignore those cries and say in effect the ordinary working people of Jersey will pay for this recession. Be absolutely clear about that. If anyone should doubt that that is the case they only had to listen to the radio this morning which made explicit what is happening about the solution to the problem of taxing 1(1)(k)s. The answer was very clearly presented this morning that taxes on 1(1)(k)s are to go down. World income of £3 million will now pay a tax rate around the 4 per cent mark. We are paying more than that in G.S.T. and if this goes through we are paying even more than that simply in G.S.T. But 1(1)(k)s with a world income of £3 million annually will be paying tax at a 4 per cent rate. What sort of a society is this? I made no mention of it yesterday but I will today. There is an election coming up, October next year. The Minister for Treasury and Resources will not be facing the electorate but most of us will be in one form or other. It is not very far away. It is 10 months. The voters will remember. They will remember who voted to increase their taxes. What we are doing today is I think very pleasant and may soothe some consciences in this Chamber but will make very little difference to that hike in taxes paid by the average family. If we vote for this amendment, it will make no difference whatsoever because we will make sure that we will squeeze every last drop out of those ordinary working Jersey families by raising G.S.T. to 6 per cent. I have been saying to people throughout this debate, recognise what this means. I have checked again - I checked my figures again today - for the average Jersey household it means around between £800 and £900 a year additional taxation. For pensioners on fixed incomes if you are a single pensioner it means around £300 additional taxation; for a couple it is around just over £500. These are the sorts of figures we are taking out. If we vote for 6 per cent then we are making sure there is no relief whatsoever. If we go with the amendment and exempt food and fuel then we give some redress but it really only is a small amount. I just want to question the figures that have been presented to us today because I do not think they add up, whichever way you look at it. We are being told that in order to pay for this exemption we are talking about a loss of is it £4.8 million over 7 months and £8 million in a year. I cannot find any correspondence of that with household expenditure figures. Even if one were to take simply the number of households in the Island which is something like 37,000, 38,000 households, if one were to take those figures then we get a figure of food and fuel expenditure of around £90 per week on average. When you

do the sums as to what that means, that means a loss in G.S.T. revenue of around £3.7 million, £4 million in a full year. Yet we have got figures in front of us to say, no, it is twice that amount - £8 million - and anyway there are additional compliance costs and administration costs so we have got a full 1 per cent whacked on everything in order to cover that. I simply do not believe the figures. Even if one takes the rough and ready £100 on fuel and food on average - and I am talking about on average from the Household Expenditure Survey 1984-85 up-rated by inflation, around 18 per cent over the time, do the calculation, do the sums - they do not come out anywhere near that.

[10:45]

I think we are being conned. Deputy Green spoke very briefly and said I cannot believe these figures. I have looked at the figures and I cannot believe them either. We are whacking on a full 1 per cent if we accept this amendment which does indeed give the Minister lots of money that we took off him yesterday with Deputy Vallois' amendment; took out of his slush fund yesterday. Here he is. Here is a quick instant way to get it back. It will be. It will be slopping around somewhere waiting for some more expenditure. The one message I heard yesterday from right, left and centre was that we must make the savings before we raise the taxes. We did not vote that way but the sentiment was expressed time and time and time again. It did not translate to votes but never mind. That is another day. No tears. No milk spilt. We return. **[Aside]** No, none left for kids or otherwise. I think we are being led a dance. The 1 per cent increase is way in excess of what is needed. This 1 per cent excess should be rejected. I will of course support the main amendment to exempt food and fuel because as I said yesterday ... especially at the Constables Bench when asked: "Are you still against G.S.T. at 5 per cent?" Yes, I am. I will maintain my opposition to G.S.T. in all its forms. I point out 2 things. Even if we accept this amendment it is a relatively small amount of money that we are not taking away from the average household. It is a drop in the ocean. Even if we do, it will not save many seats around this Chamber when it comes to October. Bear that in mind. But please, please reject this con that is being foisted on us by the Minister for Treasury and Resources.

The Bailiff:

I am sure you are not meaning to imply that he is doing this deliberately? **[Laughter]**

Deputy G.P. Southern:

Sir, I have had many experiences in this Chamber and I am often faced with a choice, conspiracy or cock-up. Inevitably, 90 per cent of the time it is a cock-up. It is a mistake.

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

I was going to speak in similar terms but as Eric Morecambe told André Previn: "The right notes but the wrong order." I was not going to say that but I just thought it was a good joke, given the intensity of the debate. **[Aside]** Yes, thank you. What I was going to say, yes, the Deputy of St. Mary asked why are you not getting up? The reason I am not getting up: (a) I think a lot of us are getting bored stiff at the fact that this debate is going in the wrong direction; and (b) rather as in fact Deputy Southern said, this is a spoiler. I do not think it should be given the decency, quite frankly, of a full debate. The Minister for Treasury and Resources feels he is in a box, perhaps of his own making, and he had to run this although quite clearly his heart is totally, totally not in it. So why are we having to do this? I would have thought as we get through the exemptions debate, the proper debate will be reflected in the propositions of people like the Deputy of Grouville and Senator Le Gresley. It will be how the balance is achieved in our tax system and where the balance should lie, where the revenue collection sources should lie and so forth. That is where the proper debate will lie. This is totally, totally a red herring. I may be naive but I did not think there was a chance in this world, if I may put it in a delicate fashion, that this would ever get through. It is being brought up totally as a spoiler. The Minister knows that. Let us move on.

1.4.7 Deputy P.V.F. Le Claire:

Profligacy, profligacy, profligacy. I will try next time. Profligacy. Give them more and watch it grow. Hansard is a wonderful thing. We had a difficult time getting it in but it is in now and it is coming back to haunt Members. No doubt one day it will come back to haunt me. Last year's budget debate is there for all to see, word for word. I have great pleasure in identifying what I think is wrong with this proposal. I know it is under Standing Orders that the Minister for Treasury and Resources is doing this but really it afforded no Member the opportunity to amend his last minute amendment. It is not just a small amendment that he is bringing. It is a significant amendment. A 100 per cent increase in G.S.T. without consultation. Quite frankly if I had of brought anything near this ... and I bring things that are nowhere near this all the time and they are just laughed out of the Assembly. I withdraw most of them because I know I have not got a hope in Hades. Deputy Power last year when he took £4 million away from the Minister for Treasury and Resources started off by saying this and it is quite funny when you read it, if I may be allowed: "We are faced with the tail wagging the dog in this Assembly." This is Deputy Power. "We are not in control of what is happening out there. We are not in control of spending and then we are asked to support these propositions. The public perception of this Assembly right now is low. It is one of dithering. It is one of time wasting. It is one where we do not make decisions clearly. It is one of endless debates about minutiae and ourselves and we really need to come out strong sometimes. I say to Senator Ozouf and I say to my colleagues on the Council of Ministers and I say to Deputy Trevor Pitman ... Deputy Pitman made a statement to the Assembly 2 or 3 weeks ago that all Ministers and all Assistant Ministers vote the same way. They do not do that. I can say that when I lodged this amendment which was about removing the duty on alcohol and tobacco, I did not have one phone call from a Minister or Assistant Minister to try and dissuade me." This was last year. He did not have one phone call from a Minister or an Assistant Minister to try to dissuade him from removing £4 million from the budget. The Assembly voted to remove £4 million from the budget. The only phone call that we recognise he had was from the Minister for Treasury and Resources, Senator Ozouf, in asking him at the last minute whether or not he would split the vote. Then we go on. We jump on a bit more. Sorry, I thought I was reading the Strategic Plan, once upon a time. No, I am not. I am reading Hansard. Senator Ozouf went on to say this and I will jump in halfway: "... just finally 2 more Members. Deputy Power, we are both early birds. We did have a conversation on the telephone this morning and clearly there are lessons that I think can be learned in relation to the duty issue. He did ask me to put forward an amendment that was a halfway house and the advice I had was that that was not appropriate for me to amend something that I was putting forward. Having said all that, there has been a clear decision. I accept the authority of this Assembly. I will consider and take soundings of whether there are some that need to be brought back next month." Last year he did not want to bring an amendment at the last minute to a proposition that was going to strip us of £4 million of revenue because he wanted to allow the Assembly to have its authority. Yet this year an amendment has been lodged for some time identifying the impacts upon society upon food, the least able, driving them into an unhealthy food option and the heating where people can least afford in some sections to do so. Yet where we have £4 million of lost revenue from industries that are extremely damaging and costly to society, not a single thing was done. No Minister and no Assistant Minister came forward and said we should be tackling alcohol and we should be tackling tobacco. Unfortunately most Members got caught up in the middle Jersey argument and lost sight of the reality. We spend lots of money on the results of alcohol abuse. We spend lots of money on the results of tobacco abuse. We lost £4 million. With the losses of the effects and the losses of the revenue combined, I would argue that it does not come anywhere close. It does not come anywhere near the kind of loss that we are going to see if the Assembly supports Deputy Green. To be honest, I think the Minister for Treasury and Resources may not have wanted to do this. He was either wrong to do this or he was wrong not to address the year that it has taken to bring back the duty increases on alcohol and tobacco. As somebody said earlier, you cannot have your cake and eat it too. I will not be supporting a 6 per cent level of G.S.T. but I am very, very grateful for the Minister for Treasury and Resources to finally tell me and other members of the public where it is heading because G.S.T. or V.A.T.

(Value Added Tax) in every other country in the world, if you look at that percentage it is 7 or 8 per cent. We have taken G.S.T. from New Zealand. If Members want to know where we are heading, let us go and look on the Internet and look at all of the other countries. We have got a clear signal from the Minister for Treasury and Resources in this proposition, 6 per cent. This is where we are going while we are continuing to waste money, not cut any of our States expenditure and spend in a ridiculous way on many, many other things. The only solution we have got is to tax the poor. Interestingly, just in summation, they wanted efficiency savings of £4 million. The other thing that I will finish off with which has not been tackled because let it drift. It is not important. It will be done the minute Zero/Ten is found not in compliance though. This is Senator Ozouf again: "I am hopeful in the F.S.R. that I am going to find the solution to that Jersey versus non Jersey owned identity which is worth about £10 to £15 million." So last year he did nothing about alcohol and tobacco which cost £4 million and the consequential results. He did not bring back a proposition a month later like he could have done to split it as he said he would have done if he had had the opportunity for Deputy Power to amend his proposition. Deputy Power was not prepared to split it and he was not able to split it last year. We were told: "I was not able to, I did not have time." Yet halfway through the debate we see an amendment coming in on the back of the Deputy of Grouville's this time round. When the Minister for Treasury and Resources wants to do something - and this is what he wants to do; he wants to raise it to 6 per cent going to 7 per cent - he does it. He brings it. But when he wants to tackle the non Jersey owned identity which costs £15 million, that is not important right now.

1.4.8 Deputy A.E. Jeune:

Deputy Southern made reference to 1(1)(k) and it was on the radio this morning that if they had an income of £3 million their tax bill will go down. I welcomed hearing that. Not for the individual millionaire but in the hope that it will bring in more people like that and we will get a lot more tax.

The Bailiff:

Deputy, I know that Deputy Southern brought this topic in. Perhaps I should have been stricter in stopping him but it was part of an argument. But I do not think we can allow this to turn into a debate on 1(1)(k)s. This is not relevant to this amendment.

Deputy A.E. Jeune:

I accept what you say, Sir, but I did feel it deserved a response. Deputy Le Claire has just made reference to the New Zealand system, that this is where we got our G.S.T. system from. I know there were other jurisdictions as well that were looked at in a similar vein. But if we look at where New Zealand is today, New Zealand is doing quite well. **[Interruption]** House prices I am not referring to at this stage. But if Members want to take the main part of taking G.S.T. off food then as far as I am concerned they can take the consequences of that and find where they are going to get those savings. I am not going to support putting up G.S.T. to 6 per cent if there are food exemptions.

[11:00]

1.4.9 Connétable K.P. Vibert of St. Ouen:

The saying is that a week is a long time in politics. I think this today is probably proving it because I would like to remind Members of the fact that one of the principal debates of the Business Plan was that we should be balancing our books. Here I will say from the onset that I am not going to support this proposition but I do respect that the Minister needs to bring this proposition if he is going to adhere to the decision which the States have already taken. I come from a very ordinary background. A background where my grandparents were property rich but really very poor. They had decided to support the uncle of Senator Le Marquand at the time when social security was being brought in and as a result refused to involve themselves in it. As a result when they came to retirement they had no pension whatsoever. They were not unique. They were together with a

whole load of people of that age group at that time who had decided to go down that line. One thing that they taught me and which I have never forgotten is the fact that you have to be extremely prudent. You have to look after the pennies if the pounds are going to look after themselves. It has stood me very well over my life. But having said that, I think there is a time in life when somebody passes with a charity bucket and despite the fact that you are being prudent and looking after the pennies, you do still put some money into the bucket. I think that the Minister for Treasury and Resources may have missed a trick here because I think that Deputy Green's proposition is exactly a case of that. It is a case of the charity bucket. Yes, we really cannot afford to put money in it but we do so because we feel morally bound to do so. I am not going to support this proposition but I will be supporting Deputy Green.

1.4.10 Senator T.A. Le Sueur:

The purpose of a budget debate is for us to raise the revenue we need to pay for the things that we want to spend our money on. In respect of this amendment I can agree with Deputy Southern when he says that the effect of this amendment on the taxpayer is totally neutral. Whether it is 5 per cent with no exemptions or 6 per cent with exemptions the effect on the taxpayer is the same. So when I saw this amendment my initial reaction was one of distaste because I have consistently opposed the exemption or zero-rating of G.S.T. on foodstuffs and the like. I am still opposed to that but I do want to ensure that we do look after the pennies, as the Constable of St. Ouen would say; we do balance our books. So I was faced with a slight dilemma, what do I do about my principles of zero-rating? The answer is that this is an amendment to Deputy Green's proposition so while I can support this proposition as an amendment to Deputy Green's proposition, I, nonetheless, have to maintain and reiterate my opposition to zero-rating of foodstuffs and the like which we will come back to discuss later. I say this then simply to justify why this amendment can be supported even though I oppose the zero-rating or exemption of foodstuffs and energy.

1.4.11 Deputy C.F. Labey of Grouville:

I disagree with Senator Ozouf and his stance on this one but I do not think we can blame Senator Ozouf totally and utterly. I think it is the Council of Ministers collectively who have badly misread the public and badly advised our Minister for Treasury and Resources to put this forward. I listened to what Senator Ozouf had to say. We have got to make up the revenue with consumption taxes. I would say why? Why do we have to make up the lost revenue with consumption taxes? This to my mind is so utterly unimaginative. It comes from a very closed perspective to the point of being threatening. If you have a little bit off your basics in life then we are going to get to you some other way. Yet we can sit here - I make no apology - while the rezoning lined the pocket of so many people. I have got an amendment being brought forward to strategically place a few rockets so that we bring foreign-owned companies into the tax bracket that we have waited years and years for something to be tabled and still there is nothing. Back-Benchers try and bring forward different initiatives. Yet we have the untouchable finance industry that goes through all of these debates totally untarnished. Needless to say, I am going to vote against this. I think it is an insult to our intelligence and it does the Council of Ministers and the Minister for Treasury and Resources' Department - unimaginative department I have to say - no favours whatsoever.

1.4.12 Deputy T.M. Pitman:

Short if not sweet. Yesterday's Spanish word seemed to be *manana*. I think today's Spanish word should be *ya basta* which means enough is enough. It is not rude. It might sound rude but it is not. *Ya basta*. No consultation on this with the public, let us be honest. As Deputy Le Hérisier has rightly pointed out this is just a spoiler. It is not worthy of debate and really I do not think we should debate it any longer. In fact, we should just let me finish and then we should vote [Laughter]. But I say that more in hope than ... [Aside] Maybe next year. We are going to see this same type of spoiler later on with the Deputy of Grouville's proposition. Let us be honest, the reality of that amendment to her proposition is just because we could not possibly have a Back-

Bencher like her getting the credit for something that is direly, desperately needed. That is pretty sad. This is all I am going to add. I have to say if nothing else this brief debate has highlighted the fact that the Minister misguidedly - and times are very difficult - appears to be happy to see the taxation of 1(1)(k)s - I am glad I am not the one who mentioned it - will drop back to below what it was in the 1990s while happily squeezing Mr. and Mrs. Average. Insult is not the right word but I think it does not do Deputy Green's attempts the credit they deserve by attaching this. I too criticise the Council of Ministers for allowing this to go ahead. It probably is not just the Minister for Treasury and Resources' fault. But what it does highlight is it seems the Council of Ministers are quite happy to have a 2 tier society; the great untouchables - the Leona Helmsleys of this world - and the taxes for little people. A finance industry which we all support but, let us be honest, they should be paying their way more. They cannot be the great untouchables. If there is pain to be had then it has got to be shared. I think really that the Minister should withdraw this and let us get on with the proper debate on Deputy Green's.

1.4.13 Deputy J.A.N. Le Fondré:

All I really wanted to rise and say is my thoughts at the time, that Members were being a little unfair on the Minister for Treasury and Resources because my understanding is that the Minister was asked from within the Council of Ministers to have an option of raising to 6 per cent and that request came through after the deadline at which point it was only the Minister who could make the amendment. The Minister has obviously said he maintains his view on the proposition. My particular stance in this is going to be that I am not going to vote for it, principally for all sorts of reasons. I think it is best illustrated ... I had one conversation with a retailer who had not only rung me up on the general subject of food exemptions and was not very happy at the time because of the complexities and the extra cost to their small business, but equally when he heard the prospect that he might have: (a) that complexity; and (b) having to charge 6 per cent rather than 5 per cent on his food prices anyway, was not at all happy. I think that is the principle I am going to go with and I will not be supporting it.

1.4.14 Deputy M. Tadier:

If yesterday's buzzword was *manana* then it seems appropriate that today's buzzword be *ayer* which is the Spanish for yesterday as you will all know. It is probably quite appropriate that we have that word *ayer*. I think the Deputy of Grouville gave a very concise and good analogy about what the problems are at the moment is that we really are being ruled by politics of yesterday. The reason we are in this mess, either globally or locally, is basically because we have not changed with the changing world. We have had a recession which has essentially been caused by old school, conventional banking philosophy. It is really also some of the more nefarious, more recent practices of banking that have caused it. But the point is the individuals remain the same. The philosophy remains the same. I think the same can be said of the architects of our recent latest failed policy in Jersey of Zero/Ten. I really bring this up just to add weight to the comments of the Deputy of Grouville in the sense that the Council of Ministers is very quick to find various imaginative but also very effective ways of raising revenue from taxation from ordinary people - so for workers, for families, those on low middle incomes - but when it comes to finding ways to tax the very wealthy in the Island, those who can pay ... or in fact simply taxing profit because it is not about wealthy versus poor in that classic model. It is about how do we tax profit? The Council of Ministers are completely confounded. We heard even a few months ago at the Town Hall when we had a presentation of I think it was the budget - it could have been the Business Plan - that the Council of Ministers said we are working on Zero/Ten but we really do not know what to do about that. It seems if the Council of Ministers and their advisers simply focused a little bit more on finding ways of raising revenue from those who can afford it, we would not be in this situation today fiddling round the edges where we decide do we want an extra per cent, are we going to take a little bit off food here and there. It does make a mockery of the whole system. We have a multi million pound industry and economy in Jersey. It seems very strange that we cannot find more

universally acceptable ways of raising this revenue. I will certainly not be supporting this amendment. It seems to me that if one does want to have exemptions on food - and I know that there are very strongly held views on the morality or otherwise of taxing food and the essentials of life, like domestic energy - it does make a nonsense to vote for it to go up from 5 to 6 per cent because the Fiscal Policy Panel in the past have advised that G.S.T. by its very nature is inflationary anyway. Simply by exempting food does not mean that food is going to be completely insulated from the other inflationary effects associated with the conveyance of food, with petrol, et cetera. Although not to the same extent, there are going to be implications. If we really do want to have exemptions for food - and it may not be universal in the Chamber - it is a complete nonsense to vote for it to go from 5 per cent to 6 per cent because that is going to have an additional inflationary effect, not to mention the other pressures of life that are not going to be covered by this proposition because I think the substantive amendment as it stands, while it is positive, does not cover all of the essentials of living. There are many more significant costs associated with just surviving in an already expensive Island. Members should do what they want. I think it is academic. I would like to see some Members be consistent here, support the Minister for Treasury and Resources in his amendment and reject exemptions altogether because I think we are not going to solve anything here or within the next year. We really need to look to the next elections. I would like to go out there and say these clearly are the Members of the States who are part of the G.S.T. party. They clearly do vote for G.S.T. and against exemptions even on the most basics of life. I have become fairly phlegmatic, I suppose is the word, and resigned to the fact that nothing is going to change here. There is an inbuilt majority for the G.S.T., an establishment party. I am looking forward to whatever the result is today because I see it as a win-win. I look forward to the next elections. I do know, as Deputy Southern has said, that the public will be watching today. They will be looking at the pour and the contre. I will be pressing the C button but today when I press it, it will be for contempt rather than for contre.

[11:15]

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

It is always a pleasure to follow Deputy Tadier. Deputy Le Hérissier said we should not be debating this. I think this is very dangerous because the people who are not speaking, I do not know which way they are going to vote. Are we going to toe the party line? The Chief Minister said - and I listened very carefully - he found this when he first saw it distasteful but we have to collect money so we can spend our money in the ways we want to spend our money. Sorry, Chief Minister, it is not our money. We collect it and this in a winging way. I was told it was Deputy Gorst who had the arm up the back of the Minister who wanted 6 per cent so he could live morally within the budget, that the books balance and he could vote for food exemptions because he could not vote for Deputy Green's. I may be wrong. If the Minister wants to stand up. I cannot see him behind me. But I have no **[Aside]** ... It does not matter. It came within the Council but I think it was the Minister for Treasury and Resources in one of his opening remarks said it was Deputy Gorst. I can understand that he says morally he could not not exempt food but he could not possibly lose any money in the budget. But as Senator Le Gresley said, 6 per cent ... we are talking about food. What about people who have just had babies? What about nappies? What about baby milk? Nothing. What about children's clothes? Nothing. Do you think I am going to let my parishioners go out there and spend 6 per cent on the other essentials in life? The Minister for Treasury and Resources is having a joke. Be under no illusion. I am not happy with Deputy Green. I am not happy with the Deputy of St. John. I am not happy with a lot of people who did not vote yesterday **[Approbation]**. The Minister for Treasury and Resources did not win that vote. Deputy Southern lost it when he would not give a categorical assurance that he was happy with a flat rate of 5 per cent. He told the truth in this House. Categorically ... we know where categorical assurances get us **[Laughter]**. I am very sorry, we could have won that debate. We lost that debate. I admire Deputy Southern for his truthfulness but he has been long enough in politics to know when to keep your mouth shut **[Laughter]**. No, I will not give way, Deputy Southern. He did not have to

respond again to the question that had been asked of him 3 times in the debate. There were notes going across to the Constables bench to make sure you get a categorical answer out of him. Naive politician there, I would say, Deputy Southern [**Members: Oh!**]. Truthful but naive, Deputy Southern.

The Bailiff:

Deputy, you are going to come back to today rather than yesterday.

Deputy J.A. Martin:

I am, Sir. But we are here today. We are asking 6 per cent. As I say, I do not know, I do not know where the people want to balance the books. This amendment has been okayed by the Council of Ministers. The only one, I am told, who is not in support of it is the Minister for Treasury and Resources himself. The people that have spoken, they may support the exemptions. They may not. Deputy Southern and Deputy Tadier said let us not forget we have elections next year. We have got elections. Would that not be true if we were facing elections next year? There is going to be a general election but there are politicians in this House who have never had to knock a door, never had to say which way they are going to vote on G.S.T. and they are dangerous. They are dangerous. Do not think you are going to persuade these people. Naive Deputy Green thinks he may get this through. I hope he does. I will vote for his proposition. But he could have supported Deputy Southern yesterday [**Approbation**]. He has got to face the electorate. There are many who will not and they know they will not and they are very safe, thank you very much. I just have one other question. It is in the comments. Deputy Green said a difficulty could be the 3 additional staff. The report from the Minister for Treasury and Resources says manpower implications: "There are no extra manpower requirements to administrate these amendments." So I am presuming the £4.6 million also pays for the 3 extra staff so it is not the £4.6 million. They both cannot be right. It plainly says in the amendment to the Minister for Treasury and Resources, manpower: "There are no extra manpower requirements to administer these amendments." Apparently you can have food exemptions with 6 per cent and it does not cost any more or you can have them at 5 per cent but they cost 3 extra staff. But they are built into these figures. That is why. They are. You are not giving that back to the people. You are taking it off the people. I am very sorry, this leaves a very, very, very bad taste in my mouth, this 6 per cent. The way that it was able to be done, only the Minister for Treasury and Resources ... unfortunately again I will only say it is because he is a very new politician, Senator Le Gresley pulled the 4 per cent because it would have been best to have 4 per cent and exemptions [**Approbation**]. I accept why he did it. He thought the will of the House was to give the poor or, as Senator Ferguson calls them, the so-called poor ... that was what Deputy Le Claire was disdained about, the so-called poor and the retail workers and people in hotels an extra 6 months. We did not get that so we are now debating this. If the Minister for Treasury and Resources talks about trust, I totally agree with Deputy Trevor Pitman, pull this now and do not take it to the vote. It is absolutely disgraceful.

1.4.16 Senator J.L. Perchard:

I think I can echo the last sentence of the previous speaker. I think this amendment is a shocker. It is almost laughable. It is certainly embarrassing. It treats Members like fools. It is a game of G.S.T. snakes and ladders. I do not approve of it. It has been brought because the Council of Ministers cannot agree. They have no collective responsibility for their actions. It is treating this House discourteously, to say the least. The sums do not even add up. We do know that £7.8 million will be lost as a result of exempting food and an extra 1 per cent on G.S.T. is £15 million. There is £7.2 million to put in our back pocket somewhere. It is a nonsense. Minister for Treasury and Resources, withdraw it now.

The Bailiff:

Through the Chair, please. You invite the Minister for Treasury and Resources to withdraw it.

Senator B.E. Shenton:

Senator Perchard and I are ...

Deputy P.V.F. Le Claire:

Is the Minister going to withdraw it, Sir?

The Bailiff:

Senator Shenton, I think the Minister for Treasury and Resources has indicated he may withdraw it.

1.4.17 Senator P.F.C. Ozouf:

Sir, I certainly sense the mood of the Assembly. I am willing to withdraw this. There is clearly little support for it [**Approbation**]. I was asked to do a job in relation to this. I hope Members understand that. I wish no offence to any Members in relation to the issues. The issues were always about the exemption issues. I would want to say some comments but I do not think that is really appropriate if I am going to withdraw something and argue it in relation to that. I expected to get a hard time in relation to this. The numbers are not clear. I did not mislead the Assembly in terms of the numbers. The revenue raised for 6 per cent is £13.5 million. The direct costs of food exemptions are £8 million but there are additional costs in terms of compliance and the rounding issue of the G.S.T. rate. I clearly sense the mood of the Assembly and I propose to withdraw the amendment [**Approbation**].

Deputy P.V.F. Le Claire:

In standing to second his proposition that it be withdrawn, can I just ask him before I give him my support - which I am going to call for an appel for - that he clarifies for Members, because I felt I was harsh on him, whether or not he was given a directive from the Council or whether it was a particular Minister that made him bring this proposition?

Senator P.F.C. Ozouf:

There are clearly a lot of deeply held views about exemptions. My position has been consistent in terms of revenue neutrality. That was the purpose of this. Clearly Members want a debate on the issue of food exemptions themselves and will have that debate when it comes to it. There is no support for this amendment so I am not going to waste the Assembly's time any more. I withdraw.

The Bailiff:

You need the leave of the Assembly because the debate ...

Senator P.F.C. Ozouf:

I respectfully ask leave of the Assembly to withdraw the amendment.

Deputy M.R. Higgins of St. Helier:

Sir, can I just speak on that? The main reason I want to is the fact the Minister said he brought it because the Council of Ministers wanted to bring it. I would like to hear the views of the Council of Ministers who are the ones who are behind it.

The Bailiff:

If you do not want it withdrawn, Deputy Higgins, you vote against giving it permission for withdrawal. It is a simple matter for Members. The appel has been asked for. The matter before the Assembly is whether the Minister for Treasury and Resources should be given leave to withdraw his amendment. If you want him to be given leave to withdraw it, you vote pour. If you want the debate to continue, you vote contre. The Greffier will now open the voting.

POUR: 46

Senator T.A. Le Sueur

CONTRE: 2

Deputy R.C. Duhamel (S)

ABSTAIN: 0

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

Deputy M. Tadier (B)

The Greffier of the States:

Deputies Duhamel and Tadier voted contre.

Deputy M. Tadier:

Sir, mine was accidental [**Laughter**]. I think the C was stuck in my mind.

Deputy J.A. Martin:

Sorry, Sir, before we continue could I just apologise to Deputy Gorst? He has told me he was not the one. He was not even at the Council. I sincerely apologise that I used his name as the reason for this proposition.

The Bailiff:

Thank you, Deputy. Very well. Then that amendment having been withdrawn we then return to debate the amendment of Deputy Green.

1.5 Expenditure Proposals for 2012 and 2013 and Draft Budget Statement 2011 (P.157/2010): third amendment (P.157/2010. Amd.(3))

1.5.1 Deputy E.J. Noel of St. Lawrence:

When I was a child I used to suffer from a recurring nightmare [Laughter].

Deputy K.C. Lewis of St. Saviour:

Now it has come true.

Deputy E.J. Noel:

But as I got older it became less frequent so I eventually grew out of it. Some 40 years on I find myself requesting Deputy Vallois on my right and Deputy Lewis on my left to pinch me on the arm as I am in a recurring nightmare now but this time it is about food exemptions. I count myself lucky. This is only my second such nightmare since I was elected 2 years ago. Many in this Assembly, it is their fourth or fifth time. Deputy Green and I have great mutual respect for each other and we share a love of gluten free cakes, especially the ones that he bakes himself. However, should his amendment succeed I am not sure if they will be exempt under the raft of the U.K. legislation he is suggesting in his amendment. I will never persuade Deputy Green that having a low rate of G.S.T. on food is not immoral nor will he change my views. But hopefully we can continue to share cake together. A little over 2 years ago I stood on a pro G.S.T. platform and like a good Jerseyman I kept my spare leaflets in case I needed them at some point in the future or maybe even next year. This is what I said: "Although not popular I support G.S.T. providing it remains set at a low level and is kept simple. G.S.T. is a fair system of taxation whereby those who consume more pay more. Therefore, in order to keep it simple I do not believe we should remove food and basic living costs." We have had this debate many times before and unfortunately we will probably have it many times again. For me nothing has changed. Food has always been taxed directly or indirectly even as long ago as 500 B.C. where salt taxes were in China and up to the late 1900s where there were salt taxes in India and many other places around the world. Salt was one of life's essentials, to preserve food among other things. Even indirectly food has been taxed as retailers calculate their returns to their shareholders after tax and set their prices accordingly. Taxing life essentials is not immoral providing we protect those on lower incomes which we have done and we will continue to do so. Let us be clear, will retailers reduce their prices if we remove G.S.T. on food and fuel? No, they will not. Consumers will end up paying exactly the same. I do not believe that Deputy Green's moral reasons for introducing the barmy U.K. exemption structure is warranted. Indeed where would we stop? Just at food and domestic fuel? What about the other basics in life like toiletries, books and other education materials? The list could be endless.

[11:30]

No, let us keep G.S.T. low. In my mind 5 per cent is low. Others may disagree. But above all let us keep it simple. Bringing in exemptions, in my opinion, will let the cat out of the bag. It will allow this Assembly to increase the rate of G.S.T. far too easily if we adopt Deputy Green's amendment. Since we last debated this exemption, this Assembly has one new Member, Senator Le Gresley. He stood on a platform of simple, low G.S.T. excluding exemptions and he topped the poll handsomely. I take that as an indication that the public supports his view. I do not believe we

need an hour long debate on this matter so I appeal to Members to please keep speeches concise so Deputy Green and I can retire to the coffee room and have a slice of cake.

1.5.2 The Deputy of St. John:

Like the previous speaker, I have my election promises to my people and I will read from what I said on G.S.T. "I would support the removal of G.S.T. from food, children's clothing and fuel and this should be funded from existing budgets without the need of reduced services. Areas that savings could be taken from include the excessive use of external consultants" ... well, we all know about those do we not Minister for Health and Social Services [**Laughter**], Minister for Planning and Environment, we all know about those, and then also the use of spin doctors. Well, we know about those, Minister for Treasury and Resources and Chief Minister, do we not, with all these press releases we keep on getting. So we all know about where we can take savings from. There are 2 areas straight away which I am sure you will save your £7 or £8 million if the various Ministers within the Council of Ministers were to cut their budgets sufficiently. I should think by something in the region of 60 or 70 per cent, we would probably save the £8 million because I am sure the E.D.D. (Economic Development Department) with their extensive budget and my colleague who is not behind me at the moment, the Minister for Education, Sport and Culture, he has a budget and I am sure with all the spin that we have been getting recently over certain issues to do with school funding, it could be cut. But there are many other areas that still can be cut and I mentioned many of them yesterday and I will mention one or 2 again. The grants. There are some grants which are not necessary. Why are we paying conglomerates £300,000 in area payments when they are multi-millionaires? A multi-millionaire corporation and we are paying them grants of that magnitude. It is absolutely ludicrous. The money that we are going to be supporting Deputy Green with and the people out there who need the help by taking the G.S.T. off food can be recouped quite easily by the ways mentioned. I am not going to go into a long speech. This is one I do not think we need long speeches on. Just get on with the job and let us move forward.

1.5.3 Deputy M. Tadier:

I am still making notes, but that is probably good because I did not want to speak for too long. We have had a brilliant admission from the Assistant Minister for Treasury who has basically summed up his ethos, his political outlet, to the recession and to people's plight in Jersey by saying: "Let them eat cake" because that is what I am going to be doing in a minute with one of my colleagues in the side room. Unfortunately, many people in Jersey cannot even afford to buy bread with these inflated prices let alone any kind of Mr. Kipling treats that the Assistant Minister may be able to afford to purchase on his 2 salaries. Sorry, I do not want to get into the personal realm there. [**Aside**] We are not meant to mention individual Members' financial circumstances. The point is that I think the Assistant Minister is completely oblivious to the real plight that many individuals are having. While it might be simply administratively more convenient from an accountant's point of view just to have a flat rate tax, whether it is 5 per cent or 6 per cent or whatever in the future the Assistant Minister may be involved in putting it up to, it is simply quite the opposite for the ordinary member of the public. It is not convenient for them to have a flat rate of tax. It is quite the opposite. It is very inconvenient for families who are struggling already increasingly to have to fork out money for the essentials of life. Now V.A.T. is one thing and we understand the principle of that which has been replicated across many countries in that it taxes luxury items but in Jersey, unfortunately, we are not in that position. You have to pay even for the very bread that you might eat which perhaps goes mouldy far too quickly for some reason over here. That is a debate for another day. Now, the Assistant Minister also said that he is having a nightmare and I hope that next October he will get a good wake-up call from his own constituents. That may well be the case but I am also fascinated by these trite comments that are completely misleading because those who consume more pay more, therefore G.S.T. is somehow fair. It seems the same kind of logic that people who do not understand maths would use when they say: "I have got one red card and 3 black cards. Therefore the chances are I am either going to get a red card or a black card so it is a 50/50

chance, is it not?" or to give a more local example, when I am playing crown and anchor, there are 3 dice. There are 6 options. I put my money on one, therefore it must be a 50/50 chance because there are 3 dice and 6 options. It is complete nonsense as any crown and anchor manager will realise when he walks off at the end of the evening with his big wad of money. So simply I would say to the likes of the Assistant Minister that it is not a fair tax because while those who may consume more will of course pay more, they proportionally will not necessarily be spending the same amount of their income. These arguments are all very well rehearsed. It is unfortunate that I have to rehash them for somebody who is supposed to be an accountant. But clearly if you earn £200 a week and you spend £200 a week to survive, you are going to spend 5 per cent of your income on G.S.T. whereas if you earn a lot more, the proportion which you will spend on G.S.T. is going to be less. Exemption does not solve the whole issue but it does ease the problem because if you are spending the majority of your money on domestic energy and on food for your children et cetera and for yourself, it is going to help things. It also ignores the fact that those who consume more might be consuming more because they have children. They may have 3 children that they have got to run around. They may have a car which is energy inefficient because they cannot afford to invest in a new car which is more fuel-efficient. Therefore, they are getting into the whole cycle of false economies which we know is the case for the poorer sections of society. They cannot afford necessarily to buy a decent pair of shoes, which lasts for many years. They have to buy frequently cheaper pairs of shoes which add up in the long term to more expense for them. This amendment simply is trying to put something back, to restore a certain element of equilibrium. So I think that possibly when we do have exemptions of this nature and there will need to be more exemptions, oh, yes, there will need to be exemptions on the likes of newspapers and on the likes of children's clothing and on nappies, that is only fair but that can come later, then we are starting to get to a position where we can possibly say that G.S.T. is slightly progressive or proportional. It is certainly not the case at the moment. Let nobody be fooled. Now we do have this argument that all of a sudden, there has been a report of many in the U.K. which says that V.A.T. is probably progressive even if we take off exemptions and then we reinvest it. The point is I have no confidence in this Government that they will reinvest so that proportionally across the board, people are compensated. You will get, of course, a bit of topping up of income support as I said yesterday. We are going to be forcing people into more dependence on the State as the conservatives in this Chamber will want because that is part of the conservative philosophy, let us have more people dependent on the State, but that is personally not my politics. That is one of the ironies, is it not, in maintaining this economic model that we are doggedly pursuing even in spite of the fact that it is collapsing around our ears and that is what the evidence is that we have seen. So clearly I will be supporting this. It is the right thing to do. Interestingly, again to Deputy Noel and others, I also stood on a similar platform of a low flat rate tax of G.S.T. which was simple to administer. My flat rate tax was 0 per cent G.S.T. right across the board so you do not need exemptions and I look forward to the day where we can have that. It is interesting to compare different economic models. Certainly I spent some time in the United States and you will notice that certain states that have a model which is based more around consumption and greed, if I can call it that, like Las Vegas and the State of Nevada do not have any income tax because they rely completely on consumption taxes. Now obviously they are in a position to do that because they have got the likes of Las Vegas where people come and spend their money and the residents there benefit. But you get more balanced states, I believe, like the likes of Oregon and what have you, which do not have any sales tax whatsoever which is interesting when they are juxtaposed to the likes of Washington who do have a sales tax. But certainly from what I noticed spending time there, you go to somewhere like Oregon, it is a much more equal society and there are less disparities in wealth and society seems to benefit from that. I will not go on. I will finish there. Clearly these debates will not change anything. Members will have their own minds made up. I do not need to chastise Deputy Green again for voting yesterday against Deputy Southern because that has been done already. Simply to congratulate him because this is the correct thing to do in these circumstances, to bring exemptions for food and domestic energy.

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

Most people will have made up their minds. They have been through this subject many times before as indeed I have. I will not be supporting this and I am going to tell you briefly the reasons why. I voted last time in keeping it simple, keeping it low and the main reason for this is the fact that if I look around the world, I have seen places like New Zealand and Singapore et cetera, that if you have something based low and it is kept low, it makes it very difficult for future States to put them up. That is the whole point. It is easy to make something that is attractive now, it sounds good, it does help, et cetera, but you have got to have balances in this world and I am afraid I do not look at long-term balance. My manifesto, I wish I had thought to bring it this morning, last time spelt out that I voted for G.S.T. regardless of all the placards and the high profile and I still got 698 votes and one vote was what was needed for me to be still here this time as opposed to not being here this time. But I try to do things in a balanced way and look for the future and the distance to the future. Yes, providing that we have the safeguards and we have it with income support. We had it with the Le Fondré amendment which provided the basic safeguards for people in the lower category earnings or non-earning income tax factor which allowed people like me to say yes. But what it also allowed is that in the future, if you want to have another £15 million, £30 million, £45 million, then you have got to question how you are going to get that money or do you actually cut back by what we are doing at the moment is we are saying we have got to make £65 million worth of savings. It is quite easy to say that we have looked after the poor people. We have looked after the less fortunate people. Now 3 per cent equals £45 million. If we make it 4 per cent, that will cover the shortfall and then we will not have to discuss those other unpopular things like putting restrictions on or putting up school fees or university places or nursery schools, et cetera.

[11:45]

It is an easy option. It is not an easy option. Nothing is an easy option. It is balance; it is looking after our community. I have been to places like Florida. I do not want to go back. They are in a desperate strait over there and all of you here that have travelled anywhere will see that this place, even with all the world recessions and what not, we are still very lucky but we have to think about it to ensure it stays. I think that is all I need to say.

1.5.5 The Deputy of Grouville:

I was disappointed not to follow Deputy Noel with his message of keep it simple. Well, I have 2 words to say to Deputy Noel and that is boat fuel because he was worried about creating exemptions, opening up the floodgates, but I would remind him we do have exemptions in the system.

Deputy E.J. Noel:

Would the Deputy give way? I would just like to say that I have been fighting to get the exemption off boat fuel for the last 2 years.

The Deputy of Grouville:

Jolly good. [Laughter] Needless to say, Deputy Green has my wholehearted support as he very well knows with exemptions. I am of a similar opinion to him and I do not think it is right to tax life's essentials. I have certainly made arguments in this Assembly before. They have been well rehearsed so I have no intention of repeating them. I would just like to pick up on one or 2 comments that have been made in the recent days and indeed today. We learned today that some States Members or one in particular believes that we have bent over backwards to help the poor and indeed I would say to that, and rightly so, rightly so, in this very, very expensive Island. But in actual fact, it is not just the poor that are feeling the hikes in food cost rises, in domestic energy which have both risen astronomically and this Assembly is profiteering on those hikes. I think it makes our position even more difficult by taxing these items. I see many pensioners in my constituency and they are struggling, people on fixed incomes, and it is not good enough for us just

to say: "Fill out your income support forms and go and claim it back." These people are proud people. They are not going to do that and they are struggling. I think we have got to understand the psyche of some people that have never been put in this position before and it is demeaning and what we are asking people to do, we are creating a welfare state and I think that is very, very wrong. These people should not be paying the tax in the first place and therefore they do not have to go through the demeaning experience of claiming it back or getting income support. Every time I speak, every single time I speak, Senator Le Main and that back row are heckling, every time, Sir. I would like to bring your attention to that.

The Bailiff:

Could we allow the Deputy to move on?

The Deputy of Grouville:

Another point is New Zealand has been mentioned many times, in particular by a parishioner of mine who sends us regular emails on this subject. It is all very well to say keep it simple, look at New Zealand, look at Singapore or the other jurisdictions he cites, but I would like to point out that what about their income tax? That is not simple. That is not low. Their income tax rates are between 20 and 40 per cent and, indeed, sometimes higher. So we are not comparing like with like so of course they can keep a G.S.T. low and simple when they are paying 40 per cent income tax. The other point is that the cost of exemptions. In the Minister for Treasury and Resource's opening remarks, he claims that the cost of exemptions was going to be £8 million. I would like to see the calculations as to how he arrives at this figure because as a scrutiny report once mentioned, this has been grossly overstated and as Deputy Green pointed out, introducing exemptions, the onus and the hard work is going to be on the retailers but the major food retailer in the Island has said ... I mean, it is a computer system. We have all seen it. We have all seen the bar codes and how it works. We are not going to have to reinvent the wheel here. So it is a case of as far as Treasury goes, they will receive their cheque from the retailers and now they have got to bank it. They are still going to put the auditors in just like before to see what is going on so I think this issue is grossly overpaid. I would just like to say the time has come with all these food increases and energy cost increases to put the people of this Island before the system and, needless to say, I will wholeheartedly be supporting Deputy Green.

1.5.6 Deputy A.E. Jeune:

Deputy Noel made reference to cake. I would like to ask the proposer, Deputy Green, if he can tell me in his summing up how he would justify exemptions on flour, eggs, sugar, milk, jam and cream when used to make a cake, given that the cake, if ready made, would not be exempt or would it? From a health point of view, which he raised in his opening speech, would the milk need to be low fat and the jam low in sugar and as salt is not good, particularly for those who suffer from high blood pressure, how would we deal with that? We talk about the U.K. exempting food but the U.K., as far as I am aware, is the only place that has exemptions on food and their V.A.T. is 17.5 per cent going up to 20 per cent, and I did hear what Deputy Southern said yesterday as what goes up never comes down. But recently the U.K. did reduce their V.A.T. to 15 per cent for a period of time so if/when better times come again to our Island, I do not see why the government of the day could not bring a rate down.

1.5.7 Constable L. Norman of St. Clement:

I think the Deputy of Grouville mentioned boat fuel but I am pretty sure, I have not had time to double-check, that boat fuel is subject to G.S.T. like everything else so I do not know why that was raised. When G.S.T. was first proposed, I opposed it, I fought against it quite strongly but obviously not strongly enough, and we have to accept it is now here and it is here to say for at least a very long time. One of the things that I was consoled about and supported was the object ... and I do not mind repeating the phrase ... of keeping it simple and keeping it easy to administer which I

think is something that even Deputy Green would agree are sensible principles because that enables the rate to stay as low as possible for as long as possible. But unfortunately his amendment asks us to introduce the United Kingdom system of food exemptions and the U.K. system of V.A.T. is widely regarded as the worst and most complex scheme in the world, **[Approbation]** hardly a way of keeping things simple. The U.K. scheme is also expensive to administer but that is the scheme that Deputy Green would have us adopt, hardly a way of keeping it cheap, hardly a way of keeping G.S.T. as low as possible for as long as possible because as Deputy Fox pointed out, once you have this emotional issue resolved and we do not charge G.S.T. on some food, then it is going to be so easy for the States of the future to increase G.S.T. to the sort of rate that we are seeing in the United Kingdom because that will be an easy way of raising money the same way as impôts duty on tobacco, fuel and alcohol is today. So why and how though is the U.K. system so complex and expensive? Well, like a number of other Members, I printed out the U.K. notice about V.A.T. on food and, as most of us know, it came to 24 pages. I did not bother to print out the other 4 notices of supplementary guidance because then I would have had something like 200 pages to print out, of guidance, advice and instruction which will all have to be absorbed not by us of course but they will have to be absorbed by food producers, manufacturers, wholesalers, distributors and retailers locally, all of them, large and small. Oh, and of course, some consumers might be interested in knowing how this new wonderful G.S.T. system works but just to give a few examples from the list. It is just worth thinking about what we are being asked to do. Fish zero-rated unless it is used for bait. Then it becomes standard-rated so when you go to the fishmonger to buy your fish, he is going to be very interested to know what you are going to be using it for. Nuts, Sir. **[Laughter]** No, that is not a comment. That is ... but nuts in the U.K. system, which we are being asked to adopt, are zero-rated unless the nuts are shelled and either roasted or salted. They would then be standard-rated. Salt being mentioned for culinary use, it is zero-rated but non-culinary use, it is standard-rated so you have to explain to the shopkeeper when you are buying your salt what you are going to use it for and how much you are going to use for each purpose. Sandwiches. This is fun. Sandwiches as a general grocery item, zero-rated. Sandwiches as part of a party or buffet service, standard-rated. Explain to the takeaway what you are going to be using your sandwiches for. Bread and bread products such as rolls, baps and pita bread, zero-rated, quite reasonable. But the same products supplied as part of a hot takeaway meal, such as a hamburger in a bun, et cetera, standard-rated. This one is fun. All these things, they are real. That is what Deputy Green is asking us to approve. Marshmallow teacakes (with a crumb biscuit or cake base topped with a dome of marshmallow coated in either chocolate, sugar strands or coconut), very nice, love them **[Laughter]** zero-rated; but snowballs without such a base are classed as confectionery and therefore are standard-rated. So your snowballs Deputy Green wants to charge you G.S.T. on but your marshmallow teacakes, they are okay.

[12:00]

Chocolate chips, leaves, scrolls zero-rated. Nice, nice, I like those, but I like chocolate buttons as well. They are standard-rated. Baked Alaska, lovely sweet, extra sweet, really like that, no G.S.T. on that but ice cream, ordinary common garden ice cream, bit cheaper than Baked Alaska but I have got to pay tax on that. Cream gateau, great, zero-rated, no problem, nice and cheap. Ice cream gateau, I have got to pay tax on that. Why? Why have I got to pay tax on that? Wafers and cones. They are zero-rated unless I put an ice cream in it. If I put an ice cream in my wafer or my cone, I have then got to pay G.S.T. on it. Simple, is it not, this system that Deputy Green is proposing. We can go on for ever. Rum babas. **[Laughter]** Hey, we all love the rum babas, a little bit of alcohol in there, we enjoy those, zero-rated excellent. Liqueur chocolates, got to pay tax on that. Why? This is simple, easy to administer, cheap to administer. It is not lovely. Prawn crackers made from tapioca; that is free of tax, great. Oh, prawn crackers made from cereals standard-rated. Christmas time, anybody thinking of buying food hampers as presents perhaps or a presentation pack of something, yes? Oh, boy. Print out notice 700 of the V.A.T. guide, 27 pages, it will explain how to deal with hampers **[Laughter]** **[Approbation]** and other things like that and

of course biscuits, somebody else, I think, has spoken about the chocolate on gingerbread men. A gingerbread man is zero-rated or standard-rated depending on the amount of chocolate. There is guidance about that. Assortments of biscuits where the weight of the standard-rated of chocolate biscuits does not exceed 15 per cent of the net weight of the whole, you can be zero-rated but if you are over 15 per cent, then it is standard-rated. This system is so simple and at the end of those 24 pages, it says: "Do you have any comments?" **[Laughter]** We have had this debate before; I think it was last year. This system that we are being asked to adopt is a nonsense. It is expensive, it is complicated, and no one really understands it. Oh, we have to employ inspectors to check on all these things, do not forget that. We are heading for a nightmare. If you want to exempt food, I could be persuaded to accept the proposition to exempt food but for heaven's sake, all food, not this hundreds and hundreds of pages. It is an administrative nightmare. Let us honour the pledge. Keep to the pledge that we made when we introduced this unfortunate tax by keeping it simple and keeping it cheap. **[Approbation]**

1.5.8 The Deputy of St. Mary:

That was most entertaining and I will make a comment on it in a moment. **[Laughter]** He does not want to hear the comment or the demolition. But the first comment I wanted to make because I think it is a very important one, it has not been mentioned yet, is that the alternative to exemptions, as I understand it, is to compensate people through the income support mechanism and this is held up as being more efficient and more targeted. I have some sympathy with that argument but there is a problem with it and we know what that problem is which is the extent ... well, others have mentioned different aspects of dependency culture and so on but I wanted to emphasise the problem of the commitment to that future income support. We have heard yesterday I think it was that there is not a guarantee within the £65 million of cuts that we seem to be signed up to that the Minister for Social Security will be able to maintain that support. He has said: "I may be so hard pushed to meet my departmental savings target" and if the economy does not recover so we get a bit of extra relief on his budget, then he may have to consider cutting rates. So this support, which is the alternative to exemptions, may not be there and I think that is worth pondering about. The second point I want to make is just a quick one in response to Deputy Noel when he said and it is in the response of the Minister that retailers will not pass on an exemption, that that is what we think of our local retailers. Well, let us hope that people repeat that in front of the Chamber of Commerce next time they go and speak to them but the idea that no retailer will pass it on which is suggested in the various comments and repeated by Deputy Noel: "No, Sir, they will not" I find an odd assertion and there is no evidence given for it anywhere that this would happen. Now to the wonders of the cost of exemptions as highlighted by the Constable of St. Clement. Indeed, there are issues around what is food and what is not but there are double standards here. If we follow the logic of keeping it simple, the simplest way of raising tax is a simple unified income tax system with full anti-avoidance measures and obviously progressive. Then you catch everything you want to catch in one go. The logic of saying keep it simple as the Constable of St. Clement so eloquently made clear, the logic of that is not to have G.S.T. at all but to have, as I said, a simple, single, graduated income tax. So there are a certain amount of double standards and we are going to hear this again, I am sure, or maybe nobody is going to trump the Constable of St. Clement, but we are going to hear this issue of complexity bandied around and I would just remind Members that it is implicit in the very notion of having G.S.T. at all that there is a contradiction there. The next point I want to make is about the alternatives. Another argument that has not been advanced yet but it will no doubt surface is that if we vote for exemptions, where is the money coming from because the Minister has just withdrawn his compensatory 6 per cent. So where is the money going to come from? I would remind Members of what Deputy Le Claire said: "The only solution we have got in the States is to tax the poor." Now what he meant by that was that G.S.T. is regressive and so here we are landed with G.S.T. but, of course, there are alternatives and they are going to be brought in this debate in fact, 3 at least I think alternatives for raising more revenue are on the table. There are alternatives for raising money and therefore that argument does not apply against exemptions. It is

a false argument. There may be others but that is not one of them. Finally, I want to make 2 comments about first of all domestic heating and, secondly, about food and this arises directly from the proposer's speech which I found quite interesting on these areas. On domestic heating, he pointed out that it was against the Strategic Plan not to exempt domestic heating on grounds of inclusion and on grounds of fuel poverty. Now I have a real problem with that because the way I see it, we should be moving in the direction not of encouraging energy consumption but of reducing it. The correct way for the States and it is another of these you know the simplest way is to do it by income tax. We should not be here talking about G.S.T. and in the same way, we should not be talking about exemptions on domestic heating supplies. We should be talking about a universal street by street approach to home insulation as has been done in certain areas of the U.K. under the Warm Zone Scheme. You literally go house by house and street by street offering the service and reducing people's energy bills and then you would not need this particular measure. But in this Assembly, we do things back to front. We cobble solutions up and therefore we are forced into the position of supporting domestic fuel exemptions because people have high fuel bills and proportionately, of course, this affects more the worst off, the low income families. Now, maybe the Minister for Planning and Environment will jump up and say: "Oh, but my energy efficiency scheme is reaching the low income families." My understanding is that I think about a third of the poorest have been covered. That leaves the other two-thirds. Now if we were to guarantee a scheme that would cover all low income families, families who would have problems with a non-exempted domestic heating bill at 5 per cent, then that would be a better way to go, that would be a worthwhile moral commitment for this Assembly to make but in fact what we are doing is there are no guarantees that that scheme will even continue, let alone be expanded. I know the Minister himself is very committed to it but there is certainly no guarantee of expanding and certainly no guarantee of reaching all those households. So with domestic heating, we are in a bit of a difficult position if we do not exempt as policy stands at the moment. If only we had better, more forward looking policies, then we would not need this exemption. On food, it is a similar observation. The lowest quintile do have the most problems with diet. The wonderful Baked Alaskas and things in packets apparently have a lower rate of inflation than fruit and vegetables that come out of a field and have not been disguised and so there are problems with sustaining and encouraging good diets in the low income families. Again, we need a package. The Medical Officer of Health I am sure is concerned ... I know she is concerned about obesity. My goodness, we all should be because of the phenomenal bill that is coming over the horizon and, in fact, is already here, but will get worse and worse and worse. We need a package which includes a healthy diet. To encourage people to do that with no exemptions is going to be more difficult. We have to commit to supporting people in choosing better diets in order to reduce the prevalence of key diseases many of which start with obesity and poor diet. So with those observations, I still am very torn about this because I can recognise the strength of the complexity arguments but, in fact, we are so in a sense hypocritical with double standards as I have said. The better tax system is an integrated income tax. We should have better policies on energy saving and we should have a comprehensive approach to diet which at the moment we do not have. So I think it is hard to argue against the exemptions and I shall be interested to hear others try to argue against them.

1.5.9 Deputy R.C. Duhamel of St. Saviour:

Time after time, and this is not to make disparaging comments of the proposers of individual propositions but it is an observation - it is certainly my opinion - we have propositions brought to this House which are done ostensibly for all the best reasons but inevitably have consequences that have not been thought through or indeed hearken back to the old feudal systems whereby if you needed to invite your peasants to the banquet, that was all very well but you had to make sure that they did not sit at the top table because you had to reserve the best food for yourself so you allowed them to have the drippings of your plate or the scraps and the bones. You tossed them a few bones to keep them quiet and they continue to be grateful the following year to be exploited for a further year in the best interests of those who were at the top table. Does this proposition do what it says

on the tin? I do not think it does. There is a truism, nobody likes to pay taxes, and I am wondering whether by introducing this amendment, it is going to have the outcome that perhaps is intended or indeed may well have unforeseen outcomes.

[12:15]

On the basis that nobody likes to pay taxes, it is all very well to set up systems which look as if we are handing out and being of assistance to those at the bottom end of the pile in economic terms but what are they going to do? Now we hear from the proponents of this proposition that by exempting certain foodstuffs, we are going to get better health, but are we? Now if we take off the Goods and Services Tax on various foodstuffs which still contain too much sugar or too much this, that and the other and which are, in general, probably bad for you, those at the bottom end are going to continue to go out and purchase it and their consciences - and I suppose ours up to a point - will be salved up to a point in that they can afford to pay for it. But what are we doing? G.S.T. is a consumption tax and therein lies the anomaly of this particular taxation system. Our whole economy is based, as I mentioned in a previous speech, on people purchasing things and the more they purchase the better for everybody up to a point but only if wealth is redistributed up to a point and to selected individuals. So what is the feedback mechanism in taking off taxation from foodstuffs? Well, those who can afford to think about the problem will either be discouraged or encouraged, depending on how deeply they thought of it, to either bypass the system completely or to remain part of it. That for me is the difficulty. This particularly policy is not particularly well targeted in encouraging, as taxation systems perhaps should be, sensible behaviour. Now we have got duties that we are encouraged to put on to the consumption of alcohol or tobacco or whatever which have the outcome which is tied into public health of the public to try and encourage a sensible consumption of those goods. But inevitably what is going to happen it is not just a tax-raising measure in order to put those monies aside to pay for other things. It is a particular taxation measure to encourage a behaviour change and I think G.S.T. on food, or not, is a similar type of tax. But personally I do not think it follows to say that the only way that those at the bottom end of the economic pile can afford to eat decently is to take off the taxes from all the foods or some of the foods and to not continue to have a further system which ensures that they will definitely eat those foods that we have reduced in price which are going to improve their health. So it is a very blunt instrument. Then when we look at the monies that we are going to saving or having to find from other pots, a £4.8 million based on a total budget or the total expenditure is getting on for what £600 million, £700 million. It is not a great deal of money so I think that this policy is very, very blunt. It is not going to do what we want. Personally I would like to see taxation policies that do encourage more local resilience and for people to stand on their own feet. There has been an encouraging take up of interest in allotments and growing your own food and that is the type of thing that I think this House should be backing because it means that instead of having to over-rely on manufactured food products which are perhaps harmful to your health in great quantities, we can encourage through alternative taxation measures perhaps a greater self-reliance and for people to grow the foods that do not require hefty processing in order to make money for those companies who are trying to sell them. So if we look at it, really what I would be advocating is for us within any of our taxation policies to be looking at the bigger picture and trying to go back to first principles and to test out the propositions to see whether or not as I mentioned earlier the outcomes of adopting these propositions do anything to increase the social good, whether it be for health grounds or amenity grounds or any other grounds. I think this particular proposition just does not do it. If we are going to continue to have a system that relies on people spending larger and larger sums of money, then all well and good. Set up a taxation system that encourages them to do that. But inevitably by introducing G.S.T., we are discouraging through the feedback mechanism the law of diminishing returns and there will be those who still after things have been exempted or whatever are unable to afford the foodstuffs or the commodities and perhaps will begin to think on their feet and to go in other directions to deliver themselves the goods in other more sustainable ways. This policy seems like States Members, particularly the heavyweight ones or those who need

to adjust their diet, are going out knowing that they need a new pair of trousers for their suit and specifically purchasing the ones with an elasticised waist - probably speaking for myself as well. But we really should face up to the problems in bringing forward to this House any measures to raise monies and we should not just be raising monies for the pure sake of it. I think I have probably said enough.

1.5.10 Deputy T.M. Pitman:

I have to say that I greatly enjoyed the Constable of St. Clement's speech. I had a text from a constituent who said he had been converted, and I probably am too, that after listening to some of the speeches, he was quite happy to see a tax on nuts and vegetables in this Chamber. **[Laughter]** I am glad I had not spoken at that point so I am not included, I hope. But the Constable of St. Clement is right in many ways, you have to concede that. However, I think that instead of once again focusing on all the reasons, the obstacles, as to why we cannot do something that would ultimately be beneficial, perhaps we should focus on how we could achieve something very worthwhile. I have to say to that being one part of probably the only Mr. and Mrs. ever elected to the States, I try not to speak about anything the other half does but I sat and listened to a proposal which was ultimately very sound and speaking to a nutritionist and a doctor in the last couple of days, is totally workable. That is what Deputy Shona Pitman brought about only having the tax removed off healthy food. It could be done and the long-term benefits to the Island, both health-wise and economic, would be huge because ultimately if you could change the eating habits of someone who through economic necessity has to go down to a certain retailer and buy 99p pizzas full of - I do not think you can say crap in the States - not very nutritional substances, what do we expect? If you could stop that and have healthy food made as an affordable and a much more attractive option, that is going to benefit all of us. It is going to take strain off the health service. It is going to take strain off the Treasury's coffers in the long term. Now it just seems a shame, does it not, that perhaps that was another example, because that was defeated, of how we tend to vote on personality and who brings it. The Constable has rightly highlighted a lot of flaws in exempting. I cannot go through the list because there were so many, I think it was all his favourite things, but there are huge flaws in it. I suppose it comes down to what Members think is more important, whether the morality issue of taxing the basics of life is more important than something that will indeed make the system more difficult. I think the way forward and I have to say and ask the question - after Deputy Pitman's proposition was defeated, Health were going to go away with the Chief Medical Officer and look at a list of healthy foods - what has happened to that? Why can it not be done because as I say through my contacts when I took my fitness qualification which I do not know if you believe now, although I have lost 17 pounds, I advertise to the world, nutritionists say that it could be done very easily. The doctor I spoke to said it could be done very easily so why, when we are paying £750,000 or whatever for these wonderful consultants at Health, why can we not do something really beneficial like this and then we could come back with a proposition that every one of us can surely support. But still, whether I am going to be classed as a nut or a vegetable, I am going to support Deputy Green. I just have to say to him it is a very great shame that he did not support the Constable and Deputy Southern yesterday because I think they had a better chance.

1.5.11 The Connétable of Grouville:

I come to this debate as one of the original members of the scrutiny panel which examined the G.S.T. proposal when it was first introduced so I have a little bit of experience in this. The first point I would like to make is that I have got to query the actual proposition as I did at the start when I ask Deputy Green whether he knows the difference between zero-rating and exemptions and ask him to explain them later on because I think that shopkeepers certainly will be most interested to know which way he is going to go on this. Secondly, on the domestic energy situation, I understand the V.A.T. rate in the U.K. on domestic energy is 5 per cent at the moment so are you saying that, in fact, if we go along with the U.K., we should do a 5 per cent charge on G.S.T.? The

hub of this debate really is what we call the lower quartile of people, the people in the lowest income groups and when we did the first scrutiny report on this ... I recommend that if Members have a moment that they do go back and read it. It is 120-odd pages I know but there is an awful lot of information in there which even though the figures are probably slightly different today, the arguments and the percentages, I think, are probably the same. So I think I can just say to you that the households we found in the lowest income quartiles spend 14 per cent of their total income on food and 4 per cent on domestic heating. Now, if you extrapolate those figures on the basis of 3 per cent G.S.T., 3 per cent of the 18 per cent comes out at .54 per cent of total income in G.S.T. At 5 per cent, that goes up to .90 per cent. I know, Sir, I am slightly off the beam here because this is not part of this debate but I would just like to point out to Members that, in fact, the lowest income people in this, when we brought out this report, we made sure that we recommended very strongly that the income support system be introduced which more than compensates for the .54 per cent that they are paying at the moment in G.S.T. of their total income.

1.5.12 Deputy A.E. Pryke of Trinity:

A lot has been said this morning and I think this is my fifth debate that I have listened to about food exemptions and I am pleased to say that my voting has been consistent and will continue to be consistent, that I will be voting against it. On one hand, we have those who feel that putting G.S.T. on food is immoral but we have to look at the wider picture. We have to make sure that those who really need to be benefited by having food exemptions are catered for with social security and the Le Fondré proposition and that needs to continue and I am assured that it will continue. I want to see it kept very simple and much has been said about that, and I think the Constable of St. Clement's list hit the button on the head. The U.K. system is not simple. It is very confusing. Much has been said about obesity and I have to say it is a problem and it will continue to be a problem as we go forward and I think Deputy Duhamel was very good giving the health side of it.

[12:30]

If you look at the U.K., they have a health problem. They have an obesity problem and even with exemptions, it is a problem and will continue to be a problem. So putting the health argument is not quite right. The way that we are going to tackle obesity is by education and I take up Deputy Pitman's thoughts about do we look at exempting healthy foods and I think that is worth looking at again. So I will not be supporting this amendment and I have been consistent all the way through.

Deputy S. Pitman of St. Helier:

Point of clarification. The Minister said that the point of looking at healthy food exemptions is worth being looked at again yet my proposition was 3 years ago and at the time Health said they were going to do it and it is 2010 and it has not been done. Can she assure the Assembly that it will be done and it will be done before the next budget?

The Deputy of Trinity:

I was not Minister at that time and all I can say is that I will look at it. I am not in the position to give any guarantees.

1.5.13 Deputy R.G. Le Hérissier:

I do not wish to rehearse the arguments and although I tilt ... as Senator Perchard has reminded me, I am probably being totally irrational and illogical and emotional and I probably do tilt to the direction of Deputy Green but I do feel in what was a very emotional presentation as opposed to the rather considered factual way in which he usually operates - again like the Minister for Health and Social Services oddly enough - I wish to ask a couple of questions because he made the suggestion that a change in exemption policy would lead almost automatically to more healthy eating. How does he explain things like Glasgow, for example, where they have this incredibly stubborn problem which has been there for years and years around the type of food, the alcoholic consumption and it proves a real conundrum for researchers in terms of the link between changing

habits through food exemptions? It does not do that and I do not think the evidence is that firm. The other thing is I do want reassurance from Deputy Green but it possibly will have to come from the Attorney General, apropos a discussion I had eating a V.A.T. rated biscuit with the Constable of St. Ouen. The issue of the transfer of the list. What if Jersey legal beagles do start saying that their version of a jaffa cake is different to the version adopted by the English courts? How will this work? It is a pity in a sense that the Attorney General is not with us but I would like to know how this would work. It is a real issue because I do not want to see the Jersey court clogged up.

The Bailiff:

Deputy, sorry to interrupt, I am sure he is on call and could attend if necessary.

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

I came to this debate saying that I would only vote for 3 per cent and I was going to go along with the Council of Ministers on nearly everything else. Now obviously the vote yesterday has changed my mind and I am disappointed. I have checked with Deputy Green to see which way he voted because he tells me he did not support the amendments yesterday. I think had we have got 3 per cent, a lot of us would have felt a lot happier because most people now have got used to living to 3 per cent on food. However, the thought now of 5 per cent on food is concentrating my mind. I felt it was quite a humorous speech from the Constable of St. Clement and I supported him. When the Constable of St. Clement brought his proposition to have a nil G.S.T. on food for human consumption, I thought that was a simple way and I voted and I gave it my support. Strange that when the Deputy of Grouville brought hers for amendment with the V.A.T., which basically we have got now, I did not support it simply because again I thought of all the problems that may ensue. However, again, I am having to concentrate my mind on where we are now. Do I really want people out there paying 5 per cent on food or do we really want them to have no ... we will go to the U.K. and again heavy weather has been made of the U.K. system. We have got a guide and what the proposition or the amendment is saying that it will be in foodstuffs in line with the U.K. value added tax arrangements. So basically, what we will be doing is what is taxed in the U.K. will be taxed in Jersey and what is not taxed in the U.K. will not be taxed here. So again I do believe that we are making heavy weather of the issue about how we are going to tax it and I do hear what Deputy Le Hérissier says. No doubt if we do get an opinion, it may be interesting. But I would have thought in the first instance, it may well be just reasonably simple because we have a tried and tested system in the U.K. and if that is okay there, we will implement it here. So I am coming round maybe into having to give my support for Deputy Green whereas yesterday, I certainly would not, but no doubt he may well persuade me that I really ought to support his amendment.

The Bailiff:

Does any other Member wish to speak?

1.5.15 Deputy G.P. Southern:

I just want to concentrate people's minds on some numbers as I often do and I have heard the mantra repeated time and time again, keep it simple and keep it low. The low currently is now 5 per cent and I just want to point out what I have been saying about what that means, what 2 per cent means. Two per cent means an additional £900 in tax paid by the average household in Jersey. Five per cent effectively is around £2,300 paid by the average household in Jersey. That is what we are charging. So 5 per cent slips off the tongue. It is nice and easy, 5 per cent slips off the tongue. It sounds low, it sounds moderate, it sounds reasonable. £2,300 per household does not sound that reasonable. That is on top of everyone's income tax, et cetera. That is the additional burden we put on the average household in Jersey and what are we proposing? We are proposing that our extremely regressive tax system called G.S.T. which exempts nothing or exempts a few items including private school education fees which markedly impact only in the top 3 quintiles and certainly very rarely in the bottom 2 quintiles, so in effect those exemptions which affect the

relatively wealthy compared to the relatively poor. We are proposing to amend that so that it is not quite as regressive. It is only as regressive as the U.K. system which, as we saw yesterday, when you look at the quintiles and I produced the graphs yesterday, has about twice the impact on the bottom 20 per cent of the population as it does on the top 20 per cent of the population. So that is what we are talking about. We are talking about ameliorating this £2,300 bill by the order of about 10 per cent, so about £200 off. So we are making you pay extra tax but this gives you a little leeway, a little breathing space, to the tune of £200 a year. That is the order of magnitude we are talking about. We are presented figures by the Minister for Treasury and Resources on page 3 of his comments on this amendment where he shows that taking G.S.T. off food will benefit the wealthiest more than the poorest and he has got this graph here that shows that about 30 per cent of the money not claimed by exempting food, 30 per cent is paid by the highest 20 per cent earners and only £1 million paid by the lowest, a ratio of about 2 and a half, 3 to one. What is the real way to look at this? What is the income ratio between the top 20 per cent and the bottom 20 per cent? Why, that is 8 to one. The wealthiest on this Island on average earn about 8 times what the lowest incomes are. So the ratio is 8 to one and removing food and fuel from G.S.T. has an impact of 2.5 to one. Let us consider it. What does that mean? That means the greatest impact proportionately is on the incomes of the lowest paid. Now I am going to support this amendment despite the fact that I largely consider it is fiddling around the edges, it does not go to the core, but then that is done and dusted. This Assembly has decided. So I will support this amendment but I point out I think one fault that it contains and it contains the statement and the elements of the food costs offset of average G.S.T. bonus and of income support relating to items being exempted or zero-rated, shall be adjusted accordingly. Now, if Members turn back to that particular graph and they look in absolute terms about what it says, it says: "Beneficiaries are exempting food and domestic energy from 5 per cent G.S.T." and the lowest quintile, the figure, is £980,000 of benefit, roughly £1 million. Adjust income support and the G.S.T. food bonus accordingly. What does that mean? Given the spirit in which this budget has been debated and the need to tax to the maximum and exempt to the least, that means that that £1 million will be coming straight out of income support because that is the adjustment they are going to look at. Now whether or not I believe those figures or not is neither here nor there but the result of passing this amendment will be, I believe, that very shortly thereafter into the next year, we will see either the Minister for Social Security or the Minister for Treasury and Resources coming forward and saying: "I remind you, you said that I had to adjust for exempting food and fuel. My calculations show that is £1 million on income support at the bottom end so I will take it back, thank you very much." So this attempt I think to fiddle around the edges and to be seen to be magnanimous may well appear so and may well save some households a deal of money, a small amount of money, but I suspect we will see something in the new year that says: "Oh, you have allowed us to do this. Here is £1 million we are taking back." So that is the consequence. I will still be supporting but let us be clear about where we are on this and I just hit 12.45 p.m. May I propose the adjournment?

LUNCHEON ADJOURNMENT PROPOSED

The Bailiff:

Just before that, the Solicitor General has arrived and perhaps it would be convenient for him to respond to Deputy Le Hérisier's query. Deputy, do you want to just remind us what that query was.

Deputy R.G. Le Hérisier:

Yes, Sir. The assertion has been made in the proposition that it would be very simple to implement exemptions because we would simply use the U.K./English list as determined by the courts of the U.K. I wonder if the Attorney General could comment on whether that is indeed the case that it is going to be a simple process or whether it is more complex than we perhaps think.

The Bailiff:

Well, I think, to clarify, you did not follow up what you said last time. I think you were concerned as to whether, in effect, a lawyer in Jersey could argue that the Jersey court should not necessarily follow the decisions of the English court. Was that your question, Deputy? That was what I understood you to be asking?

Deputy R.G. Le Hérissier:

I applaud your enhancement, Sir. **[Laughter]**

Mr. H. Sharp, H.M. Solicitor General:

Yes, well it certainly is right and it is certainly very arguable that a Jersey Advocate could stand up and say in the Royal Court that the English authorities are not necessarily the ones to be followed. If I may say so, if the States Members decide to go down the route of exemptions, then plainly it may be thought that it is best to introduce some sort of law in Jersey that properly defines with a set of criteria what is exempt and what is not and one would hope that if that is done, then most if not all items would be clearly marked exempt or not by reference to Jersey law.

[12:45]

I suspect that there will always be one or 2 items that there may be some uncertainty about whatever route Members choose to take.

Deputy P.V.F. Le Claire:

I think that was a very helpful from the Solicitor General but also just to take myself off to lunch with a good understanding, I see Deputy Green's amendment as foodstuffs in line with the United Kingdom valued added tax arrangements and I just wondered when we agree something in line with something, that does not necessarily transfer or duplicate that legislation. It just merely means that we are bringing some in line and I wondered if the Solicitor General would like to comment on that?

The Solicitor General:

If you are asking me to comment on what "in line" means, it plainly means something that is consistent with the U.K. but, as I say, you may find it better if you define for yourselves what you have in mind as to what is exempt and what is not.

Deputy J.A. Hilton of St. Helier:

Could I ask a point of the Solicitor General, please? Would it not be possible because there has been a lot of discussion around how difficult it is trying to decide what is exempt and what is not. Would it not be possible just to introduce a law which says that anything anyone consumes is free from tax? **[Laughter]**

The Bailiff:

I think that is drawing the Solicitor General into a rather difficult area probably.

The Solicitor General:

I suppose I would want to know first what is it that you say people consume because I agree that would include food but I suppose, in principle, it could include other things. But to give an example, does that include medicine?

The Bailiff:

Deputy Le Hérissier, were you asking a further clarification?

Deputy R.G. Le Hérissier:

Yes, I wonder, we have had the case in the U.K. I think in the last week about what is an Innocent smoothie and I am not talking about certain politicians in this House. **[Laughter]** Could there be

an automatic mechanism built into the law where we take note of the decision made by the U.K. courts and then it is automatically promulgated on this Island? Would the Solicitor General comment?

The Solicitor General:

If the States decided it wanted to follow the U.K. courts' decision, I cannot see any difficulty in principle in somehow cutting and pasting the key parts of a judgment and transferring it into a law of some description.

Deputy J.A.N. Le Fondré:

I have 2 questions. The first is in relation to that very last point. I presume there would be a time delay at some point each time we had a difference whether Pringles were crisps or not or Innocent smoothies. We would have a 6 to 8 week at least difference in time delay in the law and obviously that would presumably lead to an element of uncertainty as to how things should be enforced in that period. If I could add a second question. The other query that has arisen in my mind is what happens if products, particularly bakeries ... I will not name them but I know there is an outfit in St. Mary that produce quite innovative products from time to time, produce something that does not quite fit into the existing so-called definitions of the U.K. tariff I believe or the U.K. definition for food. Would we need a local appeals process or would we be potentially turning people around and say: "Although it is Jersey law, you have got to go to the U.K. to determine how your new product is classified"?

The Solicitor General:

Just on the second question, I wonder if you would repeat it.

Deputy J.A.N. Le Fondré:

If somebody produces a new type of biscuit locally which for some reason is on the boundaries of the definitions of the U.K. food, and obviously there are enough products like that, and for example the Jersey authorities say: "No, that is subject to G.S.T." and the individual in question says: "No, I do not believe it is because of argument X, Y, Z." How do we deal with that? Do we have to set up an appeals process locally or do we send them to the U.K.?

The Solicitor General:

Well, if I can deal with that second question first. It is a matter entirely for Members but I would have imagined that this is Jersey with its own court and its own constitution and you would want it to be dealt with in Jersey by its own Royal Court. So I would be slightly surprised to hear of anybody being sent to the U.K. to determine a Jersey legal issue. I suppose that is really why I gave the advice that you will want a clear set of criteria so that the bakery can know whether or not with any certainty that G.S.T. applies or it does not. Now, coming back to your first question, yes, if you are going to introduce any clarification or law, then there may well be a period of uncertainty.

The Bailiff:

Very well. So the adjournment has been proposed so the Assembly will adjourn and reconvene at 2.15 p.m.

[12:50]

LUNCHEON ADJOURNMENT

[14:17]

The Deputy Bailiff:

Very well. The States now resumes debate on the amendment to P.157 and I call on Senator Shenton.

1.5.16 Senator B.E. Shenton:

I propose to keep my speech fairly brief. I cannot remember how many times that we have debated zero-rating food and domestic oil but I think my stance since I was elected has always been fairly clear that I am against taxation of food and I believe it is morally wrong. We have had a few Members talk about the complexity of the system but, of course, the U.K. and the Isle of Man manages with the system quite well and it is well and truly bedded in. There is software available to retailers to help them manage the system and I think once we are moving up the rates of G.S.T., the importance of exempting and zero-rating food is more and more important. I think on my original stance and my original speech, I said we should exempt it from the offset because G.S.T. will only go one way and we may as well put in place a system that is right from the beginning than one that we have to amend at a later stage. A few Members have talked about keeping it simple but as anyone that has looked at the now dead proposals for Zero/Ten for deemed distribution, that is anything but simple. If anyone thinks that the removal of exemption limits on social security will be simple, then they have got another think coming. The Constable of St. Clement made great play of the fact that it will be complicated for some to implement but I think as politicians we do have a duty to our constituents to make life as bearable as possible and when a pensioner in St. Clement goes off to do her weekly shop with £20 in her purse, perhaps she should pop into the parish hall and give £1 to the Constable on her way because, in effect, that is what she will be doing. I am sure most of us have been in the supermarket or been in the shop and had someone in front of us count out the pennies to see if they could afford the piece of cheese or the bit of bread or the milk or so on and so forth. As Members will know, I am a director of the Channel Island Co-operative Society [**Members: Oh!**] and I think the Co-op have made their stance fairly clear on this. But I am also someone that stood for election on this very principle and it is not a principle I am willing to change. Having looked at the last election at the banner adverts of my colleague, Senator Routier, where he boasted that he voted for exemptions on food, I wonder which way he is going to vote this time now he is not up for re-election. Of course, you have got to remember that most of our food does come from the U.K. It comes from suppliers that are very familiar with the taxation levels. So I think it is right to exempt food at these levels or at any level and I think most of us believe that G.S.T. will probably go up again at some point and at what point do you say enough is enough? How far do we want food to rise via taxation before we do what is right and what we should have done at the very beginning when we brought G.S.T. in?

The Deputy Bailiff:

Solicitor General, I understand you wanted to clarify some of the advice you gave the Assembly this morning?

1.5.17 The Solicitor General:

Yes, thank you, Sir. I welcome the opportunity just to pull the advice together that I gave over the course of several questions before the luncheon adjournment and really I would summarise the advice thus. The starting position, although obvious, is an important one, that Jersey has its own constitution and legal system and so it follows that if and when a Jersey court was required to construe a definition of an exemption, it would do so entirely from a Jersey viewpoint. It follows from that that means that the court would not be bound to, nor obliged to, follow anything said in England about that subject matter and therefore each case would really turn on its own facts. Insofar as the court was required to consider a particular food item that was a perfect match to its English counterpart, then it may very well be that the Royal Court in Jersey would want to follow any English authority that existed on that particular item. If, however, that English authority was deemed irrational or unreasonable, then maybe the Royal Court would wish to depart from it. However, one can well imagine cases in which a Jersey court would decide the issue without any

reference to English authority at all. By way of 3 examples, firstly, the product exists in Jersey but does not in England. There is plenty of Jersey produce manufactured here that is specific to the Island but there may well be no authority in England. Secondly, and even if I am wrong about the first example, taking the jaffa cake example, if someone is able to demonstrate that a Jersey product is materially different to its English namesake, then it is highly arguable that any English authority would be put to one side. Thirdly, of course, it may be that there is no previous English authority in respect of a particular item and in those circumstances, the Royal Court would look at the food item from a Jersey viewpoint with no assistance from English authority for the simple reason there was none. Thank you for that opportunity.

The Deputy of St. Mary:

I would like to ask a point of clarification to what the Solicitor General has just said. He said that Jersey would not be obliged to follow precedent in the U.K. courts where there was a clear precedent even then we would not be obliged. Could it not be the case that if we were to introduce wholesale the provisions of G.S.T. exemptions that apply in England to Jersey, that we could also say where a precedent exists where a clear judgment has been given, that will be followed and there will not be discussion on that but only in the cases that you mentioned where there are problems?

The Solicitor General:

Well, insofar as you are seeking to specifically tell the court what it and how it should interpret a Jersey law, that is entirely a matter for Members. I must say it is treading on delicate constitutional ground where you start telling a Jersey court that it must follow an English court. That is my initial reaction to that comment. May I say it may very well be that the course the Royal Court would take into account that this States Assembly is seeking to follow the English model if that is what you decide to do and that would be something the court would take into account but it may be in many cases the court would accept English authority but that is something that the Royal Court would choose to do rather than being obliged to do. But all I am saying is that there are certain categories of cases whereby the English authority perhaps neither exists nor is appropriate to follow and it is really the point that the Royal Court has a discretion and must judge each case on its own facts in accordance with Jersey law.

1.5.18 Senator S.C. Ferguson:

I must just make a further comment to Deputy Duhamel's comments about allotments. Yes, very good for the population. In St. Brelade, ever leading the Island, we did not wait for government to do it for us. We went ahead. We consulted government, and particularly the Connétable of St. Clement, and everyone has been very helpful, but we only consulted them now and then. There is self-reliance for you. Despite Deputy Tadier's comments, that is a conservative with a small C approach. Get out there and do it yourself. Anyway, I thought I just have to make that point. In his speech Deputy Green talks about rising food prices. Well, I suppose he does realise that a considerable part of the increased prices has been due to the development of making fuel from food. That is absolute rubbish because it ruins your car engine. Even BMW do not recommend you using ethanol-treated fuel. Then, of course, I am not quite sure how much of the rise in the figures is due to the increased percentage of local foods being bought. Deputy Green also talked of G.S.T. on food being morally corrupt. I am sorry, that is a totally appalling statement to make. Is he suggesting that countries such as Singapore and New Zealand are corrupt? Really. He talks about the price of electricity. Well, the price of electricity has been affected by the demands to control carbon dioxide. There is an inherent charge in electricity prices to the consumer to pay for the renewables and I am quite certain we are paying part of the French contribution and this pays for the windmills and the solar panels. Stop falling for the scam and the costs will reduce. After all, the Deputy of Grouville talks about not taxing life's essentials. Well carbon dioxide is one of life's essentials, so should it be taxed? I did wonder whether I should take a leaf out of Senator Breckon's book and use my speech from a previous occasion. There are a few facts to be

considered, particularly with regard to Singapore. Singapore looked at G.S.T. exemptions very carefully and decided that there was an implicit social contract. You take G.S.T. off food and you must have a safety net and this was something picked up by the Scrutiny Panel and in fact that is what we did. We put in income support and the G.S.T. bonus. New Zealand met the problem of taxing food head on and addressed it in the original public consultations. From the New Zealand experience they found that upper income households spend twice as much and then this gives extra revenue available to re-circulate or re-distribute.

[14:30]

What is wrong with that? New Zealand also found that G.S.T. was a tax with a low cost of administration provided you stay with a single rate and comprehensive coverage. It is notable that New Zealand also discusses the regressive effects of the costs of compliance for small businesses if the system is more complicated. Now bear in mind, 75 per cent of our businesses in Jersey are small businesses. If business costs go up, it is unlikely that the reduction in G.S.T. will be passed on to consumers. One of the things is we have exemptions for food and heating oil. Well the biggest benefits will be felt by the better off with their heated swimming pools and dinner parties. I wish I had both. Now, we have had a very good sort of lecture, elucidation of the Regulations by the Constable of St. Clement. There are a couple of things that he left out. Vegetables are zero-rated but seeds and plug plants are standard-rated, so we have to pay G.S.T. on the seeds and plants we put in our allotments. He also left out I think one of the most important parts. Diabetic chocolate is standard-rated but chocolate body paint is zero-rated. **[Laughter]** The mind boggles. Do not even go there.

The Deputy Bailiff:

Some questions are rhetorical, I think. **[Laughter]**

Senator S.C. Ferguson:

Do we really want such a complicated system? There are a lot of people pointing fingers and saying: "Yah. Boo. You voted against exemptions. Blah de blah de blah." I do not think any debate is complete unless we have the odd quotation from Cicero: "*Nemo doctus unquam mutationem consilii inconstantiam dixit esse.*" In other words: "No well-informed person has declared a change of opinion to be inconstancy." If you have better facts, more facts, you do have to look at a situation and perhaps you should not be glued into your opinions from the age of 20 up and never change them. I ask Members to dispose of this ill-advised and ill-thought-out proposition.

1.5.19 Deputy P.V.F. Le Claire:

Latin quotes are always very interesting. We had one this week from the person who delivered the review, Lord Carswell, in the promotion. He said the Latin and I did not write it down. I do not know it but it was: "There are as many opinions as there are people." It is funny because in that actual review that was conducted, the opinion at the time in Hansard was that the Minister for Treasury and Resources estimated it would cost £400,000 but they delivered that review within the budget of £200,000. Some of the things that we are getting out today, the numbers do not stack up and Senator Perchard said earlier when he urged the Minister for Treasury and Resources to withdraw his amendment that the sums do not even add up. Maybe we can ask somebody to come up with the sums because last year in the G.S.T. debate Senator Ozouf said: "I visited the agent of the impôt 2 weeks ago with my Assistant Minister to see how they are doing in relation to collection of taxes and there were some empty desks on that day. Where all of those additional 7 people would have been employed if we had a complicated system of G.S.T. for counting those goods that would be part of G.S.T. and those that would not." I understand the point that that makes about environmental damage, et cetera, et cetera. So last year the Minister for Treasury and Resources says that they are going to need 7 people to administer a complicated system whereas we

are being told this year that it would lead to an increase of 3 more people. I do not know how many people it would lead to but I do not know if that is neither here nor there. I think what we have to do is we have to take into account, as Senator Shenton did, the needs of the Island as a whole. The reason why I am going to be supporting Deputy Green today is because I believe that the increase in G.S.T. which is the most regressive for the poor is going to impact upon them in such a way that there will be definite choices that they will have to take that will force them into eating the wrong types of food, as highlighted by Deputy Green, and struggling to make ends meet. I just very briefly would like to focus people's attention and make my point about this. Disposable income and what the average Jersey family does with their income. The largest ticket on the bill is that for housing and we know that there is a very low portion of people in their own homes in Jersey. I think it is designed that way; I do not think it is going to ever get solved. But interestingly I have been reading the Jersey Island Plan inspectors' report that I made reference to earlier today. It is about 1,000 pages long I think, by the look of it. Anyway, I am on page 63 at the moment. It says: "The nature of the problem for housing. It is quite clear to us that there is a major problem of affordable housing in Jersey. There can be no question about this. In coming to this conclusion we rely on a number of sources, and we summarise the position very briefly as follows." This is where last week when Senator Shenton said he could not support a drop in the housing qualifications he was chastised for not having his information correct but I think he was right according to these figures and this analysis from the Island Plan inspectors' report. It goes on to say: "According to the Interim Review of Residential Land (document BT17 page 39), in mid-2009 the price of housing in Jersey was about 2 and a half times the U.K. average (and just over one and a half times the Greater London average). The average price of a 3-bedroom house recorded in Jersey in mid-2009 (£516,000) was the equivalent of 16.5 times average annual earnings for full-time workers (i.e. £31,000 @ June 2008). This represents a significant change from the situation in June 2006, when the average price of a 3-bedroom house was £364,000 and the equivalent of 13 times average annual earnings of approximately £28,000. The equivalent figures for a 1-bedroom flat in mid-2009 (£225,000) and mid-2006 (£176,000) would represent 7.2 times and 6.3 times average annual earnings. Multiples of 5 times income have been the maximum generally available from mortgage lenders in Jersey ..." It goes on and I will skip a few beats here. It says: "The *Macdonald Report* provides evidence to suggest that no properties are affordable in Jersey at standard income." No properties are affordable in Jersey at standard income.

The Deputy Bailiff:

If you could come back to the ...

Deputy P.V.F. Le Claire:

I am trying to, Sir. If I am not going to be given latitude to say why I feel that we cannot tax people any more and we need to give them exemptions, I am afraid I am not going to be able to do what I feel I need to do in making this point. I will not proceed if you do not wish me to but I am nearly finished.

The Deputy Bailiff:

It is not for me to stop you proceeding as long as what you are saying is relevant. This is a debate about whether there should be any exemptions on food.

Deputy P.V.F. Le Claire:

Well I think that I am trying to make the point that people do not have the money at the lower end of the scale to be looking at increases in G.S.T. as proposed by this budget.

The Deputy Bailiff:

That is entirely a good point and very well put.

Deputy P.V.F. Le Claire:

I am trying to make that understood to Members in certain ways, with independent evidence that has been provided to all Members, it is available publicly, due to the fact that so much of the ordinary people's income is already being spent on their rent. We heard the Constable of St. Clement talking about his gingerbread men with their buttons on and their belts. It was quite entertaining. He certainly does know his foodstuff; I understand he is the Assistant Minister for Economic Development. I understand that there is no duty on marine fuel but the Economic Development Department transfers £200,000 to offset that to the Treasury. At least that was the report from last year. While they are still trying to encourage tourism and not wanting to put tourists off from coming to Jersey, you might take advantage of the fact that the fuel is nearly as cheap here as it is in other jurisdictions where they could be going. New Zealand also was noted as somewhere where ... and Senator Ozouf told me that this is where the idea for G.S.T. came from so let us be sure about this. If we are going to understand how this is being applied, let us understand where it came from. A noticeable exception in the world, G.S.T. was introduced on food and everything else, and when it was introduced it was at 10 per cent. It went up to 12.5 per cent and it is now at 15 per cent. So that is where G.S.T. is in New Zealand. I realise that we have less money than we once had before. I also realise I may not be as good at putting a point across as plainly and simply as I should be able to, but I understand this much. The captains of industry and the politicians that have led us here are the same ones that are leading us to vote today. The same politicians who have led us here over the last 2 or 3 decades are pretty much the same political individuals, if not the same ones, that are leading this debate today. I do not agree with the direction that they are going in. I do not believe, as the Deputy of Grouville has pointed out, that there is any imagination being here. "Democracy", Senator Le Main says. Well "proportional representation" I say to Senator Le Main. How about we have a system of proportional representation where the actual views of the people are manifested in the States Assembly? Because there are certainly not ... well, Senator Le Main is going to have his chance to respond to me so he can do that. But I would say that if you have more and more and more people crammed into St. Helier who are living in the same sort of conditions, as the Deputy of Grouville said, in a welfare state where there is less work for less money with less protection with fewer opportunities for housing and the same representation, you do not have democracy. You do not have proportional representation. You have many, many, many more people in St. Helier that are trying to get their views across in this Assembly than they have in other richer parishes where people do not even face elections. So, no, I do not agree. I believe that the ideology and the tax moves and the way we are moving in tax is being driven from an almost near-liberal perspective and I think that anything that comes across as measured or socially conscious is rubbished and ridiculed. We will hear from Senator Le Main as to why that is next. But I would support Deputy Green in bringing exemptions for heating and food in this perspective, because I think that heating and food are the 2 elements that support life for the most vulnerable that we can make a difference to. We cannot as an Assembly bring a last-minute amendment to our friends in the Council of Ministers, as the Council of Ministers are able to do, with the Minister for Treasury and Resources to implement more progressive levels of taxation or something else. We cannot do that as Back Bench Members. All we can do is come in here and give our views and quite often, as I am about to be now, shot down in flames by the captains of industry. The captains of industry that have led us here. So let us hear it from the next captain of industry.

The Deputy Bailiff:

I was going to call on Deputy Dupre. I am not sure if she is a captain of industry. [Laughter]

1.5.20 Deputy A.T. Dupre of St. Clement:

No captain of industry here, I am afraid. Thank you very much. I am going to be my usual short and to the point. When I stood for Deputy I did say I did not agree with G.S.T. on food. However, when the subject was debated again it was explained to me by a Treasury guru that it would be extremely costly for us to exempt food. So I agreed, very reluctantly, to vote to keep the tax. It

was pointed out that we would need more civil servants to process tax if food was exempted. But as I seem to remember there were civil servants brought over to Jersey to set up G.S.T. in the first place. Are they still here, I wonder. If so, can they now earn their keep all over again as G.S.T. has now been up and running for over 2 years?

[14:45]

So the wrinkles should have all been well and truly ironed out by now. Do not get me wrong, I do appreciate that all our civil servants do help the Government to function. In fact, I was once one many years ago. However, I do now feel that I cannot continue with this stance. The G.S.T. rate is proposed to rise at 5 per cent and I know how much more food costs over here compared to the mainland. I often visit friends and I go food shopping with them and see how little they have to pay for some of their goods. This is just not fair on those with limited means, especially the pensioners and young couples with children. I do feel that charging 5 per cent on food is a step too far. I will be voting on this amendment and I hope that many others will do so too. Thank you.

1.5.21 Connétable D.W. Mezbourian of St. Lawrence:

Is it not easy for us to generalise? All single-parent families are a drain on the state; all pensioners are suffering at the loss of interest on their savings. Although I do not subscribe to generalities, I can say that in the case of many pensioners, they are indeed feeling the pinch. I know that because over the past couple of weeks I have spoken to many of them as they have called to the Parish Hall to collect their Christmas vouchers. We have stopped and chatted and they have told me how grateful they are that a very generous Grouville philanthropist thinks of them and their needs, particularly at this time of year and more particularly in this year of recession. While I recognise that the Assembly is not here to act in a philanthropic manner, I believe that the Assembly is here to protect the less well-off in our society. Just as I have listened to those pensioners in St. Lawrence, we should all be listening to the electorate, to the pensioners, and aged concern springs to mind. We have all seen the items in the paper when they urge us to reject G.S.T. on food and on domestic heating. I know Senator Le Main listens to them because he tells us that in his time as Minister for Housing he used to meet regularly with the pensioners and I am sure they have mentioned it to him, along with their housing issues. But to come back to this amendment, I promised my electorate that I would not support G.S.T. on food and while many of the arguments I have heard have been somewhat persuasive, I have always stuck to my guns and been true to my election promise. I will be taking the same attitude today, and Members may remember that yesterday I spoke about the parishioner who wanted the 2 parish Deputies and myself to block vote in the Assembly. Well we almost got there yesterday because 2 of us voted the same way and it was an opposite 2 to the way we all normally vote. Although I urge them to think about those pensioners in St. Lawrence that I have been speaking to recently, somehow I do not think we will get that block vote quite today because I will be supporting this amendment. Thank you.

1.5.22 Senator T.J. Le Main:

Five years ago on the election platform we were asked 2 questions. The subject of G.S.T. was one of them, on food and ordinarily, and the other one was what view did we have in support for the Chief Minister's post: either Senator Walker or then Senator Syvret. I did then, as I have always been, wanted and supported, if it had to come in, a very low, simple scheme. Contrary to what my good friend on my left there, Deputy Le Claire, says, I was elected democratically on the views that I held on that platform and I hold those views today. With all the evidence that has come before me and what I have seen ... even lunchtime while I was at the bus stop with my pensioner's bus pass, I was stopped by Mr. Shead of the Chamber of Commerce and several small businessmen who were saying to me that although they do not like the idea of increasing the G.S.T. to 5 per cent, they see the need for it and they do not support the exemptions as proposed by Deputy Green. They believe that small businesses are very, very important to listen to in this Island. They employ lots and lots of people, as full businesses need assistance in managing to stay afloat in these difficult times. I am

not surprised at all of the views of Senator Shenton. How can we be? He is the Chairman of the Co-op. **[Interruption]** Well he is on the board. Well Senator Shenton is very conflicted. Absolutely right. It does not surprise me that he is going to be supporting the views of the Co-op. Only last week Members will have seen a very good email, I thought, from Senator Perchard to the proposed new managing director of the Co-op after he had sent us an email of his views of opposition to our put views. Senator Perchard put some very, very good questions to the Co-op and they side-passed them all and never answered one question. They could not answer them and that is absolutely right. That is a shame, really. As politicians we really need to have the views of everyone. We need to have the views, yes, even if you oppose something, of the person that does not have the same view as yourself. I thought that the questions posed by Senator Perchard to the Co-op were very, very pointed and good. Lo and behold, they were sidestepped and whitewashed. Absolutely. I would like to say that there is no one closer to ordinary working people than myself. Over the years, having been Minister for Housing for 11 years, as said by the Constable of St. Lawrence, and having surgeries and also using the bus regularly - Le Marais number 18 bus - I speak to pensioners every day. I have to say that I have not been inundated or otherwise about the food exemptions. Yes, they do not like the idea of G.S.T. going up, but they have not given me any indication that what is said by Deputy Le Claire and some of the others across the Chamber from here that there are so many people that are upset about it, are going to be affected by it. I have to smile every week because, quite honestly, the last big demonstration ... or the first big demonstration. I do not think there has been any big ones since on the G.S.T. one. There were some ladies sitting in the front pictures on the *J.E.P. (Jersey Evening Post)* that are living in Le Marais - lovely people and I have met them many times - and they bent my ear one day saying about G.S.T. and how awful it is going to be. It is quite surprising but I see these 2 ladies weekly passing my home with their Marks and Spencer shopping bags, so I do not know how affected they will be on this. But I honestly believe that I was elected, contrary to what Deputy Le Claire says, on my view democratically. I was elected and I stood on the points that I stood then and I stand on them now. I believe that with all the evidence that has come to me, having a simple scheme for everyone, simple and straightforward, has got to benefit, not only the Government of this Island by not employing extra staff, but also it helps the small businesses. I believe it also assists the client at the end of the day. Because at the end of the day, the prices are not going to reduce. Whether you like it or not, they are not. They are going to sell it. I thought there was a very good email from the Constable of St. John who has years of experience in the retail trade. They will set their prices at the prices they can sell. All these big retailers, no question about it. I am concerned for the pensioner no more than Deputy Le Claire or anybody else. As I say, I meet them regularly and I have assisted many of them, but I believe that this is an ill-founded amendment by Deputy Green. In the U.K., in Ireland, in all other places where they brought in exemptions, they would love to get rid of them now and have a simple, straightforward scheme. I think that we will be doing a grave disservice, in my view, to the client at the end of the day because I do not think that things are going to change one bit. There will not be any cheaper prices. We are being hauled over the coals by some of these retailers. I will not be supporting the amendment and I urge Members to seriously think which way they are going to vote. Thank you.

1.5.23 Senator A. Breckon:

I would just like to pick up on a point that Senator Le Main made. He mentioned pensioners walking past his door with Marks and Spencer's carrier bags. I will just remind him, that does not mean they have been to Marks and Spencer to get shopping. I have "India" on my car tyres but I have never been there. I will tell him that. The Constable of St. Clement gave us a lot of facts and figures and information but I think the good news for him at the moment is that some of those products he mentioned would not have tax on them. At the moment most of them, of course, do in Jersey. In fact, all of them do because it is fully inclusive. So there would be some relief on the things that he mentioned. The other thing where there is some considerable confusion at the moment is that there is an element of re-pricing on goods that come into the supermarkets and other

shops that are pre-price marked. Retailers have to either price over the top of them, which means sticking another label on, or they have to put prices on the shelf edge. That still leads to confusion because people do not see it and if they think: "Well it is £5" when they get to the till why do they have to pay £5.15? I can say I am aware of one retailer who has, in the last 6 weeks, already marked the 3 per cent up to 5 per cent on some products. They say it is a handling charge because they cannot stick labels on stuff and that is on flowers in Marks and Spencer. I have that in writing. As I say, that has created some confusion but it has also created an opportunity for some retailers to profit from it and some are already doing this. So that needs to be looked at perhaps with a bit more rigour than it is. Something that was mentioned, and again has not been picked up, I think when the Deputy of Grouville mentioned impôt on motor fuel somebody said: "Well we pay G.S.T. on it" but there is no impôt on boat fuel and there has been some discussion and debate on that. The reason I say that is if we are going to have a tax and spend agenda then somebody should put that back on the agenda and we should discuss it and debate it if there are reasons for not doing it. Like if it is benefiting people in that trade and there is a cost to not doing it but there is also a significant benefit, but I have never seen that evidence. The reason I say that is some of the evidence needs to be on the table because we need to have all the choices, not what has been dished up by the Minister for Treasury and Resources, and I will come to that in a minute. I think the evidence is clear that basic foodstuffs in Jersey are more expensive and we are not talking about anything fancy. We are talking about the basic stuff: bread, meat, fish, vegetable, fruit and things like that are definitely more expensive.

[15:00]

We are not talking about Baked Alaska, because many people would not look at that and could not afford that. An interesting comment that I heard during the last U.K. elections was that no one in their right mind would think of taxing basic foodstuffs. That was said and agreed by the 3 party leaders at the time. No one in their right mind would think of doing it because they do not have it, so they would not think of doing it and that is probably true. So the question is: we have it so can we unbundle it? Perhaps we should. Because as the Deputy of St. Martin said this morning this 5 per cent on food really worries him. I think Senator Shenton gave a good example of that when a pensioner spending £20 is paying £1 in tax. I think the term that was used, it has been misinterpreted, was if we as a government are doing that, are we morally bankrupt to be doing that? In 2 terms: morally should we be doing it and are we that bankrupt that we need to do it? I would say no to both of those. The other thing the Deputy of St. Martin said was people have got used to 3 per cent. Well I would say they are uncomfortable with 3 per cent. If you go in the shop and you get breakfast cereals, a carton of milk and a couple of other bits and pieces, you have tax on that and it is for the kids' breakfast or something like that, you are wondering: "Well, what sort of government is this that is taxing my kids to have their breakfast or a pensioner to have their supper? What is this about?" That is why we come back to: are we morally bankrupt, in my opinion, to do that? The other thing that we do not have that the U.K. has, we do not have strong supermarket brands where there is an alternative to something. There is introduction and there is change but the pensioner who Senator Le Main saw could have been to Iceland with a Marks and Spencer bag. Because a lot of people are going, they are discounting and they are all looking for value because prices in Jersey can be double or treble what they are in the U.K. for some basic foodstuffs and other items as well. But there are some real price differences out there which are making a difference to ordinary people every day. The question is then, are people in Jersey so much better off? Well look at the old-age pension then, it is £55, £60 a week for a single pensioner more in Jersey than in the U.K., the basic income level. But then what can you do with the money? Where can you go off and spend it on? You do not need many items in a shopping basket to spend £30 these days. It soon goes and that is not necessarily in the more expensive shops. The Chief Minister said yesterday about acting in a responsible manner. I think this amendment would be acting in a responsible manner because what it does ... people have suggested that we have this, we have done this, we have done that, but we can re-visit things. As the Minister for Treasury and

Resources has said himself, perhaps we have moved on to where we were when we first did this. The circumstances are different and what we are doing in effect, okay, we can dress it up, we can have a few pounds for people here, something else and something else, but in general terms in many cases we are going to be taxing people who cannot afford it. That includes, I should say, small businesses because they have operating costs: they have to buy tea bags and they also have electricity bills and telephone bills and whatever else. So if we are going to pump up the volume, then we must think of that because some businesses did close when 3 per cent was introduced. Not straight away. Some gave it up and whatever else and there were some that were more publicised than others. But many people, especially the elderly and small businesses, are already feeling the pinch. So what are we going to do? Are we going to apply more pressure or perhaps back off a little bit? Again, something that Senator Le Main mentioned, many people, especially older people, will suffer in silence. They will not necessarily say how difficult things are. They will struggle on. But they do, as the Constable of St. Lawrence has rightly pointed out, welcome help and support. They do not have to sit before her and make their case and say: "I would like some extra money for a few things at Christmas." By someone else's generosity, that has happened and pensioners or anybody else really do not want to beg for support. But probably most of those vouchers are going for extra foodstuffs and things that give them some comfort, and maybe their family, if they are coming to visit at Christmas. They are not going to make a fuss of that. Even people who perhaps, as the Constable found out, you would not expect to say: "Well this is really useful to me because it does these things." Maybe she thought and we think that they are comfortably off. But they are not because many people are feeling the pinch. So this brings me to the question then, who speaks for them? If they are suffering in silence, who has picked it up? Well I would say we should be doing that. These are the ordinary people who we represent. We can say that we are listening. We have picked the message up. But also for the Minister for Treasury and Resources and others, there are alternatives for how we tax and for how we spend and we are still looking at some of these things. The other thing as well, I heard the Assistant Minister for Treasury and Resources say yesterday when we talked about the 1.1 per cent increase linked conveniently to the lower point of the movement in the earning index, this £3.1 million would have drastic effects on the thing. He is not here, but I would remind him that if the Minister for Treasury and Resources had the option last year instead of going heads or tails with Deputy Power, he could have amended that. Many Members, I do not think, would not have had a problem with an interim measure for increasing the impôt but what happened as a result of that we probably lost that £3.1 million. So the fact that we are where we are is not our fault. He had the opportunity to do that. Same as company fees. I proposed an amendment which was not accepted but perhaps an amendment from the Minister for Treasury and Resources could have brought in another few million pounds. The other thing, there is still the leakage which has not been plugged, so tax could have come from that which could have cured this particular problem and that still has not been done. Again, we have to attempt to compensate, to soften that, to put it off and put it off and put it off. Perhaps not the Honorary Police ones, but the pencil should be sharpened to get on and sort that. The other thing as well when I mentioned the company fees, harbour dues go up every year. Company fees have not gone up since 1998. Company fees add to the cost of our goods and services for things imported. Every year they go up. So why are things being ignored; taxes are not being governed? The other thing, just before I finish, vehicle registration duty was scrapped when G.S.T. came in. We lost probably about £4 million by doing that. So sometimes if we have the black hole, these bits add up to a bigger bit. The other one, just to finish on, the Deputy of St. Martin will remember he proposed probably about 10 years ago introducing stamp duty on share transfer property and it has only just happened. Now millions of pounds have been lost by not introducing that earlier. "It is difficult, we will get around to it or do something with it" but we should be employing people who are cleverer who can plug the gaps that somebody else is trying to make. So millions of pounds have drifted away under our very noses and then when something like this comes up which is fairly emotive: "We cannot do it. We cannot afford it" but we can because we have missed a few tricks. That is why this is not just down to the Minister for Treasury and Resources; this is an issue for all

of us. That is why as well as everybody can spend money, we must be thinking of ways that we can save money in a proper and reasonable fashion without cutting services for elderly and vulnerable people and then also look at how we can raise money. We must put everything on the agenda and not take it off. What we have here is somebody else's agenda, which happens to be the Minister for Treasury and Resources, and among this is this very emotive amendment. But many people out there, to them this is important. Because if the 3 per cent becomes 5 per cent then it becomes very, very difficult out there and that, I would say to Members finally, is probably where we are going if we do not accept this amendment. I think the case has been made for exclusions because these are necessary things. You cannot go on the Internet and buy some of this stuff and have it delivered; not from overseas. You can locally, but you cannot whatever and it will not be that great a difference. So I think for that reason, Deputy Green is commended for bringing that. I can understand people having positions. Even Members who have already spoken, I would ask them to perhaps re-consider before they vote on this because of the implications of not doing this, and 5 per cent for many people on basic incomes is significant. It is the difference between living and existing. Thank you.

1.5.24 Connétable S.A. Yates of St. Martin:

I wanted to refer back to when G.S.T. was first introduced and the Chief Minister will well remember me quizzing him frequently when he was introducing G.S.T. He was Minister for Treasury and Resources then and I sort of accused him of wanting to have a big, brass, shiny tap with "G.S.T." imprinted on it that he could turn on and off at will. I asked him would he be using it as a tap to be turned on and off and he said: "Oh, no, no. We would definitely keep it low, keep it long." I did not get him down to how long. He said: "Three years definitely but I can see it extending further than 3 years" and I think he might remember those words to me. I was converted in the end and I voted for G.S.T. But the reason I was converted was because my fear was the effect on the vulnerable, the poorer members of our society who were finding it pretty difficult to manage on the parish welfare that I was involved in in those days. I knew very well the actual degree of which the pounds and pence mattered to them. But I was persuaded because Deputy Le Fondré brought through a proposition which would protect the poorer and the vulnerable in the society, and also the people who were not on the income support at that time but were just on a pension. They were managing; they did not pay tax, so they were protected as well. Also I think the lower section of people who did not pay tax were protected by an increment on their threshold. So I feel we are to some degree debating an illusion here this afternoon. I cannot get away from the feeling that when Deputy Green is successful with his proposition the headlines are going to be reading: "G.S.T. is removed from food. Hooray, hooray" which is brilliant but the point being is that last paragraph: "... and the element of the Food Costs (Offset of Average G.S.T.) Bonus and of Income Support relating to the items being exempted or zero-rated shall be adjusted accordingly." I can only assume that that means the G.S.T. bonus which I believe is something like ... I do not remember whether the Minister has spoken on this debate as yet. Perhaps when he does he could inform the Chamber about the extent of these bonuses and this protection because I understand that the bonus to a pensioner is of the order of ... is it £150? Is it £150 twice a year? How much does the food cost offset of average G.S.T. affect the income support client? I was quite disappointed at that proposition inasmuch as it did not cover G.S.T. as a whole. It just covered G.S.T. on food and I believe also on domestic fuel. But when I was handling welfare payments of £200 a week, I am sure that my memory seems to recall that the G.S.T. offset was nowhere near that. I think it was on food only, which I was disappointed because basically people do have to buy stuff, they have to pay their television licence and they have to pay their insurances and stuff.

[15:15]

I would be interested to hear from the Minister for Social Security of some scale of the amount of support that he will perhaps be taking away from the vulnerable if this was passed. There will be elation if Deputy Green gets his proposition voted on. However, I have a feeling that by June next

year when the first Social Security cheques come through the letterbox and income support recipients will look at it and say: "Hello, I am £24 short this month, why is that?" and then the next month it will be another £24 short. I do not think that they are going to be too happy about that, so I would look forward to hearing something from the Minister for Social Security that could clarify this for me. Thank you very much.

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

I fully understand Deputy Green's political motives in bringing this matter of food exemptions and the emotion that the subject stimulates. We have heard several speakers alluding to election promises and no doubt there will be more to come, and I know I have colleagues on the Council of Ministers who have strong opinions in that direction. But I suggest they are not being fully practical about this and I prefer to come from that direction. I have great concern over the budgetary risks, and in particular to my T.T.S. (Transport and Technical Services) budget, which has recently been demonstrated that it suffered from a lack of funding. The results of this are clear to all and tend to manifest themselves in the guise of flooding at Beresford Street, flooding at Sandybrook and the lack of funding for drainage extensions to areas such as St. John. It is always intimated in these situations that the funding will come from somewhere else. I hate to disillusion Members but there are always consequential effects of this which tend to be equally unpalatable. I was, in a previous life, part of the Corporate Services Scrutiny Panel, together with the Connétables of Grouville and Trinity and also the former Deputy Ryan. This scrutinised G.S.T. at the outset and exemptions at length. I have absolutely no doubt in my mind whatsoever that the English exemption model is an absolute shambles. In fact, there are preferable models elsewhere in the world which have been alluded to by earlier speakers, should one wish to go down the exemption route. It must be said, and no one can argue otherwise, that any exemption system leads to complication, dissatisfaction and argument. Comments from the Solicitor General earlier on, I think, in my mind, tend to bear that out. I emphasise that the only sensible system is to keep our G.S.T., like it or not, simple. Costs of collection are not insignificant and I do recall the former Deputy Ryan, as mentioned earlier, asserting that collection costs were over-stated. That was, I have to say, his personal opinion and not supported by his fellow members of the panel at the time. I must draw Members' attention to some issues regarding retailing to which I fear some are displaying an extraordinary naivety when we come to discussing exemptions. First of all, how do we define basic staples? My definition of basic staples I am sure is far different from others. I tend to do my own shopping and I am fully aware of the variation in retail prices between different establishments: they vary daily and are influenced by offers; stimulated by buying power; a buying policy of the shop very often; they are stimulated by seasons. Now with regard to fruit and vegetables, that is fundamental. They are on local supply. They are also stimulated by seasons festive such as Christmas and so on. They are stimulated by demand. That has a dramatic effect on price. They are stimulated by competition and of course one other issue is things like price points. This is an important area of retailing which can involve rounding up, rounding down to fit what might trigger the human mind into making a purchase. There is an awful lot of psychology involved. It is not for me to expand on the theories of retailing, apart from to suggest that many of the arguments put forward suggesting the price of food will reduce is, I fear, somewhat deluded. I think there is much to be done in educating people, some of the old-fashioned methods, shall we say, of reducing household budgets in these straightened times. I regret to say that there are many young mothers and fathers who simply do not know how to cook and their tendency will be, as has been suggested earlier on, to go out to a well-known franchise and not only buy the ready-cooked meals but also happily pay the 5 per cent surcharge. I was told that when this was put in place initially, there was a slight drop in takings after which sales have only steadily increased. I have, over the last 3 days, had the pleasure of hosting lunches for some 300 senior citizens of the parish of St. Brelade and as you would imagine have received the benefit of several opinions. I can categorically say that, in common with all of us, they would rather there was no tax whatsoever. But they were pleased, I have to say, that the 6 per cent had been thrown out; that was pretty well

unanimous. Nonetheless, I can say there was concern that the complication of exemptions would not provide the benefit asserted and I tend to agree with that. I would conclude by imploring Members to vote with their heads on this, not with their hearts, to reject the amendment which is all about electioneering and ignores the consequences which will inevitably occur. Thank you.

1.5.26 Deputy J.A. Martin:

I would have liked to have followed the Constable of St. Martin just to remind him he had the tap in his hand yesterday and he could have not turned it on for another 6 months but he chose not to. So how much he pushes and blames them over there, he has one hand on that tap and he turned it on 6 months earlier than it needed to be. Then I would like to go on to explain to him about the ... I have some figures here and I am speaking before the Minister because he will either rebuff what I am going to say or completely dismiss it but let me give you some figures. Income support came in ... well the figures in 2008 started at about £70 million; nearly £71 million and the actual G.S.T. benefits paid out were £109,000. In 2009 it was £83,286,000 and the G.S.T. benefits paid out was £257,000 or 0.3 per cent. As everybody has a short memory and we are supposed to - his opening speech - trust the budget, balance books, was nobody in the Business Plan debate when there was a proposition? It is in the Business Plan, withdrawal of G.S.T. bonus as a result of Regulations expiring on 23rd July reducing the budget of £638,000. Now there was only an amendment brought by Deputy Le Fondré that kept it in. Do you know why they kept it? Because not many people are claiming it. Not enough people were claiming ... I will give way.

Deputy I.J. Gorst:

Could the Deputy give way? She is quite right to allude to the G.S.T. bonus but you must be careful to understand, that is the bonus which is available for those individuals who do not receive income support and yet do not pay tax. So it is a separate and discrete bonus. It was introduced to offset the costs of G.S.T. on food for those individuals. Of course, income support was up-rated initially when G.S.T. was introduced by 3 per cent. All those components affected by G.S.T. were introduced and that was undertaken by the previous Minister and even more money was given to income support, £3.5 million, as a result of Deputy Le Fondré's proposal.

Deputy J.A. Martin:

Is this his speech? I am sorry. No, no, I am not giving way any more.

The Deputy Bailiff:

Deputy Martin is absolutely right. There is one thing to give information; it is another to make a speech. Deputy Martin.

Deputy J.A. Martin:

Yes, and that is my point exactly. They wanted to get rid of it because of the poor uptake as well, and where is Social Security on this? Anybody who claims income support ... or the Income Tax Department, who know exactly what people are earning, who is writing to these people and saying: "There is a pot of money, £150 a year, that you can have" or: "Here is your £150 a year." Nobody is doing it. So do not "trust me that everybody is getting this money" because they are not. I really do not have too much to say because it has all been rehearsed. We have heard the same speech - I even got it out yesterday - from Deputy Fox. He does not want to put up G.S.T. because he feels it would be an easy tap every time: 3 per cent is £45 million. He did say £45,000 on Hansard and I obviously quoted that but it is £45 million. The Deputy of St. Martin, well he may now be persuaded. Everyone keeps using: "Let us keep it simple." It always used to be "simple and low." We are already going to go up to 5 per cent so while we are keeping it simple and low, I do not think 5 is low for some people. **[Approbation]** People look across to me ... Senator Le Main said he is probably one of the closest to ordinary working people. Only who sits on the bus next to him and he has the cheek to say that they have a Marks and Spencer's bag. Well if that is closeness, I think that is patronising, myself. Why can they not have a Marks and Spencer's bag? Maybe they

only eat once a week and it might be good food from Marks and Spencer. Or shop once a week for good food from Marks and Spencer. Closest to the people and he stood on a manifesto and, yes, he said he would not support G.S.T. on food. That is fine. So he is not being a hypocrite and he has not moved. That is fine. I totally agree with that. But I would like again to say to the Deputy of St. Martin to really think that they are pushing this too far. They had the chance yesterday to accept that amendment. The people like the kind Constable of St. Martin did not really want the tap turned on; he had it in his power. Then we hear from Senator Ferguson. Senator Ferguson quotes Latin badly or bad Latin quotes, but then tells us in English to listen to them and change your mind. Your mind. How about the Senator listening sometimes and changing her mind? Never in this Assembly. There is a rule for everyone else and I am sorry there is the land of the Fergusons. **[Laughter]** I really do not get it, but do not quote to me badly in Latin because I do not speak Latin, I do not speak French, I speak one word in Spanish, probably, but when I am being quoted something badly I know it. But what I am saying the people out there already struggling who the Minister for Social Security has just said are the people who do not get income support, or much - they might get a bit of rent - and they do not pay income tax. This benefit was put in around £1 million and the claims are absolutely minute, because not many people know, and nobody is informing them. Nobody is rushing out there to inform them because, if they were, as they say, why are they not getting it? I think all the money that the kind gentleman in St. Clement or Grouville gave was given out because he just asked people to come down and basically prove you are a pensioner and you got it. I do not know what sort of form you have to fill in for this £150 per household, £75 for single pensioner if you are not in either bracket, I do not know. But if it is anything like the other social security forms I know a lot of my elderly people will not do it. As I say, I really wish we were not where we are today and we had have kept the tap off for a little bit longer yesterday but it is not staying low, it is now going up to 5 per cent and if we do not put exemptions on food we are affecting, in Senator Ferguson's word, the so-called poor, the so-called middle Jersey and everybody else. It is about a moral stance. I do think it is immoral, totally immoral. It might be complicated and I have no sympathy with the people who have to work with ... not the shopkeepers ... if it is beyond the Royal Court of Jersey or even a person going around the shops to decide what is a biscuit and what is not a biscuit, I really have no sympathy with them at all. It is a question of ... as I say, I have never wanted G.S.T., I have always supported exemptions and I will not change my mind. They will go up, and as soon as they go up ... this was the first one, as the Deputy of Grouville said earlier as well, there is no imagination.

[15:30]

There is other things that could have gone up first. This once could have gone up a little bit later. That 6 months would have maybe given people a bit ... but, no. This bonus, they wanted to take nearly £700,000 from the G.S.T. bonus in the Business Plan. I have much more respect than I ever had before for the likes of Deputy Le Fondré for standing up for his principles and giving us the facts in this Assembly. He was the only one who brought the amendment. He brought the amendment to the Business Plan to keep this small bonus. Thank you.

Senator S.C. Ferguson:

As a matter of clarification, I wonder if the Deputy could tell us what steps she has taken to make sure that her constituents know of the G.S.T. bonus?

The Deputy Bailiff:

I am not sure I see that as being particularly relevant to this particular proposition ...

Deputy J.A. Martin:

Most people phone me from St. Brelade, they want help with income support. **[Laughter]**

1.5.27 Connétable G.F. Butcher of St. John:

Much of what I was going to say has been stolen by the Constable of St. Brelade unfortunately. We have both been in similar retail industries. I rise to speak basically as I have been in the retail industry for 30-odd years of my life. Retailers do price goods to a price point and I have been in the retail industry right across the board, white goods, boats, trailers, outboard engines, clothing, and even food in the marine industry. I have been crossing out so many things here as we go along. I did not believe that G.S.T. should have been put on food in the first place, but now that it is there if this exemption does go through I do not believe the general public will see the slightest difference in their shopping bills at all. I think it will just create a pot of gold for retailers because they know what the public are prepared to pay now for their goods and I think that is where you will see goods priced. We have been elected to try and make a difference to the population. I do not believe that accepting this will make the slightest difference, I therefore ask the Assembly to reject this amendment.

The Deputy Bailiff:

Does any other Member wish to speak? Deputy Le Fondré.

Deputy J.A.N. Le Fondré:

If you bear with me one minute, Sir, there are a couple of things I want to grab. There is a relevance to this, in a short period of time.

Senator A.J.H. Mclean:

I hope that is not the Deputy's speech. [Laughter]

The Deputy Bailiff:

I was just thinking the same.

1.5.28 Deputy J.A.N. Le Fondré:

It is worse than that. Obviously Deputy Green has relaunched the whole food exemptions debate with gusto and passion, and as I am sure he is aware, I am not going to be agreeing with any of it, I do not think. Just to be clear. I do try and stand on my election commitments and I have been very consistent on this one. I think, when I first stood, we were talking about G.S.T. at 5 per cent. At that point we were still talking about simple systems and no exemptions. Essentially where we are, or where we are going to be, is what we were proposing about 5 years ago. It has been a good debate, it has been humorous and in the light of that humour I will extend the invitation to the Connétable of St. Lawrence to perhaps come and join her Deputies. I am afraid the Connétable of St. Clement has completely stolen a lot of my thunder. I did bring my shopping bag. In this St. Lawrence recyclable shopping bag, which I am sure she will be delighted to hear, but they have all been used so we will not worry about that. Apart from, of course, the infamous Pringles, which is a debate as to whether they are crisps or not. That is debatable on potato content. Oddly enough, the crisps, the manufacturer is trying to argue it did not have enough potato content in it because on that basis it was zero-rated. But, humour aside, we have got to get back to the actual impact of this. The impact on real people. It is kind of about let us not let the facts get in the way of a good story, let us let our emotions run riot on this argument. We are back to a confused Robin Hood scenario of giving more money to the better off and potentially - and this goes back to the comments raised at the very least by the Connétable of St. Martin - leaving those in need of most assistance worse off as far as I am concerned. This comes back, to an extent, to a lot of people have an issue about moral arguments and tax included is immoral, et cetera et cetera. I believe Deputy Green said it affects his moral sensibilities. It is wrong in his view and therefore it should be thrown out. Well, all I can do, and I have not done major calculations, again essentially I looked at March 2009 when we had this last debate and Deputy Noel and myself did some calculations and circulated them to all Members. At that point - I have changed it slightly - our calculation was that if you had I think it was someone on about £17,000 who was not eligible for income support the statistics at that point, the figures from the Statistics Unit et cetera, indicated that by exempting food they would

benefit to the tune of around £90. So let us say it is £100 now. That is using the average increase in food inflation between now and then. At the moment under the G.S.T. bonus system they are entitled to £150, and that is the nub of the argument. The people who say tax included is immoral, et cetera, in light of their moral sensibilities we are going to go someone who is at the lower end of the scale and say: "Here you go, here is £90-100 because that is our moral stance on exempting food. By the way, we are going to take £150 away from you." I do not find that stacks up. That, as far as I can see, was the argument at the time and, as far as I can see, that stacks up again. The reason we have got there to also ... it is worth going through the systems that are in place. When G.S.T. was introduced, we up-rated income support and we up-rated the income tax exemption thresholds for G.S.T. as a whole. Then under - we will use the name again - the so-called Le Fondré proposal if you like which was just before the beginning of this session 3 years as it were, we put a whole load more money in again for food and fuel alone. So we essentially put in a more money that people would benefit from if their stuff was taken away. That is the point, we point a lot in so we would claw it all back in theory if we start exempting food and fuel. So from that position, as far as I can see, I genuinely believe that people at the bottom end of the scale would be far worse off and, I am sorry, from my moral principles, that is a far worse position for them. We know the Fiscal Policy Panel has consistently said that exempting food is not a good idea; they have previously commended the States on that. I think there is quite a strong argument that says if we do exempt food you are putting hand back on the tap with the potential of increasing taxes in the future. Exempting food is one of the big barriers to putting the rates up too much. If you exempt food now you are taking one of those big blocks away. As I said, we have tried to keep with what we are doing. I know Deputy Green does not agree, he has said in his report that the simple solution rather than amending low income support payments and G.S.T. bonuses every time the rate of G.S.T. is raised, is surely not to charge the tax on essential items in the first place. He keeps saying that is the complicated way. We up-rate these figures every so often so if we are going to change a number in legislation, that is pretty easy, and that is down to us on a number that we are going to change. To force the whole burden of the complexity issue on to everybody else and to put that sort of dead weight on to the economy is just ... is not simple. I am pausing because, a bit like the Connétable of St. John, my speech has evolved all the way through the way we have been sitting. I have mentioned the individuals perhaps on about £17,000, let us deal with pensioners. The calculations we did last time round said that 2 pensioners, a household income of say £26,000 a year, they would be roughly £200 worse off if food and fuel was exempted, and the measures we have in place reversed out. So just think about that. I know people do not appreciate the figures and the numbers behind them but that was the calculations we did a year ago and I am sorry inflation has not impacted that much since then. Let us just keep going back on to the complexity issue which people keep under playing effectively. Reference has been made to the self declaring tax, just simply swiping the product being purchased. That was the comments made ages ago. Let us come back to this little pile of documentation in front of us. This is called the tariff, this is what customs use and it is 97 chapters of double-sided very small print. It is obviously everything that comes into the Island, so it is an international tariff, so it is not just food, but food is a substantial part of it. I am going to say it is more than a third, less than half. The trouble is this debate is not just about food, and I will come to that as well. But what we would be doing by taking the U.K. system is essentially we would have introduce something like this into the Jersey legislation. Actually then what you are looking at is that Jersey importers would have to start making reference to this. At the moment, as I understand it - and am happy to be corrected - customs do not use this very much because everything is, broadly speaking, taxed, it is nice and simple. They only have to look at it for the occasional exceptions that come in. We have heard from the Solicitor General just before lunch and even this afternoon that the impact of this approach on to our constitutional position, legislation, et cetera, is definitely more convoluted than people recognise. It would appear, that was my understanding, we would have to have some form of a local appeals process. If Members remember, the Deputy sent an email around to us saying: "Zero-rated food will be as defined by the U.K. law and this is enshrined without our law, then there is little for the States

departments or law draftsmen to do.” That is quite a lot there to do. “Fundamental to this is that we never deviate from that list because if we do we will need staff to determine what is a food and what is not and we will need an appeals system, expensive.” That is here in black and white, and I think to be honest that argument has just been shot down. The U.K. lists have been running for nearly 40 years and all of the wrinkles have been ironed out. Oddly enough, and I love this comment, as still within the accountancy world I still subscribe to a - I cannot remember whether it is a weekly or monthly - publication that comes through my door from the profession. This is a thing from earlier on this year. There are 2 overlaps. One is having got rid of tea cakes and flapjacks on V.A.T. this is now about the humble lolly. It was about a product that was selling kits to customers to make lollies. So this is not food, this is the ability to make food. It puts the customer in the position of making an item of food which would be zero-rated if already manufactured. So there is a big argument whether that should be zero-rated or standard-rated. This is probably about the boundaries of the debate we are having, it started edging out far away from food and essential items. There is a quote from a person called John Whiting, who is Tax Policy Director of the Chartered Institute of Taxation in the United Kingdom. The context, as I said, Deputy Green makes a comment referencing to the fact that he had 40 years of experience in the V.A.T. and therefore most of the wrinkles are sorted out. Well the comment from one of the experts, the real experts in the U.K.: “V.A.T. cases continue to demonstrate how complex and uncertain boundary issues are in the supposedly simple tax. Almost 40 years after we were promised a simple V.A.T., cases like this show we are still not there.” I cannot argue with that, that is the experts. It comes back to the point, anybody producing locally an innovative or niche product will have to seek to determine whether it is subject to G.S.T. or not and if they disagree where they are going to appeal. Are we going to tell them: “Yes, we are in Jersey, we are separate to the United Kingdom but you have got to go to the U.K. to get this sorted out” or we can have an appeals process set up over here. We will have to have an appeals process set up over here and that is costly. It is not just about whether it goes to the Royal Court or wherever, a lot of this stuff is sorted out before the Royal Court. The point about that is its tribunals which do not necessarily get reported all the time in the U.K. press. What we see about the daft cases, jaffa cakes, biscuits, Pringles, whatever, are the ones that get to court.

[15:45]

There is a lot of argument going on further down below which is where a lot of the expense is. Now, again, we have talked about the impositions on smaller businesses. Basically, up until now people have coped ... I do not believe have had huge expenses in implementing the systems they have had to do. If we go to U.K. style stuff people will have to go out and buy new systems. I certainly had a retailer ringing me up and saying he is going to have to go out and buy new tills if exemptions come through. That is £3,000 a till. So that one small business is facing at £12,000 plus the compliance costs straight away. How is he going to pay for that? Is he going to pay for it out of profits or is he going to just absorb it effectively, or instead of taking 5 per cent off is he going to make 1, 2, 0. In other words, is it going to be passed on to the customer? So the large supermarkets do have the systems but not everyone does. The danger I find is this argument is being grouped around the submissions from one operator that we have had, which is from the Co-op and I will come to their letters in a second. But if you look at the comments from Treasury, there are 150-200 business - I think possibly even more outlets, I am not too sure on that - that will be affected by this. It has been great P.R. (public relations) for the major retailer that has been involved in this, they cannot lose either way. They will be standing up saying we have challenged government on food exemptions, but their argument does not stack up. So if they win, great, and if they lose they have still made a great P.R. stance. In their letters, I have to say I think there are a couple of flawed arguments. In the letters they have sent to us, it said: “Now that they have introduced their systems, our system can handle a switch to exempt essential food items relatively smoothly.” That is great, their system might be able to if they are the biggest retailer in either Jersey or the Channel Islands, what about the other 149 businesses? Again, in their second letter

they state - I think it was in response to Senator Perchard - "You are right to point out exemption of G.S.T. from certain items will present no administrative problems at all to the Co-op." They then continue: "Nor should it have any cost implications for many small independent retailers who fall below the G.S.T. threshold." I do not know what the right expression is. It is a fallacious argument as far as I am concerned because if you fall below the G.S.T. threshold, you do not pay G.S.T. So, yes, of course it will not have any impact on them unless they are voluntarily registered for G.S.T. in the first place. But anybody above it who is a small retailer hit by this, of course they will be affected. So that statement in itself may well be true but it is completely irrelevant and completely overlooks the impact on everybody else. So let alone the fact that we are suddenly living in a world where everyone is honest and everyone is infallible. At a flat rate it is very easy to check to the rates that we are dealing with, but if we now get into systems where we have to check whether a chocolate digestive biscuit is being treated differently to a plain digestive biscuit then that is going to take a lot longer and errors will arise. What happens is that the U.K. experience is something in the order of one in 2 visits detects mistakes, many of which are to do with misinterpretation of what goods are taxable. That comes back to - and I will quote - I have no idea what the position is, how do you treat black butter? It is not exactly a U.K. product, is it? So the U.K. rules are absurd and we have been told they are archaic in the past. I am not going to go into it but frozen yoghurt was one I had ages ago, it depends whether it is like an ice cream or just yoghurt perhaps been frozen for storage purposes. They are treated differently. I have ditched my comments about teacakes and marshmallows and whatever, and that is why Deputy Gorst is looking a bit pale because he was getting hungry and there is a lot of food down by his feet. The economists have said: "Do not do it. It is a dead weight on our economy." I think I have covered the remarks so let us just sum up. I know the Deputy of St. Mary at one point said that: "I have to say that to tax food seems quite fundamentally wrong for the reasons outlined by the Co-op, however if the complexities and expenses are really significant then I do have problems. Well, the complexities and expenses are really significant. So to sum up, by exempting food we are imposing a burdensome and rather weird system on to food retailers, garden centres, bakeries, animal feed suppliers and pet shops. It is not just about the supermarkets. Garden centres are caught because they will have to distinguish between tomato seeds and seeds for growing geraniums. Therefore, is it better to give more money to those who need it than would arise from this proposition? Is it better to give less money to the wealthy and more to lower earners, that is what we do, and those on middle incomes? That includes a lot of pensioners and families. I am sorry it is one of those sweeping remarks that rather winds me up. Deputy Green has made a comment in his submission about middle Jersey and about those just above the threshold and those impacted by 20 means 20. Those impacted by 20 means 20 ... sorry, reverse that. Those who are caught by the threshold in taxation, marginal relief et cetera, can have incomes of up to £90,000. Therefore 20 means 20 is no way about middle Jersey; 20 means 20 if you are caught by it and your particular circumstances means you are in the wealthy bracket and those are the people we should be targeting to be paying more. So where is the morality? Do we turn around and say: "Here is £90, I will have £150 back" because that is what we are going to be doing by voting for Deputy Green's comments. That will be the impact of the Deputy Green proposition. I think there is an issue about how we communicate, what the systems are. At some point I do have to write a letter to the *J.E.P. (Jersey Evening Post)* just to clarify what we are doing because people do not understand it. The G.S.T. bonus system is advertised in the paper and it a very simple process to get hold of. So keep that in your mind, do we want to give them £90 and take away £150? Do we want to deprive pensioners of up to £200 under what is being proposed? Those are the people who impacted about this. We have had a very humorous debate today, but that is the serious consequence of what we are going to be doing. So a simple system being proposed? No. A complicated system? Yes. Complicated to everyone. The numbers I have quoted are assuming the full 5 per cent is given back over a period of time. So my morality extends to keeping the system where we are because I think it is better for those at the bottom end of the scale, not the top. I really do urge people not to support this proposition. Thank you.

1.5.29 Senator J.L. Perchard:

There is not much to add. I think the debate has been almost complete. I think the examples of the eccentricities of the exempted list have been highlighted and I suspect all Members will admit that the U.K. exemption list for value added tax on food items is indeed eccentric, hard to follow, controversial and easily disputed. I have got examples here, as other Members have, of 13 and a half year disputes where the food manufacturers have been successful finally after appealing in the European Parliament and are due compensation to Her Majesty's Revenue and Customs of millions of pounds. There are plenty of examples. Plenty, plenty of examples. I will not bother Member with that. So cut, copying and pasting the list, as Deputy Green suggests we should do, and simply adopting the U.K. practice is not as simple as he makes out. There will be consequences. There will be consequences as the Solicitor General has highlighted, that the Jersey law cannot simply be expected to implement any rulings from outside this jurisdiction. So local suppliers of Jersey Wonders, Black Butter, toasted sandwiches ... toasted sandwiches, I cannot help myself, you can go across the road today and buy a sandwich or ask them to toast it, one is hot takeaway food, the other is not; one is expected to be charged G.S.T. We all appreciate it is extremely complex and there will be a requirement ... despite what Deputy Green says, I have had an assurance from the Treasury, particularly the officer who is charged with dealing with Jersey G.S.T. that there will be significant manpower requirements if we are to implement this legislation properly. Advisory particularly and the policing of this legislation. There will be consequences to small retailers, we know that. We know that in our hearts of hearts small retailers above the £300,000 turnover - and there are many - just simply will not cope this, it will bury them. Okay, we will end up with the big multi retailers, one of which, I understand, is supporting this legislation wholeheartedly. Cut, copying and pasting the U.K. lists and adopting it in Jersey is as simple as Deputy Green makes out. There will be consequences. It will create a legal jungle in which lawyers can operate in their natural environment of litigation and compensation. We go there at our peril. We do not need to go here. The consequences financially, if we are honest with ourselves, are so minuscule; it only affects the bottom 20 per cent of the lowest earners in Jersey to the tune of £1 million. £6.8 million will be paid, or will be not paid, by those people who are not in the first 2 quintiles of our low paid. So £1 million, if we go to 5 per cent, will be deducted from people who can least afford to pay this. Is this the most efficient model? I suggest it is not. We need to extract the G.S.T. from visitors, from holiday-makers, to those wealthy retired people who pay little tax elsewhere and there are many in Jersey who enjoy a small income but have a tidy nest egg put aside, but contribute little to Jersey's economy so this is a way of getting everybody: visitors, day-trippers, retired people, wealthy people, to pay their share of tax. There will be a consequence, the only consequence is that we will be subtracting a little from those that we should not and I suggest the most efficient way - and Members know this in their hearts of hearts - is to take the tax from those that can afford it and ensure that those that can least afford it are properly compensated. We create a maelstrom, a snake-pit here if we embark today on supporting this proposition, albeit superficially attractive. I reject the proposition and urge Members to do the same.

1.5.30 The Connétable of St. Mary:

Hopefully I will be very brief but I feel I need to put my position out because I think it is important that people know. When I was re-elected, I said that I would not support the U.K. style on exemptions and I received support for that. I did support years ago, I think it was the Constable of St. Clement's idea of exempting all food because I think that is workable, even though huge barriers were put up in the idea of giving it a definition, but I think we could work on that. When this consultation opened, I asked myself at what point would I expect the rate to rise to before I felt that was the right thing to do and, at 5 per cent, it had not got there, 7 per cent I think was my tipping point. But the Constable of St. Brelade said - I think it was him - that we need to vote with our heads and not with our hearts; both would be useful but unfortunately quite often they do not run in parallel, do they? I certainly wanted to do that yesterday and I felt yesterday, I hoped that there was a chance to give people - not just men on the street but the small businesses as well who

said they were struggling with the economic downturn that we have had and the problems we have had - a breathing space to adjust and to sort of regroup their forces but that was only really feasible with a closed end, in my mind, with a certainty of where we were going to go and what would happen at the end of that breathing space. Believe me, I was really absolutely devastated, I think, when I realised as things went on that that was not going to be an achievable outcome for me. I spoke then about helping small businesses and how they were having particularly a bad time and, thinking about it now, the opportunity I have to help them is to not burden them with the bureaucracy that this amendment would bring.

[16:00]

I think anybody who has ever doubted the bureaucracy must have had those doubts firmly scotched by what the Solicitor General said, and his words were very wise. I had questions to ask him myself about appeals and he answered those, luckily, without me having to ask them. Some Members have still spoken about this being a tried and tested system that we would be putting in place. It is not a tried and tested system, it continually evolves and, as Senator Perchard said - I am glad he brought it up because nobody had until then I do not think - what flourishes in this tried and tested system of V.A.T. exemptions in the U.K. is the bureaucracy; there are whole rafts of lawyers and accountants who make their bread and butter in their practices by dealing with these V.A.T. assessments. We need to bear that in mind, we need to understand what we would be doing and what bureaucracy we would bring. I said yesterday that the people who approached me about things were concerned that we were not saving money before we were raising taxes and I cannot be party to something which says: "We will create another bureaucracy where money can be wasted while we are doing tax rises." We are giving them the very worst possible thing of each scenario. When I spoke in 2008, I finished by saying: "The public of this Island have called repeatedly for efficient government and a cut in expensive bureaucracy. This proposition" the one we were dealing with then: "ties us to what everyone has acknowledged is the most bureaucratic nightmare, possibly the world's most complex and burdensome V.A.T. system. Is this the best we can do?" That question is still there today, it has not changed. The answer in my mind is no and so for that reason, tempting as it is, I do not think that these exemptions will benefit the people we think they will benefit but I know in my heart of hearts - and here it comes, and in my head - that it will cause an administrative nightmare and that in turn must lead to greater expense Island-wide so I cannot support the amendment.

1.5.31 Deputy I.J. Gorst:

A number of Members have asked, and I think it was Deputy Martin that asked about the G.S.T. bonus, I can assure her it is advertised in the *J.E.P.*, it is within our leaflets within the department and people are aware of it, we must remember the circumstances wherein it was introduced and the numbers or possible expected numbers for take-up of that bonus has not been as might have been envisaged, but there was very little time to work on what those numbers might be in an appropriate way. I can also confirm to the Connétable of St. Martin that, yes, income support was up-rated when G.S.T. was introduced for those components which were affected by G.S.T. by 3 per cent to cover that full amount and, as I said in my intervention, another £3.5 million I think it was, was put into income support as a result of the Le Fondré proposition which this Assembly approved, the Minister for Treasury and Resources is, of course, proposing that more money will be put into income support again to off-set the effects of the current increase which we will hopefully be approving later in this session. This, yet again, has been a difficult debate and it is in debates like this that I feel very ill-suited to politics because there have been valid arguments, in my opinion, on both sides and yet it often seems in debates like this that neither side is prepared to accept the argument of the other side and then come to a balanced conclusion. Against this amendment, there can be no doubt - and I do not think it does us any justice to say otherwise - that the U.K. exemptions are complicated and they will remain complicated and they will continue to be the subject of appeal and court cases in the United Kingdom, that is the nature of exemptions. There

will be a compliance cost to business; again, it does not do anyone's argument any justice to say otherwise because there will be. As Deputy Le Fondré said, some businesses will have to introduce new software, let alone the continual changing in what the exemption will look like, and there will be a cost to Treasury. We sometimes think that we can make decisions in this Assembly and, hey presto, it just happens; life is not like that, the Treasury will have to have more people employed to ensure compliance across the Island and they will also have to have liaison with individuals with what is happening in the United Kingdom, H.M.R.C. (Her Majesty's Revenue and Customs) as well, as their exemptions would change. From my decision-making process, they are a given. Of course, the strongest argument, in my opinion, for not accepting exemptions is that there is perhaps then a likelihood that the tax itself will be easier to increase going forward. They are the arguments of why one should not accept Deputy Green's amendment. Of course, there are other arguments of why would should and I hope that those who are going to vote against Deputy Green today are also able to recognise that there are strong arguments in favour of exempting food and so it does us in this Assembly a great disservice when I think that we try to minimise those arguments. That, to my mind, is the percentage of income spent on food by those members of our community that we rather coldly categorise as being in the lower quintiles; we use a statistical phrase to try to explain those most vulnerable members of our community, and there can be no doubt because the statistics show it, that those members of our community do spend a higher proportion of their incomes on food and by exempting food one does alleviate the pressures that those members of our community are facing. I hope that Members will recognise that before they reach their decision. We have also heard that the Institute for Fiscal Studies has analysed, although perhaps those on the front bench would disagree with me, the United Kingdom V.A.T. system and they have said when you take all things into consideration the U.K. V.A.T. is mildly progressive. Those arguments have been transferred across to our own G.S.T. I have got to say that I believe only with exemptions for food can we claim that G.S.T. becomes mildly progressive, or at best proportional, and I think that is a very strong argument because there must be a consensus, I believe, across the Assembly that we must as far as possible try to have a tax system which is fair and which is seen to be fair and that research from the I.F.S. (Institute for Fiscal Studies) starts to show that with exemptions then we can see that G.S.T. or consumption taxes can be seen to be mildly progressive. Also, I think in favour of the amendment, there are ways of dealing with the complications that many Members have rightly acknowledged because, as I have said, it is a complicated system. The Income Tax Department, as I understand it, currently deal with income tax appeals in an appropriate way. Having said that, of course, there are very rarely - but it does occur from time to time - appeals with regard to income tax to the Royal Court so the Treasury Department could develop mechanisms to deal with appeals, however, I must admit that there would, on occasions, be the need to appeal to the Royal Court in those respects. I have got to say at the start of this session I was somewhat lambasted and accused of being a naughty boy, if I might use that phrase, by Deputy Southern, however, in talking about this amendment he seemed to be suggesting that it might be appropriate in this case that, should the amendment be passed, I should not accept what the States are asking and not remove the effects of the money that we have already put into income support. In this case it seems as though if the argument suits then it is a good one, if it does not then it is not. So I would have to consider whether, if the amendment is passed, the amount ... and understand what amount it was that had been put into income support for the effects only of food before coming back and changing that. I started by saying I sometimes feel ill-suited to politics because I believe that all those arguments that I have just laid out in a capsule sum up the arguments that we have heard throughout this debate. When I consider those arguments for and against, I do not see it as a moral issue at all, I am quite clear about that, and I do not feel that that is an appropriate argument to make. I believe the arguments that I have outlined are fair and rational arguments and I have got to say that when I balance all those arguments the one that comes out on top and convinces me to vote in the way that I will is the amount of income that those families in the lower quintiles spend every day, week in, week out on food to enable themselves to survive. That argument is the one that I find compelling and it is that argument upon which I will be voting for this amendment.

The Connétable of St. Martin:

Could I thank the Minister for Social Security for explaining the current situation of the G.S.T. bonus and the G.S.T. component of income support and I am reassured that if and when the G.S.T.

...

The Deputy Bailiff:

You can thank him, Connétable, but I think otherwise it is going to be a second speech. Does any other Member wish to speak? Deputy Vallois.

1.5.32 Deputy T.A. Vallois of St. Saviour:

I just want to ask Deputy Green upon the summing up if he could just answer for me one question. I think it is extremely relevant to any person on the street in Jersey: if we were to accept this amendment, what would be the effect for any consumer walking into the shop, how would they see that price drop or, if it should drop, would they see it drop or rise? I just need some kind of assurance here because I am not sure that that is going to happen and I think that is what the consumers outside want and I just want to know if Deputy Green thinks that is going to happen and, if so, where is the evidence?

The Deputy Bailiff:

Does any other Member wish to speak? If not, then I call on Deputy Green. Sorry, Senator Maclean.

1.5.33 Senator A.J.H. Maclean:

It has been a long debate clearly already and many of these arguments have been put forward in a variety of different ways already. I think it is probably fair to say that all the expert evidence that I would choose to consider does suggest that food exemptions are expensive: expensive for businesses and in particular the small and medium-size businesses that operate within Jersey. Food exemptions are also inefficient and blunt in the way in which they seek to support or would seek to support those on lower or middle incomes. We should not forget that when we introduced G.S.T., and in various ways this has been touched on before but I would just like to make a comment about the overall sum, and that is a figure of around about £12 million, a £12 million package was introduced by this Assembly in a number of measures: tax exemptions, the Le Fondré proposition, benefits and so on. That is £12 million of targeted benefits specifically targeted to assist those on lower and middle incomes from the impact of G.S.T. and, in particular, on the difficult area of food. As Deputy Gorst was pointing out, the percentage of income that the lower income groups spend on food is proportionately higher and it was absolutely right in that respect that this Assembly voted a total of £12 million in order to support this group. I think it is worth mentioning, I find this particularly relevant, that in the U.K. they have recently been reviewing their taxation and, in fact, a gentleman called Sir James Mirrlees, who is a Nobel Laureate, was put forward to undertake this particular review of the taxation system and, as part of that review, he has made a clear recommendation in the U.K. that the U.K. should abandon food exemptions.

[16:15]

I think that is very notable when clearly Deputy Green is seeking support from this Assembly to follow the U.K. system, to adopt a U.K. system that may well, in the not-too-distant future, be abandoned. I am not quite sure from a legal perspective what position that would leave us in. Certainly, as new products came forward it would, at the very least, be complicated; a system which many Members have already said is already complicated, would become even more so. I would also add that not only is the U.K. considering abandoning food exemptions following their tax review, that particular position has also been supported by the I.M.F. in a separate piece of work where they conclude that it is a very inefficient way of supporting people on lower and middle incomes. When Deputy Green made his speech, his opening remarks earlier today, he made the

point - and he is absolutely right in that respect - that this matter should be kept simple and as far as he was concerned it is simple, as far as the exemption of food is concerned. He pointed out, these are his figures, that 98 per cent of food is sold through large retailers. I have to question that percentage, I do not think it is entirely accurate, I am not sure where he got it from, but what I can say in terms of putting it into some degree of perspective is that there are at least 200 businesses in Jersey. These are businesses that are turning over £300,000 to £500,000 and these are businesses that are going to be severely impacted by the additional administrative costs of having to handle exemptions for food. Deputy Green also made the point in his opening remarks this morning that there are quite a number of businesses who have turnovers below £300,000 and because of that, they will not have to pay G.S.T., they do not have to register for G.S.T. Of course, he is absolutely correct, the point he overlooks is that those businesses have input costs: they have to purchase wholesale, their products are going to then sell retail and, of course, if they are buying from major wholesalers, they will be registered for G.S.T., there will be a cost of G.S.T. on the input costs and consequently the small businesses below the £300,000 threshold will see their margins shrinking as they have to suffer from the effects of G.S.T. without the ability to recoup it. I have made the point about small and medium-sized businesses and at the moment the only other point on that particular sector I would like to just refer to, the 200 or so businesses that fall into that category, is in relation to the returns they make. At the moment the system is simple, they simply make a return based on the turnover. Of course, if we move to exempting food, this position will change entirely, they will have to make a full return to allow them to receive full cost recovery. That changes the mixture altogether in terms of the resourcing and cost associated. Earlier on I think it was the Constable of Grouville who was asking Deputy Green about exemptions versus zero-rating and I think it is an important point and I do think that the Deputy should seek to - and I hope he will in his sum up - just clarify to Members what the difference is between exemptions and zero-rating. In the proposition it suggests that food would be either exempted or zero-rated. I am not entirely sure who would make the choice as to which it was going to be but Members should be aware that exempting is a very big deal as far as businesses are concerned. If food is exempted, there is no ability for businesses to recover their costs whereas under zero-rating, indeed, they can and I think it is very important that both we have an answer from Deputy Green as to how he sees that is going to work and who makes the decision on whether it is going to be an exemption or a zero-rating because that is what we are being asked to vote on here today. I would like to just to make a few brief comments about the business community. I think it was Senator Le Main who has already commented that the Chamber of Commerce, from a business perspective, is opposed to anything other than a simple flat-rate tax, probably for the reasons I would suspect that I have already hopefully alluded to: the cost associated for small and medium-size businesses which is disproportionate. There are, of course, sectors within the economy that are going to be particularly impacted, I know there are certain Members, most Members in this Assembly, in fact, I would say all Members are supportive of our tourism industry, some speak more of often about it and more passionately than others. I know that the Deputy of St. Mary and Deputy Green have spoken strongly about tourism in the past. Tourism already contributes through visitors to the Island approximately £7 million in G.S.T. Clearly that figure would rise with an increase in G.S.T. but by exempting food the very real impact on increased costs for those businesses that are already suffering under difficult market conditions is something that we need to bear in mind. There has been a comment about major retailers, there was one in particular in the Co-op who are very supportive of the exempting of food and that is not surprising because, of course, operating in the U.K. it would simplify their systems significantly if they could align them with what is going on in the U.K.; if we adopt the U.K. system, of course, it will reduce their costs. I suppose one might say that there is one advantage, should Deputy Green's amendment be successful, that perhaps their costs would fall even further because of the associated savings that they would be able derive. For bigger businesses, in any event, it is easier to manage such proposals that have been brought forward but we really must not forget the hundreds of local businesses that do not fall into the large business category and consequently have costs which are going to be a significant burden in the

current economic climate. I would just finally like to address issues which I know all Members feel very strongly about and that is, quite simply, the costs associated with food in the Island. Food is expensive in Jersey, there are many comparisons and I know Senator Breckon gave some yesterday, I am not sure where his statistics came from and we can stand here all day, no doubt, and argue about the exact percentages but, in any event, food is more expensive here than it is in other places. There are of course some mitigating factors associated with that but nevertheless, as far as consumers are concerned, there is undoubtedly room for prices to be more competitive. I think what we need to do, rather than looking at what I described as the blunt instrument of exempting food across the board, which benefits very much better-off people in the Island as much as it does those on the lower incomes, is to do something about ensuring that we bring the cost of food in particular under control, and there are various mechanisms in order to do that. Senator Breckon and the Consumer Council do an excellent job. We will be bringing, and I mentioned this yesterday, an updated report and proposition with regard to the Consumer Council which will hopefully improve even further the opportunities for raising awareness with consumers as to how they can drive down costs and get better value. I mentioned yesterday also the *Jersey Evening Post* and their Fair Play comment; I was not going to mention it again but there has been absolutely no comment in their pages so I am going to mention it again in the hope that it might be picked up. Quite simply, because I think it is important that raising consumer awareness about issues such as price is very important and the Fair Play column has done in the past a fantastic job in helping **[Approbation]** consumers and I would certainly like to see that revisited again. On top of that we have the J.C.R.A. (Jersey Competition Regulatory Authority), the introduction of competition into the marketplace brings some disadvantages for some but, on the whole for consumers, which is what the J.C.R.A. is there for, it helps to drive down prices by increasing competition and I think there is very much more that we are going to be seeing from the J.C.R.A. that the consumers of the Island are going to benefit from. Indeed, the new retail strategy that we published fairly recently was not widely supported in certain areas, probably not surprisingly, but nevertheless we have seen the introduction of Waitrose, we are seeing the expansion of Iceland which has a range specifically targeted at lower incomes and indeed I think that could be welcomed, the increase in the size of that particular outlet, and we will always be welcome to more retail offerings driving prices down, providing more choice for local consumers. I think in some respects it was, I know for some Members, disappointing that Senator Le Gresley yesterday did not progress with his 4 per cent proposal. I think it allowed in some respects Members an option, they wanted to keep I suspect, I get the sense, a simple flat system because that makes sense and without that option it has left some Members in a very difficult position in terms of how they are going to vote on this particular proposal, this particular amendment of Deputy Green. It was a shame that Senator Le Gresley, if I can put it this way, gambled on Deputy Southern being successful; I suspect, given time, he might reappraise who he chooses to gamble on **[Laughter]** but, nevertheless, it does in many respects present a significant problem for some Members. But we have to balance up, in my view, the effects that this amendment, the exemptions of food, will have on all areas of the community, not just individuals, consumers, but also businesses because of course if businesses are impacted we are talking about jobs and the knock-on effect. There is a very real and, in effect, unpleasant outcome I believe we need to target, we need to help those that need assistance and I think the best way we can do that is the way we have done it to date, we need to continue to monitor it. If more targeted assistance is required then we need to do that, we need to bear down on prices but we must in my view, and I would urge Members to hold the line with regard to exemptions of food and to reject the well-intentioned proposition from Deputy Green. I understand exactly why he has brought it and I understand why quite a number of Members will find it attractive to support but I do not believe it is going to deliver the right result and I would urge Members to not support it.

Deputy A.K.F. Green:

May I seek a point of clarification from the last speaker, and it is a point of clarification. The Minister mentioned input costs for businesses under £300,000. Surely they have input costs now, that will not change whether they charge G.S.T. on food or not.

Senator A.J.H. Maclean:

Indeed, businesses do have input costs but nevertheless there is still a cost which will be associated with this and I think there is going to be a clear impact as far as the businesses will be concerned.

Senator A. Breckon:

I wonder if I may give the Assembly a point of information on an issue raised by Deputy Vallois. She asked if it was being monitored and I can tell the Assembly as Chairman of the Jersey Consumer Council we do collect convenience store and supermarket prices on a monthly basis so, if there were any changes either way, the trend would be picked up.

1.5.34 Deputy M.R. Higgins:

I had decided not to speak on this amendment mainly because I believe views in this Assembly are polarised between those who want exemptions and those who do not and I do not think there were any minds that were going to be open to persuasion one way or the other. I personally support exemptions, I always have and it was part of my election platform and, as a principled politician, I will keep my word, unlike some Senators who, across the benches from me I can see 3, who all stated on the election hustings they supported exemptions on food. It was convenient then for the election, it is not convenient now and all 3 of them do not have to face the election in 8 months' time and they hope the electorate will forget it by the time they have to **[Approbation]**. I want to make a comment, though, about the Mirrlees Review which has been mentioned by many: yes, he did recommend that they did away with the exemptions on food but it was part of a much bigger review of the entire tax system so it was not just V.A.T., it was income tax, capital gains tax and all the other taxes and so you cannot just pick it out and say: "He supports our view, it should be an exemption" it covers all the others ... **[Approbation]** no, sit down, I am not going to ... especially from the Senator who said that to the electorate: "I support exemptions on food" and has now spoken out against it. What I am saying is there is so much ... I tell you, I have sat here today, I know Deputy Gorst said he was split ... I have sat here seething, if you want to know the truth.

[16:30]

It is funny, I do not lose my temper easily but what I can say is I have been sitting here like a slow fuse and what it is, there are some Members of this Assembly who, I think, have got contempt for the ordinary man and woman of this Island and I am sorry, as I say, I am going to support the amendment and I hope other principled politicians will.

The Deputy Bailiff:

Does any other Member wish to speak? If not, I will call upon Deputy Green to reply.

1.5.35 Deputy A.K.F. Green:

This has taken a lot longer than I ... maybe I am naïve, Deputy Martin told me I was naïve this morning and I think she is right; I thought we would clear this in a couple of hours this morning. I have made copious notes and I do not intend to reply to everybody but I do intend to pick out a few of the things that I think are relevant and that people have made comments on before summing up. I will not be very long, you will be pleased to hear. I am just picking up a theme right the way through is: "Will retailers reduce prices?" We were let down last year by some of the licensed trade but we have it in writing here from one of the major suppliers, the Co-op, in writing - and I am trying to find the right piece of paper as we talk - this is a letter they sent to Senator Perchard and I think Deputy Le Fondré read some of it out but conveniently forgot this particular paragraph: "Having read comments reported in Friday's *J.E.P.*, I can give you a categorical assurance that we will remove G.S.T. from all items covered by any new regime with the full benefit of the charge

passed on to our customers if that is what the States decide.” It is convenient to forget that, that is in writing and that is signed by the Chief Executive of the Co-op. If you think the others will not follow, you are mistaken because you could get a major supplier taking the lead, and we saw it - and I am going to name it because I am okay - when Safeways were taken over by Le Riche, people stopped going there and that is what we need to do.

Constable L. Norman of St. Clement:

Sir, I wonder if I could ask the Deputy for clarification on ...

Deputy A.K.F. Green:

No, I will come to the Constable in a minute. I am not going to give way. Alternative sources of funding has been talked about, I think the Deputy of St. John was the first to mention it. There are alternative methods of funding, I have given a couple of options to the Minister for Treasury and Resources and we are going to debate one of those options and that is the foreign-owned companies. We seem to be in haste to do things sometimes but not in haste to do that, and that really is an option. I am sure the Minister for Treasury and Resources will correct me but I think somebody said this morning that there is potential there for about £15 million and we are talking about a maximum of 8 in my proposition on a full year, or thereabouts. Just picking up some of the other points, people have mentioned that we should not zero or exempt things and then the Deputy of Grouville quite rightly, among others, pointed out that boat fuel is exempt and so we have that system already, that is what I am told. Anyway, we had a very amusing and interesting comment from the Connétable of St. Clement and I found it highly amusing and I can always rely on him to keep us entertained for a few minutes. Of course, I think he said something like: “It is nuts” and other things but, of course, he is right about some of it, it is not as straightforward as some of us would like it to be, and I will come back to that in a minute. But he did exaggerate it, because when you go into the shop to buy fish you do not have to tell the shopkeeper whether you are going to eat it, give it to the cat or use it for bait, you buy fish, end of story. So it was amusing but most of it was irrelevant. Let me think ... I am just going through, just picking up. Yes, I am just trying to find some of the new comments as I work my way through. Senator Ferguson. Apparently, now in, I think someone referred to it as the: “Ferguson world” it is the less well-offs’ fault that the world uses food for fuel. It is not the less well-offs’ fault, there is an oil problem and countries have decided to convert food to oil but it is not their fault, they cannot do anything about it so to suggest that we should stop turning food into fuel and it is the fault of the working class, I find is quite amazing.

Senator S.C. Ferguson:

If he is going to quote me, I wish he would do it accurately.

Deputy A.K.F. Green:

I would be quite happy to let the Senator requote it, Sir.

The Deputy Bailiff:

No, Deputy, I think you should carry on with your reply.

Deputy A.K.F. Green:

Okay. We had a similar comment about the price of electricity. I know the price of electricity is perhaps dictated by oil prices and other things, but that is not the fault of the less well-off, they have to just pay the bills and then we add 5 per cent G.S.T. on it. A big play was made by many Members - and perhaps I am to blame for this ... not perhaps, I am to blame for this - on the complexity of the U.K. system but that is not part of my proposition, that is part of my comments, part of my speech, I will accept that I gave an example of where you could get a system, but there is nothing stopping people picking up - New Zealand seemed to be such a wonderful system, or other countries - parts of other countries’ systems if they think that is a better system, or devising our

own. I was just trying to make life simple. If we want to develop our own system and we want to concentrate purely on healthy foods, which has been talked about before by Deputy Pitman, I have got no problem with that, let us find a reason for doing it and not a reason for not doing it. Senator Le Main, yes: "Keep it low, keep it simple" was the theme partly, well, it is not low any more and I am trying to keep it simple, but it is not low any more and when we talk about the Chamber of Commerce, those were the same people that did not want the shop workers to have Boxing Day off, as I remember, so do we put a huge amount of credence behind that and are they representing all of their industry when we have got a huge retailer saying that they can do it, they welcome it and they are talking the moral stand? I just query that. As for speaking to pensioners every day; well, maybe they are different pensioners to the ones I speak to. I, along with Deputy Higgins and Deputy Hilton - I am probably going to be guilty of leaving people out - the other Deputy of St. Helier and the Constable were serving meals on Sunday to the pensioners of St. Helier. Most of the ones I spoke to had an entirely different view to your ladies and gentlemen on the bus, Senator. I just wonder, do they talk to you and do you listen because ...

The Deputy Bailiff:

Through the Chair, Deputy.

Deputy A.K.F. Green:

Sorry, Sir. Does the Senator listen because I wonder, when you see my proposition coming forward for Pomme d'or Farm, for 10 years people there have been saying how appalling the conditions are but the Senator, when he was Minister for Housing, did not listen; maybe he talked to them but he did not listen. I just wonder about that. Then we talked about Marks and Spencer's shopping bags. I have got a Harrods shopping bag, but I do not shop in Harrods [**Laughter**] there is not a Harrods here, anyway. Senator Breckon demonstrated very clearly how we can have exemptions when it suits and when it does not suit we cannot have them. The Constable of St. Martin referred to the G.S.T. tap; well, the G.S.T. tap is on and I do not call 5 per cent low, that was my mistake yesterday, I was naïve - Deputy Martin told me I was naïve this morning and I know now that she was right - I believe what people tell me and that is something I am going to have to learn. Then the Constable of St. Brelade talked about flooding and I did not quite see where that came into G.S.T. and food, and pensioners' lunches and that prices vary daily; well, I would accept that prices vary daily because prices are going up all the time, nothing to do with taxation, it is to do with food inflation and we have had some very good examples of that. The Constable of St. John said G.S.T. should never have been put on food in the first place but he will not support taking it off. Then Deputy Le Fondré, no surprises there, well, there was one surprise, we had Pringles instead of jaffa cakes this time, and he produced a file of books. I cannot remember how many books - you might be able to tell me, Sir - we have for the Road Traffic Law in Jersey. Legislation is not simple. Senator Perchard talked about U.K., I think I have covered most of this. Deputy Gorst gave a very helpful explanation of the bonus system and a balanced view, Deputy Vallois asked me about the effect on the consumer and I hope I have given her some assurance with that letter from the Co-op that prices will go down and it is up to the people out there to make sure they do their shopping with their feet. Senator Maclean covered a number of things but one thing that really struck me was when he said there are other ways of bringing the cost of food down; well, why have we not done it? People are really struggling out there and food prices are going up and up and we tax them. If you have got a family of 3 children, it is not difficult to spend £100 on your food shopping, but now it will be £105. £5 is a lot of money to some people; £5 is still a lot of money to me. No matter how we look at it, G.S.T. tax is regressive, we are taxing life's essentials and I do not care what anybody says, it is morally wrong. I said before when I finished off in my opening speech, I asked Members - and I am just about to close - to consider when voting ... sorry, there is one thing I have not mentioned: zero-rated and exempt. I left that open to the Minister for Treasury and Resources as to whichever was easiest but I am told zero-rated is the best way to go, the most beneficial way to go so that is fine. I ask Members to consider when voting, even if you

think we are making things complicated - and I do not think we are, compared to the intellectual property law, I think this is a relatively simple one - do you support complexity versus simplicity or right over wrong? I make my proposition and I ask for the appeal. I would like to split it please, Sir, into food and then heating.

The Connétable of St. Clement:

Sir, before we do that, I wonder if you and the Deputy would indulge me, if I could ask the Deputy if he would be so kind, to read that relevant part of the Co-op's email or letter out because I heard him say that ...

The Deputy Bailiff:

You can certainly ask him to read it out, Connétable.

Deputy A.K.F. Green:

I am certainly happy to read it out again if I can just find it among all my notes here. This is a letter dated 6th December to Senator Perchard and the paragraph I was referring to that was conveniently missed by others: "Having read comments reported in Friday's *J.E.P.* I can give you a categorical assurance that we will remove G.S.T. from all items covered by any regime with the full benefit of the change passed on to our customers if that is what the States decide."

The Connétable of St. Clement:

Yes. Thank you. It is quite clear that they did not say they would reduce the retail price to the consumer.

The Deputy Bailiff:

Connétable, that is beginning to be another speech, thank you. Deputy, you have asked to take the voting in 2 parts. I am not sure how that works, perhaps you could help me, because there is a reference to decreasing the estimates by £4.8 million. That does not follow if one part were to be adopted and the second part were not, or the other way round.

Deputy A.K.F. Green:

If I cannot do it in 2 parts, Sir, then I will have to go with one but I would have liked to ...

The Deputy Bailiff:

The main thrust of your proposition is to decrease the estimate of total taxation revenue by an amount of money related to paragraphs 1 and 2. I must admit, I am minded to think that is not very easily divisible.

Deputy A.K.F. Green:

Sir, last time - because I did plagiarise quite a lot of this from the last time we had the debate, not my speech but this Act - we had virtually that wording and we were able to split it.

The Deputy Bailiff:

I am advised by the Greffier that that was not done in relation to a budget amendment on the last occasion and it did not have a specific sum of money involved, which this one does.

[16:45]

Deputy A.K.F. Green:

You are right, last time it was not part of a budget debate.

The Deputy Bailiff:

So in those circumstances it seems to me that a proper reading of the amendment is that it is seeking a reduction in the estimate of taxation revenue by a figure represented by those 2 matters and it is one sole resolution. I regret, I have ruled to take it in one go.

Deputy A.K.F. Green:

Thank you for your guidance, Sir.

The Deputy Bailiff:

Therefore I invite all Members outside the Chamber if there are any - I do not think there are - to return to their seats and I will ask the Greffier to open the voting on the amendment of Deputy Green.

POUR: 24

Senator B.E. Shenton
Senator A. Breckon
Senator B.I. Le Marquand
Connétable of St. Ouen
Connétable of St. Helier
Connétable of St. Lawrence
Deputy of St. Martin
Deputy R.G. Le Hérisier (S)
Deputy J.A. Martin (H)
Deputy G.P. Southern (H)
Deputy of Grouville
Deputy J.A. Hilton (H)
Deputy P.V.F. Le Claire (H)
Deputy S. Pitman (H)
Deputy K.C. Lewis (S)
Deputy I.J. Gorst (C)
Deputy of St. John
Deputy M. Tadier (B)
Deputy of St. Mary
Deputy T.M. Pitman (H)
Deputy A.T. Dupré (C)
Deputy M.R. Higgins (H)
Deputy A.K.F. Green (H)
Deputy J.M. Maçon (S)

CONTRE: 26

Senator T.A. Le Sueur
Senator P.F. Routier
Senator P.F.C. Ozouf
Senator T.J. Le Main
Senator F.E. Cohen
Senator J.L. Perchard
Senator S.C. Ferguson
Senator A.J.H. Maclean
Senator F. du H. Le Gresley
Connétable of Trinity
Connétable of Grouville
Connétable of St. Brelade
Connétable of St. Martin
Connétable of St. John
Connétable of St. Saviour
Connétable of St. Clement
Connétable of St. Peter
Connétable of St. Mary
Deputy R.C. Duhamel (S)
Deputy J.B. Fox (H)
Deputy of St. Ouen
Deputy J.A.N. Le Fondré (L)
Deputy of Trinity
Deputy A.E. Jeune (B)
Deputy E.J. Noel (L)
Deputy T.A. Vallois (S)

ABSTAIN: 0

The Deputy Bailiff:

We now come to paragraph 2 of the second amendment in the name of Senator Le Gresley and I ask the Greffier to read the amendment.

The Deputy of St. Mary:

This might be an opportune moment, because it will affect future amendments in this debate, to ask whether or not the Minister for Treasury and Resources will make a statement about the future of Zero/Ten because clearly that has an impact on much of what we are going to discuss. Not now, tomorrow.

The Deputy Bailiff:

I ask the Greffier to read the amendment.

1.6 Expenditure Proposals for 2012 and 2013 and Draft Budget Statement 2011 (P.157/2010) – second amendment - paragraphs 2 and 3 (P.157/2010. Amd.(2))

The Greffier of the States:

Page 2, paragraph (b), after the words: "As set out in the Budget Statement" insert the words: "Except that the estimate of income from Goods and Services Tax should be increased by £2.1 million by increasing the fee paid by international service entities from 1st January 2011 by doubling the following fee amounts wherever they appear in Regulation 4 of the Goods and Services Tax (International Services Entities) (Jersey) Regulations 2008: £30,000, £7,500, £2,500, £500."

Senator F. du H. Le Gresley:

I do not know if this is appropriate but would it be possible for my 2 amendments to be taken together, it would be easier, it might save time as well?

The Deputy Bailiff:

Greffier, would you like to read paragraph 3 of the third amendment.

The Greffier of the States:

(3) page 2 paragraph (b) after the words: "As set out in the Budget Statement" insert the words: "Except that the estimate of income from Goods and Services Tax should be increased by £750,000 by increasing the basic I.S.E. fee to £225 from 1st January 2011 rather than to £200 as proposed in the Draft Budget Statement."

1.6.1 Senator F. du H. Le Gresley:

I find myself in the strange position of proposing an amendment to the budget which potentially would increase revenue by £2.85 million but which is opposed by the Council of Ministers. I ask Members which other Chancellor of the Exchequer in the Western world could refuse such a tantalising offer? When G.S.T. was introduced in May 2008, a simplified treatment for the financial services industry was devised, known as the I.S.E. scheme. The benefit of registering as an I.S.E. is that the business pays a flat rate annual fee to the Controller of Income Tax rather than account for G.S.T. in the normal way. The scheme is attractive to businesses that primarily serve non residents as if they had to register for G.S.T. they would incur an administrative overhead that is disproportionate to the tax collected. I have been informed by the G.S.T. Director that in 2009 no financial services industry licence service providers opted to register for normal G.S.T. The number of regulated service providers approved as I.S.E.s in 2010 is as follows: deposit-taking bank, 29; trust company business, 102; funds service business, 121; collective investment fund, 27; non-affiliated person, 4; participating member 648; and managed manager, 102. The Council of Ministers in their comments on my amendment say that nearly 40 per cent of the banks and 20 per cent of the trust companies that operate in Jersey do not claim I.S.E. status. That means therefore that 60 per cent of the banks and 80 per cent of the trust companies have chosen to register as an I.S.E. One of the most important benefits of registering as an I.S.E. is that the entity is entitled to end-user relief which means that in most situations other G.S.T.-registered businesses in Jersey will not charge G.S.T. on supplies made to the entity. If an approved I.S.E. incurs G.S.T. other than for goods for onward supply in the same state in Jersey, it can recover the tax. So for a registered international services provider the following types of goods and services purchased from local G.S.T.-registered businesses would be supplied free of G.S.T.: legal services, accountancy services, I.T. (Information Technology) services, heat, light, water, telephone, stationery, office equipment, office cleaning, hotel and restaurant bills. I would maintain that for the majority of financial service providers, the flat-fee arrangement is currently a good deal. I ask Members to think of some of our other large businesses such as one of our 5-star hotels and ask themselves if they were running these businesses would the opportunity to avoid paying G.S.T. on inputs and charging on outputs be an attractive option? The clients of major hotels are predominantly non-residents but, under the I.S.E. regulations, hoteliers cannot register as an I.S.E. The financial services industry currently contributes about £6 million towards G.S.T. through flat-rate I.S.E. fees. This is at the

lower end of the £5 million to £10 million that was anticipated would be derived from the financial services industry when the Goods and Services Tax (International Services Entities) (Jersey) Regulations 2008 were brought into force. The Minister for Treasury and Resources does not propose to increase the fees paid by regulated service providers but he does propose to double the I.S.E. fee for each vehicle administered by a regulated service provider. This proposal is to increase the basic £100 I.S.E. fee to £200 from 1st January 2011 and this would raise in the region of £3 million in 2011. Part 2 of my amendment would raise a further £2.1 million by doubling the following fees paid by the regulated service providers: banks from £30,000 to £60,000, trust company businesses from £7,500 to £15,000, funds services businesses from £2,500 to £5,000, fund functionary from £2,500 to £5,000 and managed managers from £500 to £1,000. In their comments to this amendment, the Council of Ministers say: "Doubling the I.S.E. fees will inevitably lead to more companies opting out of the I.S.E. regime." My response to this is that now we have just agreed, or I would assume we are now going to agree, I should say, that the basic rate of G.S.T. will go to 5 per cent, an increase of 66 per cent. There will be additional savings made by I.S.E. providers on goods and services that they purchase free of G.S.T., they will be saving an extra £20 on every £1,000 they spend on goods and services purchased in Jersey after 1st June 2011. It is clear that the Minister for Treasury and Resources is intent on protecting the financial services industry from the impact of the fiscal measures required to deal with the structural deficit and that the emphasis in the whole of this budget is on increasing those domestic taxes which have the least detrimental effect on the finance industry. Lest we all forget, it was the introduction of the Zero/Ten corporate tax regime to assist the financial services industry to remain competitive with other jurisdictions which led to the original decision to introduce a goods and services tax. It therefore seems somewhat of a paradox that the public should be told that the basic G.S.T. rate must increase by 66 per cent while the I.S.E. fees for regulated service providers in the finance industry are to be left unchanged. I would also remind Members that regulated financial service providers also pay a 10 per cent rate of tax on their profits whereas before Zero/Ten they paid tax at 20 per cent. If my amendment is approved this unsatisfactory situation would be rectified and the additional income of £2.1 million per annum will increase the total income in 2011 from I.S.E.s to around £11 million. The Minister for Treasury and Resources stated in his opening speech for the budget, that he hopes to raise a further £2 million from I.S.E. fees from 2012, so I am merely bringing this income forward by one year. I would suggest to Members that the Minister for Treasury and Resources and the rest of the Council of Ministers cannot be taken seriously if they vigorously oppose this amendment. After all, they had no qualms about raising the basic rate of G.S.T. which undoubtedly would have a detrimental effect on tourism, retail and other industries, not least the general public. I pose this question. Why do we continue to handle the finance industry with kid gloves? This whole budget has been about increasing taxes which have the least impact on the finance industry. I say to Members, it is time to make a stand and support this amendment to double international service provider fees. Let us hear no more about treating the financial services industry as a special case. I turn now to part 3 of my amendment which is to increase basic I.S.E. fees to £225. There are approximately 33,000 International Service Entities which are subject to the basic £100 fee. Article 60 of the Goods and Services Tax (Jersey) Law 2007 describes eligible entities as follows: "A body corporate, a trustee, a partnership, a foundation, a collective investment fund, an unregulated fund." An eligible entity must also meet all of the following requirements: "Not more than 10 per cent in value of all the supplies made by the entity of goods and services are made to individuals who belong in Jersey; the value of all the supplies of goods or services made by the entity in Jersey exceeds 10 per cent of the value" this is getting quite complicated, I apologise "of all supplies of goods and services made by the entity, the supplies in Jersey are made only to International Services Entity. No individual who belongs in Jersey has the effective use, or the effective enjoyment, of any asset owned or administered by the entity. No individual who belongs in Jersey has the effective use, or the effective enjoyment, of any goods or services supplied to or by the entity."

[17:00]

On page 65 of the budget statement, the Minister for Treasury and Resources explains that many Jersey-registered companies pay an annual £100 fee to be approved as an I.S.E., in addition to the annual company fee of £150. This proposal is to double the I.S.E. fee which would bring the total annual statutory fees paid by international companies to £350, which we are told is broadly in line with our closest competitors. I would advise Members that our closest competitors annual license fees, and I stress this, for a company that is administered by a financial services provider are; Guernsey £500, Isle of Man £360. My amendment would increase the total annual statutory fees in Jersey for an I.S.E. registered entity to £375 which is £125 less than Guernsey charge a company administered by a financial services company, and a mere £15 higher than the annual company fees in the Isle of Man. Raising the basic I.S.E. fee to £225 would increase States revenue in 2011 by £750,000. In their comments to this amendment, the Council of Ministers provide a comparative table of annual company fees charged by key competitors which conveniently omits the £500 fee ... Deputy Tadier has the light on, Sir.

Deputy M. Tadier:

To speak, it is not to interrupt.

Senator F. du H. Le Gresley:

I beg your pardon. I will start that again, in their comments to this amendment, the Council of Ministers provide a comparative table of annual company fees charged by key competitors, which conveniently omits the £500 fee for a Guernsey company administered by a financial services company. The other competitors listed are Cayman and British Virgin Islands where the annual company fees are £485 and £400 respectively, both of which are well above my proposed total fees of £375. I recently attended a meeting of Jersey Finance in the company of Senator Ferguson and Deputy Vallois. We met with members of the Tax Strategy Group and during general discussion about my amendments to I.S.E. fees there seemed to be a general consensus that the whole I.S.E. fee structure needed to be reviewed. In fact, it was suggested by one member of the Tax Strategy Group that some of the larger financial institutions of Jersey could indeed pay more. I would summarise by saying that as the basic rate of G.S.T. is to be increased in this budget by 66 per cent, then the fees paid by international service providers and I.S.E. vehicles must also be substantially increased. If Members want to send out a message to the public that the financial services industry should not play their part in reducing fiscal deficits then they should vote against my amendment. However, if they believe that all sectors of our economy should share the pain, then they should vote pour. I propose the amendments.

The Deputy Bailiff:

Are the amendments seconded? [**Seconded**] Deputy Tadier.

1.6.2 Deputy M. Tadier:

I am pleased to second that and also to speak next. Now, we are probably going to get into a debate here about the classic old hoary chestnuts will get wielded out and it will be said that we cannot do anything that is going to endanger finance. We have decided to increase it by this much but anything extra is going to make finance leave tomorrow, they are just going go tomorrow and then we will have to foot the tax bill. We have had a few different languages over the last few days and it has been interesting. I do not know a lot of Jersey French, but I think that what I am about to quote is correct and no doubt the Constable of St. Ouen will correct my, but I really feel that the wind has been taken out of my sail, and I feel like saying: "Le poulet est cuite" here. For all the opposition Members, basically, the goose is cooked is how we would translate that, and the argument that is going to come, no doubt, from that side of the Chamber, from the Ministers is that we may be killing the goose that lays our golden eggs for us. Now, this will be a spurious argument because I suspect what Senator Le Gresley is trying to do here is saying: "We know we

have a goose that lays golden eggs, let us just have a couple more of those golden eggs for us that we can use. We know that they are doing very well from that. It creates a great deal of wealth and they can afford to pay a little bit more. Let us have a bit of that for us.” He has already explained that simply what he is trying to do is to recoup some of this money which has been lost due to Zero/Ten. There will be some Members who say that this is not a significant amount of money, that it is nothing to crow about, but certainly it is something that will make a significant impact at a time when we are trying to balance our budgets. There is a feeling that many individuals higher up the pecking order have been trying to feather their own nests over the years and actually when the chickens come home to roost that it is the ordinary Jersey people who will be left to pick up the pieces, so I think it is a straightforward proposition. I have almost run out of puns. I meant to say that it might seem like a big amount, but really it is a “poultry” sum at the end of the day. So, I think we can support this. It should be supported. One could argue, I think, that it does not go far enough, and I am sure that in bringing this Senator Le Gresley was trying to be reasonable and pragmatic, and bring something that would come through the House. I would simply add that a similar proposition did come from Senator Breckon earlier in the year, if I recall correctly. Now, at that time I was one of those who spoke, saying that in principle I could support Senator Breckon’s proposition, and there were many in the same position, but we said it is not the right time to do it. It cannot be done as an ad hoc amendment in the middle of the year, it really belongs in a budget debate, and I think so. I am happy to support the principle of Senator Breckon today, because I think this is the correct time to do it. It is the considered way, as part of a budget and I am happy to support it and I encourage other Members to give this their full support. Otherwise it is going to send out the constant message again that this House is simply here to serve the interests of finance and I know that is not what Members got elected for. They did not get elected to serve the interests of one individual industry, one individual section of society. They did it to try and be fair-minded. I think this is a fair approach and it can quite easily be adopted.

1.6.3 Senator P.F.C. Ozouf:

Deputy Tadier may think this is a joking matter. I certainly do not. This is a serious issue which Members, I am sure, the majority of them want to take seriously. I committed to looking at company fees with the Minister for Economic Development and importantly, as the comment issued by the Council of Ministers explained, we consulted on fee changes. In the budget proposals themselves, there are proposals to increase the I.S.E. fees from £6 million to £8.8 million. I have heard concerns about some of the rises in fees but at the end of the day we have to make judgments based upon what we think we can get, and what we think is going to be the net benefit to that. Senator Le Gresley is representing in his proposition, that the fees will raise £2.1 million in terms of one aspect of his proposition. I have to say to Senator Le Gresley that I genuinely am saying to him and to the Assembly, that I do not believe that that is correct. It will not happen. He feels that the finance industry should pay more. I am afraid that “feels” is not good enough in terms of just a sense, a statement. It has got to be realistic. It has got to be evidence-based, and importantly he admonished me earlier about consulting. I would stand by the consultation that I have done in terms of all of the budget proposals. He said I did not consult on the 2 per cent increase on Social Security earlier. We consulted on a larger fee and brought it down following consultation. This is consulting on larger fees and there has been no consultation at the level and the scale of charges that he is proposing. What is good, Senator, through the Chair, for one issue on consultation, has to be good for another. I hope he would not be offended if I said that. He was pretty strong in relation to consultation. He said he consulted latterly, after lodging his proposition, and in fact as a result of those discussions he is perhaps clearer. I am somewhat surprised that he has not taken on board some of the views that have been expressed to him. He mentioned the Guernsey fee. The vast majority of Guernsey companies pay that other fee, the £500 is paid for by virtually nobody. It is the flat fee that is set out in the proposition and in the consultation. Competition matters. Senator Le Gresley says he wants more. Well, I am afraid that if we put these fees up in the manner that he is suggesting, we will not get it. We will be uncompetitive. I have committed, and

I will commit again, I have already proposed to increase the fees from 6 to 8.8 and I think that next year, in next year's budget there is a possibility, a strong possibility, of going further. Stopping short of what he is asking, because it will not work, but I have targeted a further improvement in fee income and a structured consultative basis of up to £10 million. That is £10 million out of our total G.S.T. increase. There is an issue about the timing of the charges, if I may say. The charges are set out in the budget. They are, of course, a matter for the States, and the States will decide on the fee structure, but there is an expectation that they will go up in the manner in which the budget has been lodged in all attempts, unless there is good arguments to say so. The reality of the fees that are being collected at the doubled rate are already invoiced to people. They have already been out there and there is going to be an issue about collecting that further amount of money that he is suggesting. It is now late on in December. Most of the fees are paid in the annual charges ahead of time. I repeat again, my proposals are lifting the income to the Assembly. This is a set of charges that has not been consulted upon. I aim to go further, but I cannot go further at this stage and that is the clear advice that I am giving the Assembly, based on what I have heard, and what I have been told, and the competitive position. There can be no Member of this Assembly that thinks that competition is not important. Guernsey does not have I.S.E. fees. They do not have the G.S.T. arrangement. There are real competitive issues, and that is a different issue, if I may say, from the domestic taxation issues. This has got to be priced accordingly and priced competitively, and we are already increasing fees. I urge Members with regret ... because I want to have more income, I want to get everything that I possibly can out of commerce and industry, this is a step too far, and I recommend Members reject the proposition.

1.6.4 Deputy P.V.F. Le Claire:

I do not believe Senator Ozouf consulted with people on the introduction of a 6 per cent level of G.S.T. yet he brought a proposition, amended the budget at the last minute, because he was pressured to do so by Ministers. The Council of Ministers will probably never understand who exactly or how exactly that happened, but what we do know is that there is one set of rules for some States Members that are not in the Council of Ministers and there is another set of rules for those that are. Those that are in the Council of Ministers can pressure the Minister for Treasury and Resources to bring last minute budget amendments. Those that are not in the Council can speak to the Minister for Treasury and Resources until they are blue in the face and they cannot change the budget. We are talking about a minor increase here, in my view, to an industry that has made the world, in many, many countries, a worse-off place in the last 18 months. We are talking about regulating and administering businesses in a more appropriate fashion in the future, to make sure that we have businesses here that are sustainable and that the Island that they are working in and doing business in is sustainable. If they are going to leave Jersey because of an increase, surely they would leave because of the £100 that Senator Ozouf is proposing rather than the £25 that Senator Le Gresley is proposing, so I do not think it is going to do that at all. I think the businesses are in islands and jurisdictions where they want to be for different reasons. Jersey businesses are in Jersey for some reasons and they are in the Cayman Islands for other reasons. It does not stop them being in Jersey and it does not stop them being in the Cayman Islands. They can have their businesses in any island they want. What they will do, is they will stay in an island that has workers that can afford to deliver the high level of service, that are happy and are productive. If we do not have the money to shore up the services that those people need, and the infrastructure to deliver the services that they need; by way of reduced waiting lists at hospitals, proper roads, proper benefits, proper levels of support, a mature system of government with a well-regulated and stable legislature, then they will be able to operate quite comfortably in Jersey. So, I will let Senator Le Gresley, as usual, sum up, but I really think that it is ridiculous to suggest that Senator Le Gresley's proposal will drive business away when Senator Ozouf's proposal is far higher.

[17:15]

The Deputy Bailiff:

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

1.6.5 Senator A. Breckon:

Just a couple of points. We have just had a fairly emotive debate about ordinary people paying tax on basic essentials and here we have something where, if asked ... if you asked the public, asked me, would you like to pay £100 and you will be exempt from G.S.T.? The answer is: "Yes, I would." Ask a pensioner the same question: "Would you like to pay £100 to be exempt from G.S.T.?" they would say yes. I am sure they would. Would a family like to do the same? I am sure they would. Have they been consulted, have they been asked, have they got this option? No, they have not. We have companies here who could be turning over millions or billions of pounds and we are talking about a literal pin-prick. We have what for me is a flawed defence from the Minister for Treasury and Resources, a Minister for Treasury and Resources who is refusing money. Unique among Treasury Ministers, I would think, across the world. It is legitimate, it is reasonable and it is fair to do this. I say that, if you look at what they are exempt from, it is G.S.T. off phone bills, off office equipment, off electricity and gas bills. Would we not all like that? So, how many rules have we got and who are we favouring? If we are favouring anybody it should be the vulnerable and the people who have not, rather than maybe the people who have and are doing quite nicely. Last year I proposed an amendment on company fees and on 17th August the Minister for Economic Development published a green paper, and the green paper went to brown, to whatever. It just disappeared and this has emerged instead. Last year in the budget, the Minister for Treasury and Resources did have the option, I set a fee, a fee that had not been increased since 1998 and I said earlier, we have been putting up harbour dues every year, we have been putting up something else that effect ordinary people, charges through the ports, and things have been left for years and years. I think what we have here is a common sense amendment that will raise some revenue and will not cause any hardship to anybody. Senator Le Gresley has demonstrated the fees are comparable with our competitors or in some cases still less, so there may be a margin to do that. Finally, I shall just close by saying it is a little bit disappointing when we have a budget, and somebody is taking things off the agenda that the rest of us perhaps would like on it, and like to discuss and consult on and like to vote on, because that is where we should be. The Minister for Treasury and Resources mentioned when he started out, something about a Tax Panel or a Fiscal Panel or something for the New Year. I would like to be on that. I do not know what it involved, but I would like to get involved because I am concerned that some issues are not seeing the light of day, and this is probably one of them, and there may be other things that we could look at, and we could do things and we could raise money in a common sense way and not affect the general population or indeed the business community, it is reasonable in a given time to do this. That is why, without hesitation, I will be supporting this amendment.

1.6.6 Deputy R.G. Le Hérissier:

Senator Breckon has taken the wind partly out of my sails. I think it is a no-brainer and unless Senator Ozouf knows something more ... I am very saddened because I think we are all aware that Senator Ozouf is a phenomenal worker, he is a phenomenal defender, albeit sometimes with a narrow vision of the finance industry, a phenomenal defender and he has to be praised for that. But, he must be very careful and I think it happened with the impôt debate last year, of the nose not to spite the face, because in the impôt debate he did have a chance. There were a couple of chances, in fact, for compromise as I think Deputy Le Claire alluded to earlier and oddly enough a result which would have saved faces on all sides could have been achieved. We are dealing here with a proposition from one of the most reasonable people in the Assembly, if I may say so myself. He has pointed to an obvious area of social injustice. He has come up with a solution, as Senator Breckon said, which is quite frankly, marginal in its impact upon its intended recipients, shall we say, or its intended objects, and to portray this by using that heavy hammer argument which the Senator has been rolling out in a consistent way. We used to get a variation of course, from the previous Chief Minister, that if we passed this we would see the collapse of western civilisation as

we all know, and we used to get that on everything. It all became a bit confusing and we are starting to get that argument on everything now. I think this is eminently sensible. It gives face, as they would say in China, to the Minister for Treasury and Resources, because it enables him to say: "Look, I do believe in an element of social justice," and it is formulated in such a way as not to tip people over the edge, yet it appears to give a win/win result. It would be so stupid to look such a gift in the face. Thank you.

1.6.7 Senator A.J.H. Maclean:

I just want to make a few brief comments on this particular subject. It was my department that carried out - and Senator Breckon alluded to it a moment ago - a consultation on fees. It was done as a direct result of Senator Breckon raising the issue and I thanked him for that at the time. We carried out the consultation. The consultation has closed and will shortly be published. What I can tell Members, what the result of that was, was quite simply this. There was an overwhelming feeling that local company fees, although they have not been raised for some considerable time, should, in the current climate, be left as they currently are. We have agreed that that is a reasonable position to take for this coming year, 2011, but during the course of the year, local company fees ... we were most concerned about local trading companies. As Members will appreciate, there are many small and medium-sized businesses included in that group and they are finding current trading conditions challenging. We did not want to add any further to that particular position but it will be reviewed again during the course of 2011. That, I must emphasise, is with regard to local trading businesses, that is where the majority of our concern was, and it was impossible to strip out the differentials between local and non-local in that respect. But importantly about I.S.E. and I must stress this particular point, it does sound again, very seductive on the behalf of Senator Le Gresley that we are just going to add a little bit more to the cost of the I.S.E. fees and I can understand that. But Members should appreciate that the I.S.E. fee is not mandatory, 67 per cent of the fees which are paid, are paid by clients of the finance industry. So, 67 per cent of the fees paid, of the £3.1 million received, are clients of the finance industry. They could well choose to opt out of this system if it was felt that it was too expensive, if it was not competitive. Senator Ozouf mentioned the issue about competitiveness. There is a very real risk that if we go too far, and that is the purpose for the consultation that we have undertaken, we believe that what has been proposed in terms of the increase, is right. It pitches this at just the right level. It means that we are not going to dissuade people from registering and opting into this system, but otherwise there is a risk and I think, to be fair, Senator Le Gresley talked about risk in his written remarks, and I think he mentioned it again. The problem is that the risk is significant in my view, that if we do push it that indeed local businesses will decide to opt out. Their clients will not have to pay it, because it is important for them to retain their clients, and we would see the revenue generated drop significantly. More work needs to be done in this area. We have proposed an increase, and I think that is right, and I think that in 2011 there will be further reviews of this, which may well result in a way in which they can be increased in due course. But at this stage, I would suggest to Members that it would be very risky to go with the proposal being put forward by Senator Le Gresley in this particular regard. The other point that I would just briefly make is one of competitiveness. It is not just about businesses that are already located here. It is also about inward investment. The level that we pitch our fees at in comparison to other jurisdictions, the Isle of Man in particular we need to bear in mind as being close at hand, we need to make certain that we are competitive with them so that we attract inward investment businesses. We want more business coming into the Island to create, hopefully, more jobs and more tax revenues. It is a complex issue and it does need further work. It will be reviewed in 2011 and I really would urge Members to reject this proposition which has not, as we have mentioned, been fully consulted on, on the additional amount that Senator Le Gresley has talked about. What we have proposed has been, it is competitive, it is accepted and I would, as I say, urge Members to reject Senator Le Gresley's proposal. Thank you.

Deputy M. Tadier:

Can I seek clarification, though I suspect it is ambiguous, something the Minister said, and if that is the case, the way I have interpreted it might be inadvertently misleading? When the Minister said that companies might choose to opt out and therefore that we would lose revenue, is it not the case that we would still get the revenue because they would still be paying the G.S.T., it is simply that they would be doing it in a more round-about way, and that they would not be ... It does not seem correct to say that we would be losing revenue. It simply means that they would not be part of that scheme where they opt out, but they will be paying G.S.T. anyway.

Senator A.J.H. Maclean:

I am happy to answer that. Yes, there would be an element of G.S.T. associated but the general view is that it would be nothing like the revenue that we are currently getting. The work that has been undertaken on this suggests that indeed by companies opting out, we would see a significant reduction in the current £3.1 million raised by the I.S.E. method.

The Deputy Bailiff:

That has been clarified. Do you have another clarification, Deputy Tadier? You cannot make a second speech.

Deputy M. Tadier:

It is not a second speech. I do not know if it is in order but the only question I was going to ask, why would they be paying, if it is cheaper for them to not be in the system, then why would they be in the system if they are going to be paying less G.S.T.? It does not seem to ... I do not know if that is a valid ... Can the Minister clarify that? It does not seem to make sense, that if we would be losing revenue from them not being in the system, why are they in the system in the first place if they are paying more tax by opting into the system? It seems like that is an inadvertently misleading position.

The Deputy Bailiff:

Can you clarify that, Minister? Why do companies choose to opt in?

Senator A.J.H. Maclean:

Well, it is simpler. Quite frankly, it is simpler for them to operate in that way. That is just the way it works. The system has been looked at, consulted on. The figures are very clear from the research that has been undertaken.

The Deputy Bailiff:

I am pleased you clarified that.

Deputy A.K.F. Green:

I was just going to ask if the Minister had that evidence to provide us with, to help in making our judgment?

The Deputy Bailiff:

Did you have the evidence to support the statement that you have just made? Very often evidence is not supported or available to support what Members say, but perhaps you do have the evidence?

Senator A.J.H. Maclean:

Not to hand, Sir, but I am sure we can get something to the Deputy, but it probably will not satisfy him.

The Deputy of St. Mary:

While the Minister is on his feet, can I also ask for a point of clarification? How does the fee, how do the fees, rather, currently paid by limited companies, you talked about 33,000 of them, how do

they compare now with the previous regime before Zero/Ten, the international business companies and the exempt companies, because my understanding was they paid a lot more then?

The Deputy Bailiff:

Is that a question for the Ministry for Treasury and Resources or the ...?

The Deputy of St. Mary:

The Minister for Economic Development, it is his industry.

Senator A.J.H. Maclean:

This is turning into question time, but yes, the original fee was higher and the overall revenue at the time was greater still, but this mechanism was brought in and it has bridged part of the gap.

The Deputy Bailiff:

Okay, that does not clarify or seek a point of clarification of anything you said in your speech. Does any other Member wish to speak?

The Deputy of St. Martin:

Sir, I was going to ask whether Senator Le Gresley was in a position to sum up? Maybe we will wait for the sum up and then adjourn. I do not know what the situation of the Assembly is, otherwise we adjourn.

The Deputy Bailiff:

Can I ask if any other Members wish to speak? If not, I will ask Senator Le Gresley to sum up. You wish to speak, Chief Minister? The adjournment has been proposed, are Members in favour of adjournment, kindly show? Before we adjourn, can I say that, apart from this debate, there are at least 12 more debates to come and it really does behove Members, in my respectful submission to them, to show some restraint in the contributions they are going to make over the forthcoming debates or else we will not finish.

The Connétable of St. Mary:

Sir, I wonder if I could just, for clarity because some Members have been asking me if we do not finish tomorrow what the procedure I recommend would be. I hope sincerely that we will finish tomorrow and I think it is possible, but the fallback position if we do not would be to sit on Tuesday and Wednesday next week, to allow Members time to deal with affairs that they might have.

[17:30]

The Deputy Bailiff:

Well, no doubt we will deal with that tomorrow evening assuming that the debate has not concluded then. It shows no signs of being likely to do so. Very well, the States stand adjourned until 9.30 a.m. tomorrow morning.

ADJOURNMENT

[17:31]