

STATES OF JERSEY

OFFICIAL REPORT

TUESDAY, 15th DECEMBER 2015

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[9:30]

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

COMMUNICATIONS BY THE PRESIDING OFFICER

1. Welcome to His Excellency The Lieutenant Governor

The Deputy Bailiff:

An opportunity again obviously to welcome His Excellency to the Chamber this morning.
[Approbation]

PUBLIC BUSINESS - resumption

2. Draft Budget Statement 2016 (P.127/2015)

The Deputy Bailiff:

We now continue with Public Business. We come to the Draft Budget Statement 2016 - P.127/2015 - lodged by the Minister for Treasury and Resources and I ask the Greffier to read the proposition.

The Greffier of the States:

The States are asked to decide whether they are of opinion (a) to approve in accordance with the provisions of Article 10(3)(a) of the Public Finances (Jersey) Law 2005 the estimate of income from taxation during 2016 of £622,155,000 as set out in Summary Table A of the Budget Statement with the sum to be raised through existing taxation measures in the proposed changes to income tax, impôts duty, stamp duty, land transaction tax and vehicle emissions duties for 2016 as set out in the Budget Statement; (b) to approve in accordance with the provisions of Article 10(3)(d) of the Public Finances (Jersey) Law 2005 a capital head of expenditure for each of the capital projects for States funded bodies to be started or continued in 2016 other than States trading operations as set out in the recommended programme of capital projects in Summary Table C totalling £26,691,000; (c) to approve in accordance with the provision of Article 10(3)(e) of the Public Finances (Jersey) Law 2005 each of the capital projects that are scheduled to start during 2016 in the recommended programme of capital for each States trading operation as set out in Summary Table D that require funds to be drawn from the trading funds in 2016.

2.1 Senator A.J.H. Maclean (The Minister for Treasury and Resources):

Budget 2016 takes a long-term approach that is necessary to secure strong public finances for future generations. It gives this Assembly the opportunity to create a sustainable financial future and continue the process to a fairer taxation system. This is not a Budget that proposes sudden change but instead takes a carefully considered phased approach that lays the foundations for Jersey's long-term needs. Budget 2016 proposes measures consistent with the aim of achieving fairness and sustainability in our public finances as well as supporting the Island's economic, environmental, social and health policies. I begin today by setting the record straight about the state of our public finances and let me be absolutely clear, our public finances are not in crisis and we are certainly not heading into the difficulties that some long running critics of Jersey like to suggest. **[Approbation]** We still have a very strong net balance sheet of £5.6 billion which is the envy of most jurisdictions, and that is after the impacts of the global financial crisis that began in 2008. The strength of Jersey's public finances were once again independently confirmed as recently as late November of this year by Standard and Poor's who reaffirmed our AA Plus credit rating. For the avoidance of doubt, that is the very highest that we could have been awarded. There is of course the much discussed £145 million potential shortfall in income over expenditure by 2019 emotively described by some as a "black hole". It is not a black hole and the measures in this Budget are not aimed

specifically at resolving short-term funding shortfalls. I would like to put the £145 million into context. Firstly, it is a forecast that will fluctuate. Secondly, it includes a choice to invest approximately £62 million into new and improved services mainly in health and education. It includes, for the first time, depreciation of £55 million so that future generations do not have to deal with the costs of what could otherwise be unfunded replacement capital works. That leaves a core funding shortfall of £28 million recurring by 2019 if we do nothing, but doing nothing is not an option. If efficiencies and savings are not delivered to reinvest into our key priorities, then not all of the proposed investment will proceed as planned as we aim to deliver balanced budgets by 2019. We are taking a responsible, prudent and transparent long-term view and that is why we have included all potential costs and likely funding pressures into the Medium Term Financial Plan. The full details of how we will fund them will be presented in the Addition next June. It is a plan that will require change, reprioritising existing spending into key targeted areas of most need, cutting out unnecessary cost or wastage and redesigning services. Not just redesigning services but considering the way that we deliver them and, indeed, whether some are better delivered by the private or third sectors. Our focus is ensuring that every pound of taxpayers' money delivers the right services in the right place at the right price. Our detailed short, medium and long-term planning sets us apart from many other places and was certainly a positive factor in Standard and Poor's assessment of our fiscal strength. In recent years, Jersey has had to react to the global financial crisis and part of that response has been the need to invest heavily to protect jobs and support the economy towards recovery. This proactive strategy supported by the Fiscal Policy Panel has paid dividends as last year our economy returned to growth of 5 per cent for the first time since the global financial crisis hit in 2008 and that is even before interest rate rises. Global factors which have an impact on our Island are not limited to economic issues alone. The impact of an ageing population challenges the sustainability of public finances in Jersey and most other countries. Living longer may be good news presenting society and individuals with new opportunities but there are of course costs associated. These costs are ones to be borne largely by current and future working populations. It is important that we balance the needs of those of us who are lucky enough to live longer with the costs to be borne by current and future taxpayers. This Council of Ministers and its predecessors have chosen to face the challenges of the ageing population head-on introducing a long-term care scheme to protect the vulnerable from the high cost of care in old age and all of us from the potentially very high costs of that care. Our senior citizens in Jersey have the certainty of knowing they will be looked after at home or elsewhere and that their lifesavings will not be wiped out in the process. **[Approbation]** Equally, we have preserved the value of pensions compared to earnings growth and this has resulted in growth in pensioner incomes at well above the cost of living. Quite apart from the significant investment in Eco-Active that has insulated hundreds of pensioner households to reduce their energy costs helping them and the environment. We are also targeting investment in our children, particularly those children who face the greatest challenges. This includes £11 million on early intervention services for children and investment to improve the educational outcomes for the more disadvantaged young people in our society. In the long term, all these measures will improve equality and opportunity for individuals and benefit the wider community through improved standards of living, productivity and economic growth.

[9:45]

We must also not shirk away from the further important investment that will need to be made in the Island's infrastructure. While it may seem easier to put a sticking plaster on what we have and pass the bill down a generation, this is not the responsible thing to do and it is not what this Government is proposing. **[Approbation]** The responsible action is to prepare now for the funding that will be necessary for future capital replacement of our assets by putting aside money today from the income we receive. That is what we have done in the Medium Term Financial Plan proposals. I

would like to turn now to another misconception, this time regarding our tax system and Zero/Ten. There is a view of Jersey, a largely marginalised view, that lays our financial challenges at the door of the move to Zero/Ten and I would like to take a moment to clarify the position. Firstly, the pressures that we face in our public finances are not different to many other jurisdictions, other than the scale of course. Indeed, many countries are facing swingeing cuts to their public services and genuine austerity. In contrast, we are in the fortunate position to be able to plan to make significant investment in improving key public services. The dual impact of the global economic downturn since 2008 and the increasing costs of an ageing population can be seen the world over. Jersey has weathered that storm well and is able to plan for the future in a way that other jurisdictions can neither contemplate nor afford. Let me be absolutely clear. Jersey's economy would have been seriously damaged had we not taken the difficult measures we have to ensure the continued success of our finance industry by moving to the internationally competitive position offered by Zero/Ten. Economic growth has been and will continue to be driven by our flourishing financial sector and our increasingly diversified business services sector, much of it being driven by technology and innovation. That growth has been enabled by the principles of our long-term tax policy that are taxes should be low, broad, simple and fair. I turn now to Jersey's economic outlook. Globally, we have seen recovery over the course of this year. Continued improvement is anticipated but risks remain. Development in the euro area and China still give cause for concern. Jersey's own economy returned to growth in 2014 for the first time since the global financial crisis began in 2008. The financial services sector grew by 9 per cent and growth was broadly seen across the rest of the economy as well. Tourism saw staying visitor numbers up. Retail sales were up. Employment hit a record level in June 2015. Earnings have grown in real terms for the third year running. Jersey businesses continue to report increasing optimism through the Business Tendency Survey. The Fiscal Policy Panel's latest forecast shows that they expect economic growth to continue over the life of the Medium Term Financial Plan. Inflation is currently very low at 0.1 per cent but ever conscious about the need to ease the cost of living pressures for Islanders, we will look to fully implement the recommendations of the Oxera competition review to ensure that markets work in consumers' best interests. The new Income Forecasting Group, largely based on actual data, has now increased by 1.3 per cent the latest forecast for general revenues in 2015 to £673 million. How many other jurisdictions can say that? However, using a prudent approach, the group has taken a view that it would be premature to take all of this upside into its latest update of a forecast for the period to 2019. Despite this approach and ignoring the upside in forecast for the current year, Scrutiny continues to express concerns that the forecasting is too optimistic. There can of course be no guarantee with forecasting. However, I am satisfied that the updated forecast does not represent an imprudent planning assumption from which to base our financial plans. I am also pleased to note that the Corporate Services Scrutiny Panel's own professional adviser praises the work of the new Income Forecasting Group pointing out that the quality of the analysis has been robust and with the Taxes Office data being likely to lead us to significantly improved precision in the formulation of tax estimates. This Budget reinforces the approach taken in the Medium Term Financial Plan to lay the foundations for future economic growth and raise Jersey's productivity. We have therefore maintained investment of £14 million in key areas which support economic growth including employment schemes, financial services and the digital sector. Further investment in education, growing our economy and continuing to invest in infrastructure reflects the advice of the Fiscal Policy Panel that we should continue to support the economy while global conditions remain fragile and until such time as our economy strengthens sufficiently. This further reinforces the Medium Term Financial Plan which earmarks a £20 million drawdown provision for economic growth and productivity projects that cannot be funded from existing resources and which can make a significant contribution to raising our economic performance. Budget 2016 raises £1.8 million above the latest income forecasts of the Income Forecasting Group and, by 2019, will have the effect of raising £7.5 million. This additional revenue offers important

flexibility and will act as a safety net against income fluctuations. It could also allow us to reduce the level of future charges such as the planned health charge as long as current income forecasts are achieved. In addition, we have always been clear that we will drive the delivery of efficiencies in the public sector ensuring that we can cut the cost of delivering public services before we introduce any new additional public charges. The pace and scale of the Public Sector Reform Programme will accelerate over the course of 2016. All this year we have been looking at the organisation and asking ourselves: “Do we need so many departments, can we simplify service delivery and are we doing more for less or the same?” Change is hard but it is happening right now. We are reducing spending and improving efficiency. States departments saved 2 per cent from their budgets in 2015. That is £12 million and we are still forecasting underspends in all departments this year and Budget 2016 takes out a further £26 million. So far, 102 staff have agreed to take voluntary redundancy which will, deliver a recurring saving of £4.3 million per annum. On top of that, if we look at full-time equivalent posts, since February of this year, we have reduced 130 posts through more effective vacancy management. As well as reducing staff numbers, we are reviewing staff salaries to ensure they fairly reflect the jobs people are doing. We are simplifying staff policies and have reduced them from 70 down to 31. You can now pay your social security online. Police officers are moving to mobile working and sports bookings will be online soon. eGovernment is beginning to take hold. The Health Department has an impressive lean function that is reinventing services, improving patient experiences and cutting out unnecessary costs to reinvest in front line services. The public sector needs to be more productive so where and how we work needs to change as well. Our office modernisation programme will bring most of our office staff together into one main government building which will improve efficiency and, again, reduce costs. We have already started the process with Jersey Property Holdings reducing its office space by more than 5,000 square feet and Customs having reduced theirs by almost 3,000 square feet. That is better space utilisation and ultimately a cost saving. Last weekend, we co-located Economic Development, External Relations and Financial Services from 3 locations into one to improve output and again reduce costs. In my own department, plans are advancing to provide new technology for the Taxes Office which will give us the capability to integrate the collection of both taxes and social security contributions. Our ambition is to provide online tax filing for Islanders by the end of the Medium Term Financial Plan period. I would like to take this opportunity to thank Ministers and staff across the States for their significant efforts so far in driving reform and delivering the savings we need. There is of course much, much more to come. I will turn now to specific measures in this Budget starting with some of the changes to exemptions and allowances. These measures are based on the principles of fairness and affordability and the measures consistent with long-term tax policy have been recognised in the report presented by the Corporate Services Scrutiny Panel advisers. They are also aligned with our broader policies to support the most vulnerable members of our community. To deliver against these principles, we need to simplify our processes and address inequities that exist in the tax system. We all need to pay our fair share according to our means. Currently, around 17,000 individuals, married couples and civil partnerships in Jersey pay no income tax at all. Our relatively generous tax allowances mean that in 2014, the 40 per cent of lowest earning people contributed just 3 per cent of the £354 million of personal income tax raised to fund Jersey’s public services. Eighty per cent of Jersey taxpayers enjoy effective rates of tax ranging from 7 to 15 per cent, well below the headline rate of 20 per cent. Our system of taxation is a comparatively generous one in relation to most other jurisdictions. However, given the known changes in demographics, improved health and life expectancy, there are inconsistencies in our current tax system which can no longer be justified or afforded. In addition, they do not fit with the principles of a low, broad, simple and fair tax regime as agreed by this Assembly. This Budget proposes the start of the gradual alignment of income tax exemption thresholds for people under 25 with those over that age. I will speak in detail about the rationale behind this measure during the amendment debate that will follow. However, briefly, I would like

to clarify that this measure will not take away the benefits from those 50 per cent of pensioners who pay tax who currently enjoy it. Pensioners who do not pay tax and who are on low incomes will also not be impacted at all by this measure. This Budget sees further gradual removal of some remaining allowances still available to the Island's 15 per cent of highest earners who pay income tax at the 20 per cent rate. This is without adjusting that headline rate of tax. In 2016, we will start phasing-out the standard child allowance and additional person allowance. Both allowances will be removed from standard rate taxpayers gradually over the next 3 years. This measure will not affect 85 per cent of taxpayers who are protected by the availability of marginal relief. A married couple with one child under 16 would need a joint income of £106,000 before they would be impacted by this measure. A single parent household would need an income of £78,000. The remaining allowance available to standard rate taxpayers who have children in higher education will remain in place for the time being while we fully explore the case and options for assisting Islanders with the costs of higher education. A Ministerial Oversight Group is looking at this in line with the Chief Minister's commitment to report back to this Assembly in the first quarter of 2016. Access to employment is a clear priority for this Council of Ministers and we are exploring all areas to provide the support Islanders need to reach their potential in the workplace. We know that, for parents, the cost of child care can create barriers to working and while we look at the wider issues we are raising the relief available on regulated child care for pre-school age children from £12,000 to £14,000 **[Approbation]**.

[10:00]

This measure will cost taxpayers £100,000. In addition we will maintain the maximum tax relief available on child care for older children at £6,150. About 1,600 marginal rate taxpayers claim relief to help them with the cost of child care. Finally, in the area of exemptions and allowances we have proposed a reduction in the £1,000 tax exemption given on benefits in kind to £250. This protects those who receive modest benefits but asks those in receipt of more generous benefit packages to contribute more. This further improves fairness between taxpayers. The Taxes Office in conjunction with the Social Security Department will fully review the taxation of benefits in kind to ensure consistency. We are also proposing that Non-Residents' Relief is removed from 2016. This will result in non-resident individuals paying tax at 20 per cent on any income they generate from Jersey properties. I now turn to the measures in relation to the way Jersey subsidises and taxes property ownership. This Budget proposes the gradual phasing-out of mortgage interest tax relief over the next decade. We all, of course, want to help our loved ones on to the housing ladder if we can possibly afford to do so, but there is little justification today for the taxpayers of Jersey, many of whom rent property, to subsidise those who wish to purchase a property. It just is not fair. Moreover, international benchmarking research by the O.E.C.D. (Organisation for Economic Co-operation and Development) and work by PwC for Treasury conclude that mortgage interest tax relief is inefficient and counter-productive. It increases the cost of private sector housing and potentially increases costs in the rented sector. Some observers have criticised me for not undertaking specific research into housing markets in Jersey before embarking on this course of action despite the overwhelming evidence from elsewhere. I repeat: Jersey's housing market is not that different and the laws of economics apply here as well as they do in Guernsey, for example, where they have also made the decision to phase-out the same relief but starting sooner than we are. However, more fundamentally I believe it is no longer right to ask the taxpayers to subsidise house purchases, particularly if that subsidy increases house prices and thereby does not achieve its aim. Notwithstanding all that, I know this Assembly remains sympathetic towards helping young Islanders on to the housing ladder so with that objective in mind I propose to increase the Stamp Duty Land Transaction Tax, the tax exemption available in respect of registration of mortgage debt. This means that anyone buying a home costing not more than £450,000 will be able to benefit from reduced rates of duty tax on the registration of their mortgage. **[Approbation]** By outlining clear

plans for the future of mortgage interest tax relief and by not starting the withdrawal until 2017 existing mortgage holders and potential first-time buyers will be able to plan their finances accordingly. The gradual withdrawal means that this measure will only affect a small number of taxpayers during this Medium Term Financial Plan period. Before leaving the subject of property-related taxes I did promise Members that I would provide an update on last year's property tax review as part of the delivery of this Budget. A summary of responses will soon be available online and it is fair to say the responses we received while not numerous were certainly heartfelt. The messages that we have received from those who responded were broadly: "Please do not radically reform the system particularly in relation to Parish rates." **[Approbation]** I was pausing expecting some more enthusiasm from the Constable's benches. **[Laughter]** I hope they will be more enthusiastic for my next comment, which is that this message we will heed. **[Approbation]** We will continue, however, the work we are doing with rates assessors in highlighting areas for future improvement including a better understanding of the Island-wide rate. However, with the exception of the phasing-out of mortgage interest tax relief, we currently have no plans for the introduction of any new property tax. **[Approbation]** Turning to duty measures proposed in the 2016 Budget, we are proposing a number of modest increases to duties for the coming year, all of which signal this Government's ongoing commitment to pursuing health, social and environmental policies. Jersey has the highest per capita consumption of alcohol in Western Europe save only for Lithuania. That, along with tobacco consumption, presents risks to Islanders' health and well-being, as well as raising the costs in our healthcare services. It is right therefore to maintain and where necessary increase the real value of alcohol and tobacco taxes. The duty inclusive of G.S.T. (Goods and Services Tax) on a standard pint of cider or beer will increase by one penny. Strong beer and cider will see a 3 pence per pint increase reflecting the potentially higher health risk they pose. We are proposing a 2 pence increase on a bottle of table wine and the duty on average strength spirits will increase by 90 pence per litre. The increase in duty on a packet of 20 cigarettes will be 35 pence. Jersey remains committed to meeting international targets to protect our natural environment and keeping Jersey's air clean for future generations. In this Budget we propose to modernise the way we tax vehicle emissions to incentivise the purchase of lower polluting vehicles and to ensure that the polluter pays when they exercise their choice to buy higher polluting vehicles. I also propose to remove the discount given to hire car operators from 1st January 2017, giving them a full year to adjust the composition of their fleet of cars accordingly. We, of course, welcome visitors with open arms but we should not be encouraging them to pollute the Island they have come to see. Taken together the changes to V.E.D. (Vehicle Emissions Duty) are expected to raise an additional £722,000 in 2016. Jersey knows the value of a healthy and growing business sector and we will continue to maintain an internationally competitive tax structure that encourages investment, growth and significant job opportunities particularly for our young people. However, I will take appropriate steps to address tax planning that reduces the amount of corporate income tax payable in the Island. From the day of lodging the Budget, and subject to Members' approval today, we have taken steps to prevent the repayment of tax credits to companies payable at the zero per cent rate, removing an opportunity previously available to foreign-owned groups to reduce the amount of corporate income tax paid in Jersey. Changes are also proposed to the distribution rules in order to improve their operation. The Taxes Office will continue to work with the tax adviser community to determine whether significant simplification of the rules can be brought forward for next year's Budget. Turning to the future, I have indicated this Budget is one part of an ongoing programme of work to develop a longer-term approach to our tax system, an approach that needs to keep in-step with our changing society. Following the decision of this Assembly to approve the preparation of legislation to allow same-sex marriage in Jersey the Taxes Office has begun the work to prepare the income tax system for its introduction in 2017. A number of initial measures are proposed in this Budget. These include changing the Wife's Earned Income Allowance and Childcare Tax Relief from the 2016 year of assessment so they are given in respect

of the second earner in a married couple regardless of their gender. In addition, the department is working towards introducing the concept into the tax law of joint and several liabilities for the tax debts of married couples and civil partnerships. Further amendments will be required in next year's Budget to ensure that the income tax system is both ready in time for the introduction of same-sex marriage and able to reflect the needs of the modern taxpayer. To this end I have asked the Taxes Office to bring forward options alongside next year's Budget for the implementation of independent taxation for the 2020 year of assessment. This will outline the potential costs and benefits associated with a move towards independent taxation and must reflect any decisions made in preparing the income tax system for same-sex marriage. The introduction of independent taxation must also dovetail with the modernisation of the Taxes Office administrative procedures to ensure that they are efficient for both the Taxes Office and the taxpayer. We will be making significant investment in modernising the Taxes Office computer systems over the coming 2 years and proposing measures to simplify and strengthen the tax code to ensure the Taxes Office is able to do the best job possible for Jersey by treating all taxpayers fairly. As a result of our participation in numerous international tax treaties an increasing amount of data will be available to the Comptroller of Taxes from overseas tax authorities and financial institutions. We will propose similar measures to enable local financial institutions to provide equivalent data to the Comptroller. As a result the Taxes Office will more easily be able to detect error and evasion to correct it more quickly. In 2017 there will be a one-off Jersey tax disclosure opportunity that will enable people who believe they may have been getting their taxes wrong to set their affairs in order before new data sources, new technology and new legislation make the detection of tax error and evasion easier and before we increase the penalties and interest charges that may be levied on unpaid tax. Turning next to the capital programme, it has not changed from that proposed in the Medium Term Financial Plan. While the M.T.F.P. (Medium Term Financial Plan) sets the total funding envelope for each year in respect of the capital programme the actual schemes are proposed and agreed in the Budget process. The 2016 programme includes funding for I.T. (information technology) investment that will be fundamental to improving efficiency within the States, providing the opportunity for changing our working practices. Notable investment will be delivered in the Taxes Office in improved H.R. (human resources) systems and notably for the wider eGovernment initiative. All these investments will support the aims of delivering a more innovative and lower-cost government. Consistent with the aims of delivering much needed investment in the Island's infrastructure, £10 million is provided to enable the Transport and Technical Services Department to deliver the next stage of improvement to the current inefficient sewerage treatment works as well as to maintain the road and sea defence networks. A further £2.5 million is proposed to be provided for the replacement of vital equipment within the health service and £1.7 million for the refurbishment of Sandybrook Care Home. To kick-start the planning and feasibility phase for the proposed new Les Quennevais School £1 million is provided with up to a further £39 million estimated for 2017 to be confirmed in next year's Budget. **[Approbation]** The total of the capital projects provided for in Budget 2016 is £26.7 million. In conclusion and perhaps rather unusually I would like to quote from the comments made by the Corporate Services Scrutiny Panel's professional adviser, C.I.P.F.A. (Chartered Institute of Public Finance and Accountancy). In the panel's report on the Budget the adviser had the following to say, and I quote:

[10:15]

“The relevant 2016 Budget proposals achieve improved alignment with the principles of the long-term tax policy principally through equitable simplification and set the foundation for some measured additional tax revenues over time. In respect of meeting those objectives we would commend the approach now taken.” I thank the adviser for their positive comments. **[Approbation]** This Budget fully supports the Medium Term Financial Plan agreed by this Assembly. It further recognises the absolute necessity of building sustainable public finances as

one of the priorities in the Strategic Plan also approved by this Assembly. It begins to provide some of the much needed flexibility that will be needed over the period of the Medium Term Financial Plan. It clearly recognises the financial challenges the Island faces in a rapidly changing and highly competitive global environment. It seeks to balance the need for short-term fiscal support to maintain and build on the economic recovery with longer-term policies to underpin economic growth, diversification and job creation. It brings together our stated policies on health, on education, on housing and on reforming the public sector but also takes measures that will achieve our goal to develop our tax system so that it is simple and more equitable. This Budget is about the future. It is about some difficult decisions today that will ensure a safe, secure and affordable future for our grandchildren and future generations. I commend this Budget to the Assembly. **[Approbation]**

The Deputy Bailiff:

Thank you, Minister. Is the proposition seconded? **[Seconded]**

2.2 Draft Budget Statement 2016 (P.127/2015): amendment (P.127/2015 Amd.)

The Deputy Bailiff:

There are a number of amendments. The first is by the Deputy of Grouville and I ask the Greffier of the States to read that amendment.

The Greffier of the States:

1. Page 2, paragraph (a) – After the words “as set out in the Budget Statement” insert the words – “except that the age enhanced income tax exemption thresholds for taxpayers aged over 65 shall be increased by 0.9 per cent in line with the increase for the standard exemption thresholds and not maintained at their current levels as proposed in the draft Budget Statement.” 2. Page 2, paragraph (a) – After the words “as set out in the Budget Statement” insert the words – “except that the age enhanced income tax exemption thresholds for taxpayers aged over 65 shall not be removed from the year of assessment 2018 from taxpayers reaching the age of 65 after 1st January 2017 as proposed in the draft Budget Statement but shall remain in place for all taxpayers reaching that age.”

2.2.1 Deputy C.F. Labey of Grouville:

The first part of my proposition or amendment is asking the Minister for Treasury and Resources not to single out pensioners again by freezing their allowance thresholds but instead increase them as he is proposing to do for everyone else by 0.9 per cent. The second part is asking the Minister not to impose a ban on the age-enhanced income tax exemption thresholds on those who have worked, no doubt budgeted and are about to qualify for this allowance when they become a pensioner. The Minister spoke of the long-term tax policies. In July 2014 Senator Ozouf as Minister for Treasury and Resources in a statement to this Assembly on the Draft Budget said that the marginal rate will be at 26 per cent. The long-term tax policy report signals the goal of continuing to attempt to reduce that marginal rate to 25 per cent in the longer term. The 25 per cent goal was never reached then and neither does the Budget we have before us today even attempt to reach it. In fact it goes the other way and looks to reduce thresholds so pensioners will have to pay more. The proposal of the Minister for Treasury and Resources will affect pensioners and soon-to-be pensioners who have worked, saved, paid tax and have budgeted for their retirement, a cohort of pensioners who I would describe as middle-Jersey. Unfortunately when one starts to grapple with tax thresholds, enhanced thresholds, percentages and mechanisms for applying then it can become extremely complex, so much so I confused myself in my own report. I referred to the relative low income as survival income. It is not and the amount of £29,400 and £19,698 in my report are in fact the median value of relative low income and not the survival income rate. I am glad that has

cleared that up. **[Laughter]** So, I shall try to keep things simple to avoid any further confusion. Members need to know my amendment will affect about half the pensioners who pay tax at the marginal rate and by dint of that whose income is usually at the lower end of the spectrum. There are about 7,500 to 8,000 of them. The enhanced threshold allowance was introduced many decades ago in an age when the Government was nice to its pensioners, recognising their contribution to our economy and the fact that their incomes will for the most part become fixed at retirement. It was an attempt to help them adjust when they may very well be spending more time at home with increased heating and domestic costs. The Minister for Treasury and Resources will try to argue that pensioners are much better off this year because they received a 1.3 per cent increase in their State Pension in September and the R.P.I. (Retail Price Index) is minus 0.6 per cent. First, not all those paying tax at the marginal rate will have received 1.3 per cent rise on all of their income and only those with oil-fired central heating or who drive a car will benefit from the apparent fall in prices of fuel in Jersey. Those pensioners on electric or gas heating, as we well know, will not benefit from the minus inflation rate. However, even if we are to assume pensioners are much better off this year for minus 0.6 per cent inflation on some of their income the proposal intends freezing those allowances year-on-year when inflation may very well rise in the future. He also argues that he is not reducing pensioners' allowances but he is not increasing them either and he is not increasing them like everyone else's 0.9 per cent. He is freezing them so their tax liability will increase. The losses to those on the marginal rate, if the Minister's proposals remain, work out at about £60 for couples and £40 for singles in tax year-on-year. That may seem a small amount for some Members but to those who are trying to live on relatively low fixed incomes these amounts make a big difference. My issue, however, is out of the entire scope of places to go to balance the books the Minister for Treasury and Resources chooses middle-Jersey pensioners on the marginal tax rate. The household income report that was recently issued stated that one in 3 pensioners are already living in relative low income, twice that of the U.K. (United Kingdom). Twenty-eight per cent are at risk of poverty and the divide between rich and poor in Jersey is getting bigger. How does the Budget of the Minister for Treasury and Resources address any of these issues in his safe, secure Budget and his plan for Jersey? Indeed, it exasperates them. Members will not be surprised to learn that I have received a lot of correspondence from Islanders about this issue, not only because our pensioners feel like an easy target to this Council of Ministers but to those on fixed incomes they are feeling extremely vulnerable when this Government keeps on moving the goalposts to erode it away. I would like to read one such letter if I may that typifies the people the proposed changes will affect. "Dear Deputy Labey. Thank you for lodging the amendment to the Budget calling for the Minister for Treasury and Resources' plan to scrap higher thresholds for over-65s to be discarded. I am one of those that are paying tax on the marginal relief rate and even though my income in 2014 was £21,000 I cannot afford any luxuries like a holiday, I do not drink or smoke, I do not have a mortgage or rent to pay. I have just finished putting enough away to cover my funeral expenses but now need to start to save to replace my 15 year-old car. I am one of those who appreciates that you are standing up for the 8,000 pensioners who are in similar circumstances to my own." As Members will conclude, it affects pensioners who have worked, saved, paid their dues and have budgeted for their retirement. As I said, middle-Jersey; the very same people who have already been hit by the removal of the Christmas bonus, T.V. (television) licence allowances and will face increased stealth charges in the future. I am asking the Minister for Treasury and Resources that he does not take his saving from this cohort of pensioners at this time. If his objective is to align the tax allowance threshold perhaps he might consider increasing everyone else's to those of the plus-65s, thus reducing the promotion of the benefits culture that is totally alien to the very pensioners he is targeting. I make my proposition amendment.

[Approbation]

The Deputy Bailiff:

Thank you, Deputy. Is the proposition seconded? **[Seconded]** Does any Member wish to speak on the amendment?

2.2.2 Senator A.J.H. MacLean:

The 2016 Budget proposals support the strategic priority of delivering sustainable finances and address this in the context of the increasing ageing demographic. We are, on the whole, living longer, as I have previously said. This is of course absolutely good news but most good news comes with a cost and in this case a considerable cost that will accelerate over the coming years as the number of people over 65 rises rapidly. The Strategic Plan identifies investment in health care as a priority. The need for extra spending is being driven principally by our increased longevity. These costs are not the only ones associated with an ageing demographic. Most evident is that the cost of providing the old age pension will increase as the number of pensioners increase. However it is little recognised that this increase in the number of pensioners will add further to the cost of income support in the years to come. The numbers are stark. Today there are nearly 4 working age people for everyone over 65. In 30 years' time there will be less than 2 working age people for everyone over 65. The number of those of working age per pensioner will halve over 30 years. The additional costs of an ageing population are well rehearsed and well understood. What is less understood is the impact upon who will pay for those current and rising costs. The current structure of our personal tax and social security contribution systems means that pensioners have a far more favourable treatment than people of working age with the same income. The combination of a static working age population and an increasing pensioner population and the favourable treatment of pensioners over younger working people create a multiplier effect upon the taxes of the children and grandchildren of that growing number of pensioners. While approximately 30 per cent of the total population do not pay tax, just under 50 per cent of the pensioner population do not pay tax.

[10:30]

Comparing 2 people on the same incomes, one being a pensioner and the other of working age, the pensioner currently pays less tax than the younger person. This is clearly unfair. There is no good policy reason as to why these 2 people should have different tax bills. In the future, the number of working-age people will not keep pace with the rapidly-increasing number of those aged over 65. This combines to mean that in the future the tax burden arising from the ageing population will hit the working-age population the hardest. The challenges for future public finances arising from the ageing population are huge, as costs rise and average tax take reduces with the numbers of pensioners increasing. Those future challenges will be very difficult to address, which should put the current decision in front of Members today into stark context. Obviously part of the reason that less pensioners pay tax arises from the lower incomes of pensioners but also the lower amounts of tax paid in the over-65s group comes from the unfair favourable tax treatment for which, as I have said, there are no good policy reasons. To illustrate, the current enhanced thresholds given to those over 65 costs other taxpayers about £4 million per annum. Because of the bulging numbers living into older age, the cost of this increases by £300,000 per annum in the coming years and then flattens out. Within the next 30 years the costs of maintaining the current level of enhanced exemptions would have more than doubled to nearly £10 million per annum and that would be in today's prices; that is to say, the future costs would of course be much higher. This additional cost would have to be borne by somebody at the same time as rising cost of pensions and health care will also need to be paid for. It is neither sustainable nor fair to future generations that arbitrary tax advantages are given to those over 65 when compared to their children and grandchildren. I suggest that the answer is: it is unreasonable. To address this unfairness and to make our finances more sustainable in the long term, I am proposing that over time there be only one exemption threshold, one that does not discriminate between generations. Crucially, I am not proposing that the current level of enhanced exemption thresholds be cut. I am proposing that it be maintained at

the current rate in 2016 while the exemption threshold of those of working age increases by 0.9 per cent. A system of continuing-to-increase enhanced exemption thresholds is unfair on working-aged taxpayers. It is unnecessary to insert a timeframe to this alignment at this particular stage. The exemption thresholds are reviewed annually with regard to R.P.I. and the annual increase in earnings. It is not possible to forecast exactly what those figures will be for future years and set exemptions against them. To be clear, this proposal does not impose an additional tax. No taxpayer will pay more as a direct consequence of the proposals regarding the age-enhanced exemption thresholds contained within the Budget. No allowances are being cut. Yes, it is obviously the case that if we were to increase the exemption threshold, less tax will be paid than if we maintain it at its current level. But that does not mean that more tax will be paid than is currently the case. People will pay more tax but that would only be if their income were to rise. Someone with the same income next year compared to this year will pay no more tax. If tax exemption thresholds were benefits paid out rather than deductions from tax liabilities, the effect would be for that benefit to be the same this year as next. It must be a priority for Government to ensure that we take measures to address the income of the most needy in our society. Societies usually benchmark the relatively financial needy by reference to 60 per cent of medium income and it is absolutely right that our benefit system be tailored to provide assistance to those beneath this level of income to improve living standards and the level of equity in society rather than hand benefits out to all, regardless of income. The same must be true for exemptions and reliefs in the tax system and indeed is at the heart of how a marginal relief system works. It has been argued that because there are pensioners beneath this level of income that we should not move to equalise tax thresholds. That argument simply does not hold water. According to the recently-released Jersey Household Income Distribution Report 28 per cent of pensioners are beneath the relative low income level or 60 per cent of the medium income. It is quite right that we concentrate our efforts to reduce that number and emphasise the need to maintain the generous uprating of the Jersey old age pension. **[Approbation]** Indeed, this pension was increased in October by 1.3 per cent at a time when pensioners' R.P.I. was reducing by 0.6 per cent. None of those pensioners beneath the relative low income level would be impacted by the equalising of exemption thresholds, as none of them will be paying tax or be anywhere close to paying tax. A comparison with the Household Income Distribution Report shows that the current tax exemption thresholds are over £4,000 higher than the relative low income level for a single taxpayer and over £8,000 higher for a married household. Those with an income below the relative low income level do not pay income tax. Therefore, an increase in the age exemption threshold would not and could not benefit them. Just under 50 per cent of over-65s are already exempt from income tax. A pensioner solely in receipt of State pension does not pay income tax. The benefit of marginal rate taxpayers who do not pay tax and benefit from the exemption threshold is wide. An over-65 single taxpayer would have an income of up to £69,000 and still benefit from the enhanced exemption. For a married couple, they could have income up to £114,000 and still benefit from the enhanced exemption. Increasing the age exemption would therefore benefit a married taxpayer with an income between £26,000 to over £100,000. This illustrates that the amendment in front of us is not focused on low to middle income pensioners and most certainly is not focused on lower-income pensioners. As I have already noted, half the pensioners are already protected from the burden of income tax because their income is below the enhanced exemption threshold and hence they do not pay any income tax. If their income is in excess of the enhanced exemption threshold, they only pay income tax on the excess, not on all of their income, as has been suggested by some. In summary, the Budget proposal to maintain the age exemption at the 2015 levels delivers more sustainable finances by providing equity between the generations of taxpayers in avoiding the current and much higher future costs of the current arrangements. We are, by the way, not alone in facing these challenges to our income and we are not alone in facing up to them and addressing them. The U.K. has already grandfathered its age-related allowance and now provides just £60 additional allowance to

those born before 1938 - so 77-year olds or older - and this benefit represents £12 to each of them. The States of Guernsey has just agreed to freeze their age-related tax allowance until such time as a tax allowance for those under 65 reaches the same level. To be clear, in Jersey, a single person has the benefit of £1,700 of enhanced exemption and a married couple £3,300, of which marginal rate tax at 26 per cent applies. In 2013 there were about 700 taxpayers aged 64, the majority of whom would become entitled to the age exemption in 2014. This adds about £300,000 to the £4 million the enhancement already costs. Over a 3-year period this could add almost another £1 million cost to working-age taxpayers. To address the rising cost in the short term, the Budget proposes to limit eligibility for the enhanced exemption with effect for the 2018 tax year of assessment. Thereafter, anybody who turns 65 on 1st January 2017 onwards will not be eligible for the enhanced exemption. Of course, they will continue to be entitled to the standard exemption threshold. This approach will grandfather eligibility and the resultant beneficial tax exemption to those who are already 65 and those who will turn 65 next year. In any grandfathering arrangement there always has to be a cut-off point and for these purposes it is 31st December 2016. In summary, the cost of maintaining an increasing cohort of pensioners, only about half of whom pay tax at disproportionate cost to working-age taxpayers, is unfair and unsustainable, especially for our grandchildren and future generations. We rightly take pride, as does any community, in how we assist those in need and it is only right that we provide support to them. Indeed, that is why we are investing so heavily in health care, to provide care to those in need. In financial assistance terms, it is right that we provide assistance to those on the lowest income groups and this Council of Ministers is determined to continue to do so. This comes with a cost and a much higher future cost. It is right for us not to defer decisions to change our tax system to ensure that we can afford those costs and to be fair between taxpayers. I therefore urge Members to reject this amendment. Thank you.

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

Can I seek a couple of points of clarification from the Minister for Treasury and Resources on what he just said?

The Deputy Bailiff:

Yes, certainly.

Deputy J.A.N. Le Fondré:

Could he just confirm that he said Islanders below or at the relative low income do not pay tax? Second question is: can he confirm that the relative low income levels per household costs are £430 a week? Thirdly, can he define "a household"?

The Deputy Bailiff:

Points of clarification on your speech, Minister, if you able to assist?

Senator A.J.H. Maclean:

Well I think they were more question time but the first and second answer was yes. I did not catch the third one that the Deputy raised.

Deputy J.A.N. Le Fondré:

To confirm, R.L.I. (Relative Low Income), according to the Minister's speech, they do not pay tax if they are at or below the relative low income level and it is £430 a week. The third question was, what is a "household" in that context? Is it single pensioners or is it couples or could it be both?

Senator A.J.H. Maclean:

I believe it would be both.

Deputy J.A.N. Le Fondré:

The point is then, that works out at £22,000 ... sorry.

The Deputy Bailiff:

No, no. Sorry, you are able to ask for points of clarification but not to make points arising from that.

Deputy J.A.N. Le Fondré:

It was his first point then I would ...

The Deputy Bailiff:

If this is your speech then I am happy to call on you. Does any Member wish to speak on the amendment? The Connétable of St. John.

2.2.3 Connétable C.H. Taylor of St. John:

On last Friday the Minister for Treasury and Resources addressed us and he said: “We have searched the records back to the 1980s and cannot find the reason why this exemption was introduced other than we had lots of money at the time and it seemed like a good idea.” It was of course an excellent idea. My memory goes back a little bit further than the Minister’s. It may not be as reliable but there is nothing new about an ageing population. In fact, populations have been ageing for a very long time, and I have been ageing for longer than the Minister. The idea of this age exemption was to encourage people to save for their old age so they could be more independent. Encouraging people to save has always been extremely important and we must not do anything to discourage this.

[10:45]

The Minister for Social Security has said that we should encourage self-independence and we want people to take control of their own lives. So why are we now being asked to approve taking money from those who have saved, those who have taken control of their own lives? This proposal smacks of nanny state: “Give us the money and we will spend it for you on your future health. If you try to be self-reliant you will pay twice; firstly, for being self-reliant and, secondly, in tax.” Age-enhanced relief was introduced to encourage people to save. It encourages people to be independent and we should continue to do so and so I strongly urge Members to support this amendment. Thank you.

2.2.4 Deputy A.D. Lewis of St. Helier:

The Deputy of Grouville’s amendment is well-intentioned; however, I have concerns about it. The Minister for Treasury and Resources articulated a number of them himself. It is interesting when you do a little bit of research into what is going on in the U.K. at the moment and what the allowances are in Jersey. A single person’s is £15,900 and I think a married couple is well over £20,000. In the U.K. it is considerably lower. It is in fact only £10,600 personal allowance in the U.K., in other words, £5,000 difference. It is also interesting to look at R.P.I.s. I always thought that the R.P.I. difference between Jersey and the U.K. was significant and for most of us it still is a bit of a gap. But for pensioners it is about minus 0.6 per cent in the U.K. and it is the same here, so there is not any difference in the R.P.I. for pensioners, which I was surprised about. I thought that that was one of the reasons why we had enhanced allowances and increased pensions because pensions in Jersey are higher too: £199 a week; in the U.K. £155 a week. So we are already being quite generous with our pensions, and rightly so, and I would like to see that go up higher, but we cannot then have pension allowances in the income tax system as well. But one of the questions that I have which concerns me more, and I think the Deputy has not mentioned this in her speech

before but it is a concern of mine, is that if you are single and you are a widow, you only have a taxable allowance of £1,500 but the economies of scale of running your household are not great. When there are 2 of you and you have got an allowance of over £20,000, and a fixed income on a pension, you still have to pay for your maintenance of your house, your electricity bill is still the same, your gas bill is still the same, but there is only one of you living in the house, and that is a concern of mine. I do not understand why we have not made more allowance for a widow living on their own with low tax allowance and reduced pension probably and still the same cost of running that household. There is no economy of scale if you are living in a house on your own. You still have to pay all of those bills and your partner is deceased. As it would appear, ladies often outlive us men, there are more widows than widowers, and some of them are not perhaps quite as good at doing certain things around the household, or rather perhaps do not want to get out there and repair things and so on, so handymen have to come around and there are more costs. I do not think we have made allowance for that situation at all and I am surprised that the Minister for Treasury and Resources does not recognise that. So I have great sympathy for the Deputy of Grouville's proposal. I think it is understandable, her concerns, but I think also it is slightly misleading to some pensioners in that so many pensioners, rightly so, do not pay any tax. We have been told it is 50 per cent - and that is right - because they are on fixed incomes, many of them, and a tax burden in addition to what they pay now would be difficult. The Deputy also mentions a couple of examples which were quite emotional examples and I think points well made. But I would have guessed that the examples she used - and I will be interested in her response - they will not be affected by this because they are already receiving a pension. It is only those that in 2017 that retire will be affected by this change of allowance. So, those examples, although emotive and concerning, I do not want pensioners listening today thinking that: "I am somehow going to be affected." No, it is those that need to plan over the next 2 years for their pension in the future, not those that are drawing pensions right now, so I will listen to the summing-up of the Deputy. I think her intentions are well-meaning. There is a considerable cost ongoing here. The Minister for Treasury and Resources mentioned the next 3 or 4 years of £1 million but we are planning for the next 20, 25 years and longer. So with more of us fortunately living longer, which is wonderful, as the Minister for Treasury and Resources said, that bill is only going to go up and up and up and we want to maintain fantastic public services - health and education - but health in particular for the elderly in our community, and somebody has got to pay for it. Wealthy pensioners should be paying for it and, as many wealthy pensioners that we have, we have obviously many that are on low fixed incomes. The Minister for Treasury and Resources made very clear that there are a lot of people that plan very well for their retirement and are drawing very good pensions. They have paid into them, they have made sacrifices in the past during their working lives to ensure that is the case. But that does not mean that they should pay less tax than a young person just starting out in life and paying more tax than they are, when at that stage in their lives often those people of pensionable age do not have a mortgage, they do not have children to support, they have less expenses, so it is right that they should make their contribution, those that can afford it. Those that cannot, it is important that the exemptions we currently have, the thresholds are maintained at a reasonable level, and I think this does that. But the amendment I think runs the risk of not allowing our future investment in elderly services, in health services in the future, and it could run into many millions of pounds. In fact, I hope it does, because it means that we are all living longer and taking benefit as a result. So I would urge Members to be cautious in their emotional aspirations to this proposition, and it is a very emotional proposition. There are pensioners in our gallery, there are pensioners listening, and I do not want them to think that somehow, at the end of this Budget, they will be penalised, because they will not. Potentially, future pensioners will have less exemption. That is understandable; the Minister for Treasury and Resources has explained why. I do not want pensioners in my constituency across the Island thinking at the end of this debate today they are going to be worse off, because that is not the case. I do not want that to come across like that

today. This proposition, as well-meaning as it is, does give that impression. Members, think very carefully about this: it is emotional, there is detail, there is information and there hopefully is enough for you to make an informed decision. Thank you.

2.2.5 Senator P.M. Bailhache:

I think that the Deputy of Grouville is right, that it is quite easy to become bogged down in detail in debates of this kind, and so I would like to express my own reasons for thinking that the amendment is misguided quite simply. It is important to hold at the forefront of the mind during this debate that 50 per cent of pensioners pay no tax and therefore the 50 per cent who pay no tax, the lowest-earning pensioners in our society, are completely unaffected by the amendment of the Deputy of Grouville. The effect, such as it is, was exemplified very well, I thought, by the letter which the Deputy received from a constituent and it is at those margins of the tax system that the effect will be felt. But what is in issue here, it seems to me, is fairness between the generations, and the Minister for Treasury and Resources spoke quite eloquently about that. There was a time when older people were relatively harshly treated and at that time I think we did have money coming out of our ears and this exemption - enhanced exemption - was one way of making a lot of pensioners better, but that was a long time ago. Numbers of things have been done to benefit older people at the expense, if you like, of younger people. The Cold Weather Bonus is one. Most importantly of all, the double-lock that we imposed on pensions so that whether or not it was inflation that had gone up more quickly or the average wages that have gone up more quickly, pensioners would benefit from the highest of those 2 in relation to pension increases. Conversely, younger people have not enjoyed those kind of benefits. The cost of child care has risen. The expenses of bringing up young children have gone up and up. The percentage of younger people who are home owners is considerably lower than the percentage of pensioners. Why should pensioners enjoy this enhanced income tax exemption threshold? I speak as a pensioner, although admittedly a pensioner who is not at the marginal rate. Why should pensioners enjoy this benefit when younger people, single mothers, lower-paid younger people with children, do not enjoy the benefit? The Constable of St. John has left the Chamber but he suggested that it was to encourage people to save for their old age but that makes no sense. The threshold only applies when you have reached older age so it could not possibly have been intended for people of working age, to encourage them to save, because for them it did not apply. So I would like the Deputy of Grouville, when she replies, to explain for me in simple terms why pensioners should be treated more favourably than people on the same levels of income who are from the younger generations and who are finding life at least as hard as older people.

2.2.6 Deputy S.M. Wickenden of St. Helier:

As I listen to the debate here, I want to put a bit more of a human aspect into it, I think. I am concerned about what is known as a "self-fulfilling prophecy". Why should people who earn the same amount of income have less exemptions than somebody older and a pensioner? Well, as a pensioner, you are more susceptible to cold and to sickness. We are talking about an ageing demographic and the cost of health care. But if we cause pensioners more stress for them to think twice before putting their heating on and should they have this for dinner or not, they are going to get sick. It is a self-fulfilling prophecy. Our health care and our health costs are going to go up. Somebody younger on the same income can think: "Should I put the heating on or should I put a jumper on?" For an old age pensioner putting a jumper on, it might mean 2 or 3, my grandparents are like this, and maybe still feel the cold and cannot move around as much or cannot go around and visit a friend because they are not as mobile. These people have saved well and the idea that the Constable of St. John was saying was we do not want our old age pensioners to have to rely on us for handouts and for the services. They have saved up hard so they can be self-reliant and have some dignity and have that. It just sounds like a self-fulfilling prophecy: as we take more away and

we create more stress, we are going to create more sickness. We create more sickness, the health care is going to go up, but we are trying to do it to save health care. To me it is quite a difficult and emotional thing but I worry about the self-fulfilling prophecy so I will be supporting the Deputy's proposition.

2.2.7 Connétable J.M. Refault of St. Peter:

I did ask Treasury officers this morning to do me a very quick calculation just to give me some context to understand how this impacts 2 people. I am going to talk about 2 people now. For the sake of explaining this point I am trying to make here, they live in a block of flats which is in the Parish of St. Peter.

[11:00]

They are next-door neighbours: one is aged 64 and the other one is aged 65. They both are on the medium income of £19,600 a year. Now the 64 year-old is still working. He pays social security contributions of 6 per cent which is £1,176 and he then pays his tax on his total income of £19,600 less the allowances. At the end of the day, after his tax liability, he is left with £17,059 to live on for that year, to dress himself – clothes - and get to work and back. His neighbour, who has just retired, he has got the same income of £19,600. His exemption threshold under the proposals is increased and he does not pay social security and his tax liability drops down to £962 compared to his neighbour of £1,365. He does not need to go to work every day, he does not need to fund his clothing, shoe leather or a motor vehicle, and he also gets a free bus pass. The question for me is: are we being totally fair to 2 people who are living side by side with the same income and one, because he is older, gets far more benefits than the one who is having to pay for those benefits? This is this point of fairness which I am struggling with. We are not looking after the people that are contributing meaningfully and people who have contributed through their lifetime, we are making life even easier for them at the expense of other people who are in the same financial situation, and it is this challenge that I think is very difficult for me to find a way to support the Deputy's proposal. Thank you.

2.2.8 Deputy J.A.N. Le Fondré:

Right, I will start with the point of clarification I sought from the Minister for Treasury and Resources. So it is on the basis of what we were told in the Assembly which is that he confirmed that Islanders on relative low income do not pay tax. Okay. He then confirmed that the amount is £430 a week per household which equals, by the way, £21,000, £22,000 a year. He then confirmed that households, there are both types: they are single pensioners and they are couples. He did confirm that because I sought that question.

Senator I.J. Gorst:

He did confirm that. He was trying to get the accurate information. It is my understanding, just for clarification, that the household type is a couple and it is not both types as the Minister might have indicated. But I think there was a string of questions, he could easily have misinterpreted it.

Deputy J.A.N. Le Fondré:

While the Minister is on his feet, can he reconfirm then for a single person what the R.L.I. is per week then?

The Deputy Bailiff:

Well I think this is an exchange that really cannot take place within the context of the rules of debate, Chief Minister. It is possible to ask the Deputy, who is on his feet, for a point of clarification from his speech but it is not possible for you to clarify someone else's speech, I think.

I think it would be possible for the Minister for Treasury and Resources to offer a point of clarification if the Deputy will give way, but only in those circumstances.

Senator A.J.H. Maclean:

It is a couple household and you can calculate the difference. I think you are getting your ...

The Deputy Bailiff:

Through the Chair, please.

Senator A.J.H. Maclean:

Sorry. The Deputy is confusing the issue, I think, between the distributional survey and the tax treatment.

Deputy J.A.N. Le Fondré:

I will carry on because it is obviously not a vein that we need to explore. But the point is that the Minister certainly said at the time it was both types of households. If it was both types of households then a single pensioner would be paying tax. If it is not, then I take the correction and we will go away and clarify. But if it was a single household in there, which is what the Minister said - so it would be helpful to make sure he got his facts right - then they would be paying tax. However, I take the clarification because normally in Statistics I think they do combine the households. But anyway, let us just put that one aside; it was an aside in the Minister's speech. Two other points. One is, this does affect all pensioners because any pensioner who is presently getting the level of exemption, it will be frozen, so that is an impact on all pensioners; no question. They would ordinarily have an expectation that the exemption would have been increased. That is not going to happen. I think fiscal drag will then have some unforeseen consequences potentially, so there is an impact there. It may be all about the margins. I think that is the problem. We can have the extremes of arguments about it or we could have: "This will affect people that are earning £90,000 a year or something." From what I recall of the statistical survey, the Income Distribution Report, most pensioners are on quintiles 1, 2 and 3 and that means basically at the lower end of the incoming receiving areas. I think also to deal with the Constable of St. Peter's comment about his 2 people living side by side, well of course somebody who is at 65 is going to be paying less tax because I assume they are no longer paying social security because they have just saved for their retirement. They have now got to that point that they have been saving all their lives to ... they are no longer paying those contributions in that instance and then is finally receiving the benefit. So I am not entirely sure how good that as an argument runs. But let us get back on to track now and say what I wanted to say. For me it is important to understand the measures that we are debating today were not included in the M.T.F.P. that was approved only 10 weeks ago. They commit us to further tax increases of £7.5 million. Yes, that is for 2019. We have been told it is a million or so for the next year for 2016 but ultimately the financial consequences in the overall Budget is £7.5 million extra tax by 2019, that we make that decision this week. So an amendment being made today is not a loss that is going to threaten the M.T.F.P. because according to the Council of Ministers, their plans are robust and their income forecasts are accurate. So this debate is about how much extra income we want to raise at this stage, not about protecting the expenditure plans of the M.T.F.P., if the Council of Ministers stick to what they were telling us 10 weeks ago that their income forecasts are robust and those income forecasts did not include these tax-raising measures that we are debating now. So for me it is about agreeing our priorities and, in this instance, whether we want to increase the burden on pensioners or future pensioners. We were assured that tax increases would be the last resort; that the focus would be on savings. Now these are tax-raising measures; therefore they are in effect tax increases as far as I am concerned and we are committing to them now. I think the other problem is that one of the first measures is hitting pensioners. So it

may well be that we have explored a lot of other avenues, we have drilled down our costs and we still need to achieve more things. Maybe we might come back to this in some shape or form, but why are they one of the first things that we are dealing with when we have not yet seen the savings coming through? What message does that send? Particularly, we still have no idea what the overall impact is going to be and whether this is the best way of dealing with matters. So, for example, the Christmas Bonus at present is gone. Now I think T.V. licences are still in there at the moment but that will no doubt come back at some point for removal. More importantly, we still have no idea what the healthcare charge is going to look like and what the sewage charge is going to look like. **[Approbation]** Pensioners can be house owners, i.e., asset-rich and cash-poor. They are extremely vulnerable to changes in their income. So, for example, the sewage charge will almost certainly have an impact on them. The long-term care charge doubles in January. They are already paying that. What is the overall impact of the changes being proposed which are exacerbated by this Budget? That is where I come from. I have always taken the view that the difference in the tax treatment was recognition that elderly people often have fixed incomes or are very exposed to changes in their income, for the sake of argument, in deposit interest rates and things like that and have additional costs, whether it is health costs or whatever it is. It was that recognition that as you get that bit older life becomes harder and it was about valuing pensioners. In the Budget there is direct reference to the cost to other taxpayers. We have heard it in the speech there. I found it very depressing from the Minister for Treasury and Resources on this one, I have to say, the cost to other taxpayers of this tax exemption. It refers to the inequity of this position. How did we get here? Because we used to celebrate pensioners but now we are inferring this is a subsidy and that they are a burden and that this needs to be removed. That is what it is being interpreted as and it is not nice. Yet, as a defined group of Islanders, they are identified as being vulnerable and also, unsurprisingly, being very concerned about the future. Now reference is made to the U.K.; they have already done the same thing. I get very uneasy about comparisons with the U.K. in those circumstances because you are taking potentially one element out of context. If we cite the recent report from the Statistics Department: "One in 3 pensioners are on relative low income which is twice the proportion of that in the U.K." I will leave it at that. But let us just think about this. This was something quite close to stuff I was involved in and other Members were involved in. If the household is just on the cusp of the exemption limit and just through fiscal drag, the impact of inflation, they get a few extra pounds a week from their pension, enough to bring them just above the limit, they might have, say, a tax liability of, I do not know, £20, £50, something low, but they are now paying tax. They will be paying tax and straight away they will lose the G.S.T. food banks. That is around £230 as far as I am aware. Depending where that goes, that just reignites the whole food exemption debate again around G.S.T. If that got lost, that would cost us between £6 million and £10 million a year, so to me that is really shooting ourselves in the foot. In other words, what are the consequences coming through of these measures when we do not know them in the round? Also, going back to the Budget remarks, if we are worried about unfair costs, about unfair subsidies, why are we not challenging the Civil Service Pension Scheme, for example? Corporate Services Scrutiny Panel queried the long-term sustainability of the scheme; now hopefully that will be looked at. What also came out from our work on pensions was that it looks like the average private sector contribution rate for employers is about 10 per cent. Yet, we, the States, the taxpayer, will be paying 16.5 per cent and that, to my calculations, is a difference of around or just under £24 million a year and that is each and every year that we subsidise the Civil Service. Why is that not inequitable? Why is that not a cost to other taxpayers or rather a cost to all taxpayers? That is just under 30 per cent of the total G.S.T. that we raise. Where is that on our list of priorities to sort out? We often hear the phrase "turkeys not voting for Christmas", I bet that item has not even got on to the calendar. But do not forget also, as far as I understand it, that level of employer contribution, even at the top end, is not taxed at all on the employee which might make it relevant for our future budget. Yet, instead we are going for vulnerable pensioners in the

marginal rate and it is the ones in quintiles - I do not know where we are in quintile 1 - but certainly quintiles 2 and potentially 3 that I get concerned about. On that note, it just gives further credence to the point that the reduction in the marginal rate, that pre-election giveaway - what, 2 years ago - by the previous Minister for Treasury and Resources was not affordable and is not sustainable. I am going to refer briefly to the remarks from our adviser which the Minister for Treasury and Resources has chosen to quote. Let us be clear, C.I.P.F.A. do make more positive remarks around the improvements and the various processes within Treasury and hopefully we will see more of that in the next M.T.F.P. review. In light of an expression that someone used to say to me: "A text out of context is a pretext", so you can simplify a tax system as much as one likes but the context we then need to consider is whether it is politically acceptable and in our case whether we understand the impacts, and I argue at present we do not. In the M.T.F.P. the Council of Ministers were not budgeting on these measures in their income. Just consider what that same adviser says, which no doubt the Minister for Treasury and Resources will accept and agree with, because they raised concerns about optimistic forecasts, that those forecasts that the Council of Ministers set are robust and therefore I think we should hold them to it. They identify, notwithstanding improvements on budget modelling, a number of risks connected with this Budget, including departmental capability in delivering efficiency savings. That again is my problem, is are we putting up taxes first before demonstrating that we are seeing the savings? Are we taxing the vulnerable first because it is easy? They do say: "The continuation of a structural deficit within 2016 and beyond to 2018, with the need to fund net core spend from specific reserves/funds represents a set of serious challenges that go to the cost-effectiveness of core of service delivery. It is clear that economic growth will not, in itself, provide any relief in augmenting the need to re-engineer public services." That is, again, why I keep reiterating that: it is about keeping the pressure on costs and proper structural savings, not just taxing the easy targets now. There have been promises that this will give flexibility and that they may not need to increase the healthcare charge by so much. That sounds great. That is the sort of carrot for somewhere about 2 or 3 years out. What, is that for ever, because I will just give an example? The G.S.T. was introduced at 3 per cent and almost as soon as the initial introductory period finished it increased by more than 60 per cent to a 5 per cent rate. That within 5 years, so when a new system of taxation is introduced, it will go up at some point.

[11:15]

So therefore a promise that maybe in 2 years' time we will not put it up as much is irrelevant because a Minister cannot bind his successor - he may well mean it, it may be well-meaning - he cannot bind his successor, he cannot bind a future Assembly, so it is an irrelevant promise to where we are now. We are talking about introducing 2 new systems of taxation eventually, the healthcare charge and the sewage charge, with all the attendant added admin costs, and there will always be some. Then they will increase in the future no doubt. The fact that the Minister, by taking extra money now from the vulnerable, and may give it back to a different group later, I repeat, is irrelevant. Now, in conclusion, Ministers during the M.T.F.P. spoke about holding their feet to the fire. That is a direct quote from the Chief Minister and others. I think personally that this amendment is the start of that process. This is all new money. It was not in their plans in the M.T.F.P., therefore they do not need it. We should hold them to their original targets. They have not thought it through and we do not know the overall impact of all of the various measures in play or planned, and particularly on pensioners. Until we do, we should be supporting this amendment. I cannot be right we do not have the data to make that decision. As far as I am concerned, we deserve better, the public deserve better, and we should be demanding better. On that note I will urge Members to support this amendment. **[Approbation]**

2.2.9 Deputy P.D. McLinton of St. Saviour:

Firstly, I think I should maybe throw a bit of balance into something that Deputy Andrew Lewis said earlier and that is there are some ladies who can do things around the house that men cannot. For example, I have only just stopped my mother, who is in her late-70s, from wallpapering to avoid my father from hanging diagonal wallpaper with bubbles you could live in. I just thought I would make that point. **[Laughter]** Interesting statement earlier: “We looked back at the records and we cannot find the reason why the exemption was introduced in the first place.” I would suggest it is to say, in some way, shape or form: “Congratulations for living long enough, would you like a bit of financial wiggle room so that you can continue to live your life with relative comfort and safety?” I would suggest there was a reason, it was not just: “We have lots of money, let us bung it some pensioners’ way.” So there was a good reason behind it. The argument that has been made that 50 per cent of pensioners pay no tax at all in some ways should be celebrated, I mean good luck to them, well done on not paying any income tax, 50 per cent of pensioners. It is only because they do not have enough money coming in, in the first place, that they do not pay any tax. **[Approbation]** It is not a cause for celebration. The other point, why should pensioners receive the tax exemption when younger people do not? For a while now I have been thinking of myself as a younger person. I am probably running out of that option rapidly now, but the reason is that younger people have a breadth of possibility to earn more income, perhaps they have to do an extra job sometimes, perhaps they put in a bit of extra overtime. When you are a pensioner you run out of options to improve your income; plain and simple. You would like a little more security. I will make this point, and this is well worth knowing, several years ago in 1980-something or other, this tax exemption was introduced. There is always a struggle with taking things away from people. I will refer to a thing that we do as a species, this is in behavioural science, it is called loss aversion, I will quote: “Loss aversion refers to people’s tendency to strongly prefer avoiding losses to acquiring gains.” It is a risk aversion thing. Loss aversion implies that one who loses £100 will lose more satisfaction than another person will gain the satisfaction from a £100 windfall. In other words, people are really going to feel this, they are really going to hurt, and it is our duty to give our pensioners options in their old age, because we are all heading that way, they are not a different class of people, they are people who provide society up to the age when they want a bit of security in their old age. I urge all Members to support this proposition.

2.2.10 Deputy S.Y. Mézec of St. Helier:

I am pleased to be able to follow those speakers. Senator Bailhache said in his speech that he was speaking as a pensioner and he wanted to ask the Deputy of Grouville in her summing up if she could explain why she thinks pensioners should be treated more favourably than younger people. I am speaking as the youngest Member of this Assembly and I want to say that I have no problem whatsoever with pensioners being treated more favourably than me, and I think it is mostly for the reasons that Deputy McLinton has just outlined. It is the simple fact that, if I were, for whatever reason, struggling with money or I decided I wanted a little bit more just to enjoy life a bit more, I have more possibilities of what I could do. I could get a job in the evenings, I could potentially do some bar work in my constituency, I am sure there are plenty that would enjoy the novelty of that. I have a pretty small business interest in something I founded a few years ago, which the only reason I have not expanded it is because I have not needed to or have not had any desire to get more money through that. If I wanted to I could do that and obviously I would declare all that extra income through the correct channels of course. But I have that scope to do that. Many of my friends who are my age have the ability to do that too. Whereas pensioners are far less able to do that, many of them have had jobs, which have been very tiring throughout their lives, and when they get to a particular age it is very difficult to go through the physical strain of doing many of those jobs. So that must be why this tax exemption exists in the first place, as our way as a society saying to these people: “Thank you for the hard work you have done throughout your life, we want to do something to make it a bit easier.” So I cannot for a moment imagine that there are many

people my age who resent the fact that there may well be pensioners out there earning the same amount of money as them but who have a lower effective tax rate. I cannot imagine there are many young people who resent that. But what I can imagine, there are people who resent, and I certainly resent this, is the fact that there are people on this Island who are earning significantly large amounts of money who do pay a lower effective rate than many of us, whether that is through the cap on social security contributions where the highest earners will pay, as a proportion of their income, lower than most working people, whether it is the high-net-worth scheme where, if you are earning millions, your effective rate will be much lower than someone like myself who is paying the full 20 per cent. That is what I resent. That is what many people in this Island resent and what we resent now is the fact that the Government is targeting pensioners. That is something the Deputy of Grouville said. I think most people have no doubt about it; that is the case, they are targeting pensioners, and they are doing it because they perceive them to be easy targets, they will not fight back, there we go, we can get away with it. That is the ethos of this Government. They are not going after the people who could afford to pay the most. We heard this wonderful speech this morning from the Minister for Treasury and Resources about how none of this is the fault of introducing Zero/Ten. I think the numbers of people who believe that are getting fewer and fewer lately as we have found out that this black hole now exists and the Government is trying to clutch at whatever straws it can to find ways of addressing that black hole without getting around to the real issue, which is that we have a tax system that was constructed at a time where the aging population was not as much a consideration as it is today, and that is the flaw here. The Government one day will have to get its head around this fact and address the problems with our corporation tax system and our income tax system and, in the meantime, I think to be targeting pensioners is utterly shameful and on that basis I will certainly not vote to support anything the Government does targeting those people and will gladly be voting to support the Deputy of Grouville's amendment and I urge all States Members to do the same.

2.2.11 Deputy L.M.C. Doublet of St. Saviour:

I am finding this debate very difficult today and I came into the Assembly this morning fully prepared to support this amendment. But I find myself quite torn. Some of the early speeches where the speakers were talking about balancing the pressures on older Islanders and our younger Islanders really struck a chord with me because I do think that we need to look after the older members of our society. I fully support the principles of this amendment, but there is an equally valuable principle that we must not make things difficult for the younger Islanders. The fact that I think it was the Minister for Treasury and Resources gave us that in 30 years' time the amount of working people per pensioner will have halved; that really scares me because when I think in 30 years' time, that is the children I used to teach - that is those 3 and 4 year-olds I had in my class - and I think what will life be like for them? I do find this very difficult. I am undecided at the moment and I would really like to hear from the Constables on perhaps some of the real impact that this might have on pensioners. I think Deputy Le Fondré touched on that, on some of these debates we do not really know the human impact that this will have on real people. So perhaps the Constables could help me a little to decide and just elaborate maybe on what kind of impact they think this will have on their older parishioners versus the long-term impact on their younger parishioners. So, yes, I am undecided at the moment, but I hope perhaps there will be some more Members speaking to help me make my decision today.

2.2.12 Deputy M.R. Higgins of St. Helier:

There have been some excellent speeches this morning and I happen to agree 100 per cent with Deputy Le Fondré and I also happen to disagree with Senator Bailhache and his comments. Senator Bailhache basically said that we are playing-off the elderly against the younger; that we are giving preference to the elderly and penalising the younger people who cannot afford housing or

cannot get child care; the truth of the matter is that is a failure of this Government and the Government before it. The housing situation is really, really dire. Young people cannot afford to get a house. Why? One, they cannot get the mortgages, in many cases there are many of them who are working on zero-hour contracts who would not even be considered for a mortgage, let alone a loan. Child care: we all know it is expensive but what have we done to increase provision of it? We have more working people, working mothers, than I think anywhere, because it takes 2 incomes to survive in this Island in many, many cases. So my own view has been, since I came in this House, that we need to look at the tax system; it has been said by others. The tax system is totally wrong. It is so skewed towards those who are the most wealthy in the Island. What I believe we should do is that we should have this full tax review, and I personally will not agree with any of these increases against the elderly and so on, because I do not think the work has been done. I think for 7 years we have been asking for the review and they never have done it. I do not believe they ever will unless they are forced to do it. So, basically, I will not support most of the Budget proposals quite simply because they have not done this review, which needs to be done, so we get a fair and balanced tax system. The second thing is they have not done the impact assessment. People have made this clear. They - and when I say "they" I am talking about the Council of Ministers - do not have a clue. They have made these decisions and said: "We are going to drive them through, we need the money, but we do not know what the impact is going to be." To give you an example, I asked a written question of the Chief Minister, which I was hoping we might have before the Budget debate, I asked for figures on all increases over the last 7 years by States departments and others, what the increase was, what the percentage was, and I also asked for the figures on inflation in that period of time. I think, had those figures been ready, we would see that the States are one of the main generators of inflation, because they are putting above-inflation rises, and it is mainly going to the lower and middle income people. So basically the fact that there is not a tax review, we have not had it, and we do need to have it, it is urgent, and in fact even I think it was John Shenton who was on BBC Jersey the other day, who is a tax adviser, was saying the system is broken effectively and you need to start from scratch. I think the Council of Ministers would get far more credit if they did that in an open and transparent way and give up some of the sacred cows they have. They do not want to charge the wealthier more. They do not have any solution, for example, to the whole corporation tax debate. We know that since Zero/Ten came in personal income tax has increased phenomenally. That is a deliberate policy of Government. Until they find a solution to the corporation tax situation, they are constantly going to be coming back and asking for ordinary people to pay more, and I disagree with that. So, just to summarise then, until we have that tax review and we can see that we have a totally fair and balanced system where everybody contributes what they can afford, effectively, and also an impact statement, then the Council of Ministers cannot count on my support for anything. I probably will not speak in this debate again because my stance is the whole thing is flawed and I cannot possibly support the Council of Ministers, but I will support the Deputy of Grouville and some others.

[11:30]

2.2.13 Deputy S.M. Brée of St. Clement:

I have listened to obviously the various arguments that have been put forward this morning on this particular amendment and I am beginning to think that the Draft Budget Statement 2016 should be subtitled "How to Lose Friends and Alienate People". **[Approbation]** I also am very concerned by what seems to be creeping in more and more when we see comments from the Council of Ministers to do with amendments that are brought, which is in comparison with the U.K. This is constant; it is always an argument put forward: "We should follow the U.K." Why? I do not look upon the U.K. as being an ideal society. So seeking to ape what is done there frankly, in my opinion, is foolish and misguided. We are not the U.K., we are Jersey. We have a different way of doing

things over here that have been built up over traditions of looking after people. The comment “the Jersey way” has been taken unfortunately by some people to mean something completely different to what it is. This amendment is seeking to continue to support Islanders by financial means in their retirement and into old age. It is recognising that the financial burden on somebody in retirement and old age is different to somebody who is working. That is common sense. I cannot see how it can be wrong not to continue such support. That is fundamentally what this amendment is about and I would urge anybody who is considering which way to vote on this amendment to consider it is about continuing support; that is all. I think, as an Island, we need to make a stance and go: “Yes, we are a caring society. We understand the differences.” Therefore, I will be supporting this amendment.

2.2.14 Deputy K.C. Lewis of St. Saviour:

It has often been said that a society is judged by the way it treats its less well-off. But I will keep my comments to the pensioners at the moment and I want to talk about fear, the fear of the heating bill landing on the mat. Some people have put in solid fuel burners, coal, gas, logs, and because it can be carefully monitored, shutting down their central heating systems so there are no surprises. Walking around my Parish during cold weather I can smell who is burning what; I have a very big nose. **[Laughter]** I can smell who is burning gas, coal, wood, oil, and who is burning rubbish, which some people do to keep warm. When I say “rubbish” I mean wood off-cuts, chipboard, M.D.F. (medium-density fibreboard), which is toxic, but this is what people are doing to keep warm. People going into the supermarkets now, I have seen many, not just senior citizens, but young families, hovering around the nearly out of date store with the yellow stickers just so they can get something cheaper, a bag of rice may last several days. When one retires, you are retired, you have done your bit, you have paid your dues, and you should be able to enjoy your retirement. I would like to remove parts of this fear that many senior citizens have by supporting the Deputy of Grouville. **[Approbation]**

2.2.15 Senator P.F.C. Ozouf:

I hope that the Deputy of Grouville and I will still remain good political friends after this amendment because I think that it is perfectly appropriate that she brings the amendment because I think it is a good debate to be had and, unlike some of the rather unpleasant accusations that were hurled at certain Members on their arrival in the Assembly this morning, I thought the way in which this debate generally has been conducted has been respectful and it is entirely appropriate that we have political differences and we debate things properly and in a respectful way and that is the way of this Assembly. I for one regret the fact that we seem to be seeing some of the activities that we saw this morning, because I do not think that is representative of Jersey society. We have differences and we must find solutions and we have a responsibility for all. **[Approbation]** So I commend the Deputy for bringing the amendment because it is a proper debate to be had, but notwithstanding that, I wish to suggest to Members that in fact it would be the wrong decision, in the longer-term interests of the Island community that we are here to serve, to support it. One of the former speakers spoke about targeting pensioners and in fact I would like to say respectfully that this is a Council of Ministers, as the previous Council of Ministers attempted to do, that absolutely did target pensioners, but not in a negative way, not in a way that was designed to reduce their standard of living, but in fact to improve it. I know that it has been repeated, but it needs repeating again, that there have been a number of ground-breaking permanent and lasting fundamental game-changing ways in which we have improved, and will continue to improve, the lives of our growing senior citizen community. Deputy Kevin Lewis, also a good political friend, speaks with some degree of emotion about certain people in the Parish of St. Saviour who appear to be unable to afford their heating bills. Well, we have an income support system, we have community Parish-based systems in all sorts of Parishes, in St. Clement and others, that are there to

identify if there are pensioner households, or indeed any low-income household, that is effectively not receiving the entitlement which they are entitled to with income support and the other benefit systems that we have. Over the last decade or so we have increased very substantially the amount of money available for income support. That has become more targeted; that has become more appropriate. For our senior citizens community, I know very many that have received free, rightly, the benefit of free insulation, new boilers, new arrangements to heat their homes, in terms of reducing their energy bills. It is not right that it is represented that this Assembly, as I was also told by a member of the Senior Citizens Association at one point, that pensioners were being thrown on the slag heap of political consideration. Quite the contrary, many of the difficult decisions, which the Minister for Treasury and Resources in his excellent opening remark spoke of the savings that are being asked of other departments, of the economies and the efficiencies that are being asked, driven by eGov, by modern and new ways of management, many of those savings are what; what is happening to them? Are they being used to fill this pejorative, this explosive black hole that somehow appeared as a figment of some people's imagination, worrying people about the fact that the future was going to be so dire that they were not going to have the opportunity for work, whether they are pensioners or otherwise? On the contrary, we are in a strong position because this Assembly has made important decisions to invest in our infrastructure. We have made investments, the long-term care charge was brought in a year early, paid for out of taxpayers' funds, in order to give pensioners the certainty that they would not have the difficulty of meeting the care costs. Not just the promise that was made in previous U.K. general elections, in fact there have been promises for a number of years that this would be brought in. We have the reality of it and it was brought in early and paid for out of taxpayers' funds. I am proud of that decision that the previous Assembly endorsed because that has meant, and if I may also make a comparison with Guernsey, our scheme is better because it deals with domiciliary care, which gives our senior citizens the certainty of the dignity and the choice of where they want to be cared for in later years, whether or not it be in a residential setting or indeed in their home. That is the kind of ground-breaking decisions - courageous decisions, far-sighted decisions - that this Assembly has taken. It is easy to point out... and if I may just return to the remarks of Deputy Kevin Lewis about energy costs, I stood yesterday in the Assembly and attempted to explain the fact that we will, and will continue to do more to understand the reasons why, if there are issues in relation to people's heating costs. That appears to be a common theme among the concerns about rising pensioner living costs for senior citizens. We are going to get to the bottom of the heating cost issues. I do not understand at the moment and cannot stand in the Assembly and say today that all is entirely satisfactory in relation to all energy markets. Competition is important and by good information we are going to be able to have good consumer advocacy and empower people to make the decisions themselves about which energy sources that they need. They do not, if I may say, need to take the generous offer of the assistance of Deputy Kevin Lewis with his free delivery of I hope more legalised products that are in their wood burners. Certainly that of course is a welcome addition, but it should not be the mainstay of people's source of energy. There is nothing... I have not met a single individual in Jersey that is in such difficulties that has not asked for the assistance of the authorities that are capable of giving them, i.e. Social Security with income support that is unable to have the resources to meet their own home. We have a caring system in Jersey. We do transfer payments and we have increased them very generously in years apart. We are going to be relentless in our focus to make sure that the energy markets are working in the interests of consumers and giving people the information that they need. If there are issues with the gas company then give them the options and perhaps the assistance to transfer to different heating sources, but of course the best way to reduce costs is to have insulation, and so perhaps every Member, when they visit their constituents over the Christmas period, if they see a pensioner household that has not availed themselves of the free service for insulating their homes to a high extent, if they do not have it then send them to the Eco-Active Department who will give them the care and attention, free of charge, in order for them to

be able to deal with that. If they are not receiving the benefits to which they are entitled with Social Security then give them a hand, tell them that they go to the Minister for Social Security's department and they will receive the appropriate respect and understanding for them. Many pensioners do not want to ask. We must encourage them to ask in a most respectful way. It is not right to say that this is simply an attack on pensioners. It is so far from the reality that it is almost I think an erasing of all the measures that this Assembly has taken in recent years. I will not even begin to of course focus on the huge investments that are being made in the health service, giving people respect and dignity and getting the care and treatment they need in a modern setting. What are we doing in terms of the additional money from the health service; who is this for? This is for because we are one of the few Assemblies in the developed world that is looking into the future. This Assembly and the Minister for Treasury and Resources can stand today and speak of a good balance sheet position, not debt of 80 per cent of G.D.P. (gross domestic product) as in the United Kingdom, which would mean that the Minister for Treasury and Resources has inherited a debt mountain equivalent to £4 billion. No, we have a net asset position of £5.6 billion. Has that happened overnight? Absolutely not.

[11:45]

But the difficulty is of course short-termism. All those difficult decisions that got us where we are today could have been put off, they could have been put off so today we have a much bigger problem to deal with. The reality is, which is a fantastic thing, that we have an ageing community that is going to be increasingly greater in their numbers in the brackets of 60, 70, 80, and I am sure that His Excellency will be delivering even more 100th birthday cards in the years to come as we see so many more of our Island community living so much longer. That is a great thing. But we need to be realistic. There is no alternative. There is no alternative but to consider the trade-offs and this is what we are talking about. We cannot simply be, and have never been in the past, an Assembly that has shut our eyes and put our fingers in our ears and not faced the future; faced the future with honesty and reality. Most governments are not dealing with the future. They are dealing with the short-term crises of today. They are not looking into the future. Early decisions carefully judged and small incremental decisions have always served this Assembly well and what the Minister for Treasury and Resources is asking is for this relief to be phased-out and for there to be no new recipients of the extension of the relief. We have all seen the political debates in other places. We hear the Conservative Government in the U.K. hail the fact that there is a £12,500 tax-free allowance, which is an ambition, against their frankly meagre state pension, the rest of which is means-tested. We have here a situation where, even before we get to the age-enhanced relief, our tax-free allowance for individuals for a standard rate is £14,200. That is massively greater than that of the United Kingdom already and we are tackling the issue of competition. It is a myth, and I do not accept the arguments that Jersey should be a high-cost society. We have G.S.T. at 5 per cent, not 20 per cent. You can argue with the food exemptions it would be slightly higher, but we have massively lower costs. Parish rates: I do not think any Constable is just about to... notwithstanding the Minister for Treasury and Resources' complimentary remarks about the Parish rating system, no Parish is going to be levying, in future, the kind of community charge that exists in the United Kingdom, which would mean that there is no relief, but a cost per pensioner household sometimes of over £1,000 a year for all households. It is a myth to say that this Island is a high-cost Island in all respects and we must deal with the high costs where we identify them and ensure that all members of society, but especially pensioners, get value for money. The reality is that we need to face the reality that we cannot, as Deputy Doublet so thoughtfully said and so properly recognised, that if we do not take the decisions now in terms of removing reliefs that simply cannot be afforded in the longer term, that are simply not targeted, we will be storing-up greater problems in the future. We are faced with a strong position but early decisions taken - perhaps there is a criticism that this should have been done earlier - I would like to think that when these decisions were originally

made it was simply because they were regarded as being because we want to help senior citizens. I suspect they were in the days when money was aplenty and it was effectively good news budgets that could give money away perhaps in an untargeted way, which subsequently we have perhaps needed to reverse some of those situations. But we are not reversing a decision for the existing recipients, we are simply grandfathering them, we are planning it, and just as the previous administrations have signalled future intention about mortgage interest tax relief, so this has been signalled for some time. Perhaps the mistake was to not deal with these issues when we brought in the free benefits of, for example, the long-term care charge. There was a great benefit for all sorts of things with the peak use allowance, with social security, and there was no consequence. When in a recession you spend more money, and so what we are doing is we are now inviting the Assembly to make the decisions that perhaps should have been matched when the increased benefits for pensioner households should have been made. It is easy to forget the difficult decisions that we have made in the last few years and it would be wrong to simply, with the greatest of respect, suggest that this is a targeted benefit to attack pensioners. On the contrary, we must do more and we must do even more to ensure that the increasing ageing society has the ability to live good and productive lives so that they can reach their potential for as long as they are able to do so. No pensioner who currently receives the benefit will lose it as a result of this mechanism. We are basically maintaining it at the current level, it is for new recipients. I am told that 70 is the new 60, 80 is the new 70, and 90 is the new 80. Last night we were I think all incredibly proud to see a certain individual's father who has reached a grand age and is clearly in a great position at the dinner to celebrate the contribution of the Greffier. I want to look after all of our senior citizens. I want to create a better life for them in the future, but I want that life and our public finances to be affordable and I want to be able to distribute the money in the most appropriate and targeted way. Simply giving somebody a tax-free allowance when you become 65 or slightly older is not the right thing to do. It is unsustainable, it is unaffordable, and the decision needs to be taken, as difficult and as challenging as short-term decisions are, it is the best decision in the longer term, and with the greatest of respect to the Deputy of Grouville, it is good we are having this debate, but let us think about the medium and long term and not be simply attracted to a short-term decision, which, if we put it off, the problem will only get larger. **[Approbation]**

2.2.16 Deputy R. Labey of St. Helier:

No, the reality is very different to that expressed by Senator Ozouf. The reality is, in the words of David and Pat, my constituents: "This will cut our income in a real way and over a few years will mean we will need to ask ourselves whether we can afford to turn the heat on or not in the winter. We own our own house and we have some savings but we fall outside the States support schemes. We are also aware of 2 ladies in other Parishes who have been unable to have heating over more than one winter because they cannot afford it." That is the reality and that is just one of the correspondence I have had from my constituents, and I have just passed it on to Deputy Doublet who I would remind that it is not a question about whether we hit the old or whether we hit the young, hitting the old here in this circumstance is going to hit the young too, because, among these 7,000 or 8,000 pensioners is the vast army of grannies and granddads who look after school-age children when mum and dad is at work. **[Approbation]** Squeezing them until the pips squeak is not going to not harm young people as well.

2.2.17 Deputy M.J. Norton:

Much of what I was going to say has been covered at reasonable length by Senator Ozouf so I will not cover too much of that. He has outlined some of the good work that has gone on with regard to many of the benefits that pensioners are receiving. It was noted earlier on that 50 per cent of our pensioners do not pay tax and whether we celebrate that or not it is something that we must think about. The removal of this benefit is a removal that will not affect those who are not paying tax, it

will not affect 50 per cent of those pensioners, and earlier on it was deemed, and I do acknowledge that those 50 per cent of pensioners who are not paying tax are probably the ones who are in the vulnerable bracket. As it is not affecting them in any way, I did find it rather misguided from Deputy Le Fondré to continually say that this was targeting the vulnerable. It was not targeting the vulnerable at all. I will just conclude by saying that, with the greatest respect again to the Deputy of Grouville, I think this has been an excellent debate and one that has been worthwhile having and very thought-provoking, and, like Deputy Doublet, I found myself finding great difficulty with this, but I think that there are vulnerable right across our society, not just pensioners. Yes, there are some pensioners who are vulnerable; they will not be affected by this. There are vulnerable young couples, vulnerable single people, and they too need our help. There are people who will be vulnerable in the future who at the moment are school children, they will need our help. We must think long term. With regard to back in the 80s or whenever it was that this was introduced, and to those comments of money coming out of our ears, there was indeed a time to be generous, and to quote a friend who said this to me just the other day, there was indeed a time to be generous, but there is now a time to be fair. I cannot support the proposition.

2.2.18 Connétable J. Gallichan of St. Mary:

I was not going to speak at this point but it seems to me that a lot of things have been said on a very wide-ranging spectrum during this debate, whereas of course the Deputy's amendment is focused in a particular narrow way. I think the reason for that wide spread is that generally speaking we, or certainly I, do not feel I have all the necessary tools and information to make the best decision at this time. What is very clear to me, and what has been brought up in some of the speeches, we all understand that we need to change. We need to change the way we collect our taxes, we need to change the way we spend them, we need to change right across the board. We are lumbering along in a dinosaur situation really and we are waiting for that great comet of revelation to hit it and for the new order to rise from the cataclysm. I mean that may seem a bit extreme, but for people out there on the street they are only looking at small elements that target them and they are not seeing the bigger picture necessarily. I have said it on many occasions to the Chief Minister and to other Ministers that this Council of Ministers has done an absolutely appalling job of explaining some of the very essential changes that they have set in motion and the things that we are still needing to do. Because I do not believe that the man on the street really understands the depth of the situation and how things that are being promulgated now are being done, not out of a sense of targeting and unfairly treating people, but out of a sense of we need to change the way we do things because it is the right thing to do for Jersey as a whole. I really honestly do believe that the Council of Ministers has to man-up and take that criticism because I am absolutely getting nowhere with making it on a small scale, this is why I am doing it publicly today, but I really feel a lot of the problems we are having now are because of really bad communication of the necessity to act and the reason to act, and now I have said it. Because I certainly have no intention of targeting any element of society, young or old, or whatever, unfairly; it is the unfair element that is crucial. With that, my head and my heart argument, it says to me to vote against this proposition because there is an element of inequality, there is inequity, and if we do not do something about it it just grows. The problem that I have dealing with that - and I mentioned not perhaps having all the tools that I needed - is we know that this exemption is being frozen, as far as I understood it, until other exemptions have caught up over time. We do not have a timescale and the Minister in the briefing was very clear to say that this was not the time to put a timescale on it. Well I need to have some sort of timescale because, bearing in mind - and Deputy Doublet asked how this would affect pensioners - that we are looking at a change now for the people who are coming up to getting this exemption, but not already having it; and bearing in mind that on the horizon there are other charges, which we have mooted, but we have not quantified because that is for further down the line, I am finding it very hard to understand whether this is the year to do it. I am quite convinced that this is the right

decision, but we have to make things more equal, but I am not quite sure, for the extra £300,000 that we are talking about for one more year, could I not have some more information before I make that crucial decision?

[12:00]

I really find it very difficult. I know that some pensioners will find this a shock. The ones who are at the cutting edge will not have a difference, let us be quite clear about this, because, if they are not paying tax, this does not affect them. It is a difficult thing, but again the pensioner on the street does not understand the limitations of this and that again is the communication problem. I really have a great difficulty that we have not prepared the public for what we want to do, and that is our fault collectively for perhaps not holding the Council to account more, but I really feel that the messages need to come from our Executive and they are not coming from the Executive. **[Approbation]** As I say, I had not prepared to speak now because it seemed to me that what I wanted to say, if I was going to say anything, was coming later in the debate. But I have heard the top range from G.S.T. to increasing the base level of tax to all sorts of different things. I am very conscious, what I am clear about in my own mind, is that I am not advocating; I would not support any kind of change in, for example, G.S.T. or tax level, because that throws more money into the pit. What I need to do first is to make sure that we are spending the money that we get in now wisely and that we are getting the money in fairly now and under the terms that we have already set out in our current tax regime. I am not convinced at all that we are maximising - awful expression - but the public's bang for their buck. I really feel that we have not communicated what we are trying to do and I am convinced, and it was mentioned last night by somebody who we all hold in great esteem, that there is not a single one of us, I do not think, that has come to this Assembly without wanting to do something for the good of the public. **[Approbation]** We are all looking at it from a slightly different perspective. A lot of it will depend on what your demographic in your constituency is. In St. Mary I know I am very lucky, but one thing I do know is that my senior citizens are the doers of the Parish. They are not on the scrap heap or the slag heap, they are the people who participate, they are the people that keep things going, and I certainly do not want to make things more difficult for them, but also I am very conscious that there are a lot of people out there who this measure would not affect at all. There are other cash-poor but asset-rich people - the house owners - who do struggle to keep their houses going, but of course they are not paying tax because really their asset is their property. So, I do not know - Deputy Doublet did ask - whether this does have a huge impact on all the pensioners of St. Mary, but I do know that across the Island I really do not understand how the future changes that are coming, not in 10 years' time, but next year and the year after, are going to affect, not just the pensioners, but the younger people, everybody right across the board, so please, I am asking to the Council of Ministers to arm me with the weapons I need, to arm the public with the shields that they need, to let us know what their real fears are - but rational fears - fears that we can address, not fears that have come from not knowing. That is my real problem here, I do not know. I think what would be the difference in waiting one year would be £300,000, I am told, in the extra people who would be caught by this, but to come back at this time next year when we all know where we are going, when we all know more about what sacrifices have to be made, how we can get more funding in, and then ask me the same question and I think probably I will give a very different answer. **[Approbation]**

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

It is interesting to go through this type of debate in this type of format once again and I was particularly struck by the words of Senator Ozouf who appears to live in a Panglossian world where everything is for the best in the best of possible worlds and he was describing a situation, which I could hardly identify; he must be living on a different Island to me. He says to go along to Social Security and your problems will be solved. I say to him, no, the special payments fund has been

cut back, the number of items it can pay for has been cut back, and that what you might do, if you go along to income support, is find that the support is not there rather than automatically there, with respect and with proper regard for age or whatever. The reality is, as he said, we need to look at the reality. The reality is that this is about a tax measure, which is well known to tax men, it is called fiscal drag, and it is enjoyed by Comptrollers of Income Tax and tax people because you increase revenue by doing nothing, so you freeze a benefit, you freeze a threshold, and you get more tax from it. It sounds perfectly reasonable unless you are on the cusp of the difference between paying tax and not paying tax, as Deputy Le Fondré pointed out very early on, correctly. If you go over that threshold then you lose quite a number of other benefits straight away, you are a taxpayer, right, that is £200 less in a particular benefit that will not be coming your way this year. But, not only that: for example, the Minister for Treasury and Resources was very proud of saying: “We have put 1.3 per cent on the States of Jersey pension.” What does that mean? Well, if you are on a full pension, £200 a week, that is something like £2.60 a week, times 50, that is about £130 a year. If you freeze that you are worse off, and if that becomes taxable because we have changed the threshold that is about £32 in the year extra tax, or tax that you are not avoiding. That is an extra burden, make no doubt about it. If inflation next year is as predicted at 2 per cent, now that is the latest prediction, and the year after that at 3 per cent, that gets compounded. Every time you freeze you get a little more tax or a little more exempt from tax. The Minister is increasing his tax reserve by doing nothing and £25 or £32 this year might mean £60 the year after, £100 the year after. If you are on that cusp it goes up very rapidly, it rapidly doubles, and that is the reality. Now, we were asked by Senator Bailhache: what is the motivation, how does this promote savings? But the Constable of St. John got it absolutely right: why was this introduced? It was introduced to encourage people to make savings for their independence in old age. That is what the aim is. That aim is still there today. Talk to the Minister for Social Security: she talks about fiscal independence and responsible saving. That is the reality, we have always done that. To take this away now is merely to scaremonger, we must do something, we do not know what to do to cater... and this is where Deputy Doublet should pay careful attention to the conflation between something that we are doing now and is short term and something that is long term. So you hear these frightening numbers from the Minister for Treasury and Resources talking about 30 years down the line and he says: “We have to do something, so we are doing this.” This is targeting. This is targeting, not the very worst off, he had some kind words to say about the very worst off and we might hear more about them later on today, and I will try to quote him, but this is the low to middle income people where it is going to bite. But he says: “We cannot indefinitely, it is unsustainable, it is unreasonable, we cannot afford it in the long run.” Yet, what is he doing, what is the Minister for Social Security doing? The Minister for Social Security is examining the way in which we fund our pensions and our support for the elderly, largely, and those with a disability, but largely the elderly, and is committed to doing a full and thorough review of mechanisms by which we can support pensioners and the elderly. I will just take you through them because the plan is there. This is not the only option to cater for those frightening numbers 30 years down the line. The options include increasing the liability for contributions from higher earners. One of the options that might well happen, that might be in the pipeline, reviewing the level of standard earnings limit and the upper earnings limit. That is a measure that we might change to raise more funding to pay for the elderly; increasing the percentage rate for contributions. That is perfectly possible and is an option that may well be 2 years, 3 years down the line, depends when they report, but they are committed to reporting on it in depth. Reviewing the balance between employer and employee contributions might be an option; that could be on the way. Reviewing the liability of self-employed contributors again could be on the way. Reviewing the method for operating pensions and benefits, now that would be a hard decision, that would be a tough decision: “We are going to cut your benefit rates, cut your pension rates.” But where was that statement, or where was any statement: “We are going to freeze your allowances, all you pensioners in this room, we are going

to freeze your allowances, your exemptions,” where was that in November? Did I hear that from any of the Senators sitting opposite me, from the Chief Minister, Senator Green, Senator Farnham: “Oh no, we are committed to looking after the old folks” and quite frankly, Members, this is the only place I come where people talk about fairness meaning levelling-down, where people talk about resentment in some way for looking after our pensioners. Out there, whether they are young or whether they are old like me, because I am a pensioner, they say: “No, we must look after you, you dear old pensioner.” We owe it to our pensioners to look after them properly. That is what people think out there. I do not have to apologise for being one of those pensioners recently, you have to look after me. Wait for it, increasing the State pension age, we are already making some moves on this, but I do not know how far we can go with that, can we raise the State pension age to 70 or should we try and get a few more years’ work out of people; 75? Perhaps that might be suggested. The reality, and I think we are already seeing it, is, as you move away from 65 or 60, if you move away from that people in their 60s who are still required to actively seek work break down, they fall ill, and what does not appear on your pension bill appears on your health bill. That is the reality of endlessly stretching the pension age, so I doubt that there is any mileage in that, but nonetheless we are reviewing it. Reviewing the eligibility for pensions; perhaps we might increase the number of years you have to do before you get a pension. That would be a tough decision. Reviewing the range of working age benefits available. So, rather than doing anything at pension let us cut the benefits, let us eliminate some of the benefits, that might be an option. All of those are ways of dealing with these massive numbers that we get frightened by when we talk about 30 years hence. All of them are actively being reviewed either this year, next year, or the year after, to come up with long-term solutions. So do not be tricked into being afraid of the big numbers that the Minister for Treasury and Resources quotes at us, because the people responsible for our pensioners are working on it and will be working on it for the next 3 years, and we will be facing some hard decisions on those. But where were those hard decisions back in November? Did anybody say: “And we will be freezing your exemptions”? Why not?

[12:15]

Because those exemptions belong to those pensioners and those pensioners are the ones that vote. If any of those Senators had taken that bold decision ... the only candidate in there who was saying: “We are going to have to put up taxes to pay for things” was a Reform Jersey candidate. They ducked the issue, these Senators, these brave, hard decision-making, tough Senators; they ducked it, time and time and time again. I know, because I was there at most of the hustings whenever asked if we will look after them in general terms. Is this looking after? No, it is not. So this will only bite if your pension goes up but the Minister for Treasury and Resources was very proud to say the States of Jersey pension is going up and therefore there will be initially some cut this year. It will be growing year-on-year. He is talking about what we have got here is a £1 million saving in 3 years; effectively, that is what we are talking about. We are talking about this mythical black hole, the £145 million unsupported we do not get from tax. We are talking in general terms about cuts to the public sector left, right and centre, about closing down entire departments, about outsourcing or ceasing doing things. Who is dependent on those public services? Why, it is the old age pensioners; the dependent, the vulnerable, dependent on those services and we are closing them down but, do not worry, we can still grow the economy; we will grow the economy by cuts. I do not know if anybody else apart from Deputy Higgins has studied their economic text book recently, but you do not grow an economy by cuts, by reducing spending; that is a way to reduce your return. Then, almost finally, we are talking about the complete absence of any impact assessment of the measures that are being proposed in the whole by this particular Council of Ministers. In the whole we are told: “Everybody will be better off because we are directing funding to the right places and this will be appropriate for our elderly as well as our sick”, and that is the appropriate thing to do. We are assured of it. We are assured of it on the grounds of ministerial: “Trust us, we know what

we are doing.” We have not seen the impact assessment. We have seen what the impact of the welfare or benefit cuts has been; it has been significant, not on these particular people, but it will be felt in the long term. So there are any number of reasons why we should be supporting this proposition. It is short term not long term, it is targeting the wrong group: those who are just above or around the tax level, which is not an enormous level, and it is absolutely the wrong thing to say that this is unsustainable, impractical and the wrong thing to do in the long term when you have got a review going on now as to how we cope with the long term. You do not have to vote for this today. I urge Members to vote for the amendment.

2.2.20 Connétable M.P.S. Le Troquer of St. Martin:

I think all that is to be said has been said. I think we may have gone off on occasions at a bit of a tangent: “We have got a black hole.” “We have not got a black hole.” “We have got a tax system that is wrong.” “The tax system is correct.” I think the Constable of St. Mary was very accurate when she said the Council of Ministers might not have sold things to the public before this debate. Even my wife probably disagrees with me; but we do not argue, I would not dare **[Laughter]** but she is not convinced, and I have spoken to her about the various parts of the 2-day debate that we are going to be having. I was interested in Deputy Doublet and what she said, and she was wavering. I think she hit the point on the head as well; she made a very good point: the Parishes have not asked individual parishioners, no. We lost the welfare system several years ago and it has gone to Social Security, so we do not see the people on a regular basis. We see a lot of old people, and we have seen a lot of old people in the last 2 weeks because of the distribution of vouchers. Some people have come and collected those vouchers, and it is not for me to criticise, but a lot of people probably did not need those vouchers but, obviously at a time of difficulty, they have taken them. So we have not got that. But I also care for the young people and the working people and the couples, young couples and young families. I think the Minister for Treasury and Resources and Senator Ozouf have clearly spoken today and got the point out quite early on. The demonstration this morning outside; I am not sure of those people outside this morning, and it was unfortunate I could not go outside because I was at a meeting inside the building and we had to arrive early, and I know many of my fellow Connétables were there too. But do not shout at the Members coming in today, shout at the young couples going to work this morning and thank them for their contribution. **[Approbation]** This part of the debate is fairness for everybody, and I think that is what it wants to do. It is not about not wanting to support pensioners; the amendment, really, I think is about wanting to continue with a concession, it is not targeting pensioners. We are not going to be removing that concession, it is going to be frozen, and it is going to affect very few. So I am sorry I cannot really answer the question posed by Deputy Doublet because we do not know from all the people on the Island. I am sorry to the Deputy of Grouville that I will not be supporting it, what a nasty Constable I probably am but, as I said earlier on, I want to be fair to all Islanders, young and old, and to support them all. That is all I have to say. **[Approbation]**

2.2.21 Senator I.J. Gorst:

I think we have probably touched on all the issues surrounding the amendment in this lengthy debate, and I think that is good because I think it goes to the heart of the changes that we are facing as a community and how we are going to respond to them. I said before and I will say it again that some people think that in drafting a Strategic Plan one sits around a table with one’s head in towels and comes up with ideas; that is not the case. The priorities that are in the Strategic Plan are driven by, and I use this term - and I hope Members understand me - trends which are happening around the globe to which we are not immune. One of those major trends, we know there is a trend around climate change and environmental issues and we have seen what has been happening in Paris over the course of the last 10 days or so, and we see the good work that the Department of the Environment is doing in that regard in our own community. That is a trend and we have responded

to it and continue to respond to it in the Energy Plan. Senator Ozouf said some of the things that we had done under the energy efficiency scheme, which of course has changed and will be changed going forward, but hundreds of pensioners' homes, those most vulnerable, have had direct financial support to improve the energy efficiency and deal with the issues that I think Deputy Wickenden spoke about. He is right to speak about them because they are important issues and the Department for the Environment have been supporting people in those issues, and Deputy Kevin Lewis spoke about the same issue. Hundreds of thousands of pounds we have spent on helping people insulate their homes to deal with those very issues that Members are concerned about. So we have got environmental issues, we have got climate change issues, we have got technology issues; today and this debate is not to go into those issues. But we have got, very, very importantly, the ageing demographic issue, and that is centre and fore of the Strategic Plan. One side of dealing with the ageing demographic is all the work that is being done in education, and that is absolutely critical for our competitive future and ensuring that people reach their full potential. The other side of the ageing demographic issue is making sure that we have got appropriate healthcare provision at the appropriate place right across our community. That is changing as well. So it is not just in the future going to be hospital-led, it is going to be provided in individual people's homes. Senator Ozouf again spoke about the Long-Term Care Scheme, which is asking everybody over a certain income to contribute towards the potential costs that they might encounter in future life if they need care. In the Jersey scheme that is not just care in a residential setting, that is care also in their own homes. At the core of that scheme is an encouragement for people to save, for those who are going through life and have saved and scrimped in order to be able to afford a home so that they do not have it taken away, so that they can reach retirement and not be concerned about those catastrophic costs of care, which can be many hundreds of thousands of pounds if people need it for a long period of time. We have put a scheme in place to deal with those very issues. The young people in our community have accepted that they want to contribute towards meeting the care costs of their elderly and the changing demographic that we know that we are facing. Deputy Southern in his speech said: "Do not be alarmed about the numbers in 30 years' time." That is right: do not be alarmed about those numbers if we have got a plan and if we are making decisions to change the services to respond to them. If we keep putting those decisions off and we say: "Well, it is just too difficult" then we ought to be alarmed. I am afraid that Deputy Southern said in his speech: "Do not be alarmed but do not do anything about it. Put it off; you do not need to make the decision today, we will have another review around the pension and that will help us with this particular decision." He is not correct. The pension is being reviewed and it needs to be reviewed because it is part of responding to the ageing demographic. It is not 30 years down the line, it is more like 20, and it is going from people over 65 - currently we have got around 14,000 of them, and that is going to move up to 28,000 between 2030 and 2035. So we have got less time to deal with it but if we start making these decisions today, as we have done in the Medium Term Financial Plan, then we as a community, as an Assembly, can be prepared for the changes which we are not immune to. Another speaker said: "Well, we should not look to the U.K. because Jersey is unique." Part of that phrase is absolutely correct; Jersey is unique, but it is not immune to the changes in our demographics, we know, and we have started to respond in some small ways. The Minister for Treasury and Resources has taken a cautious, considered and appropriate approach to those areas which fall within his portfolio to responding to this ageing demographic. That careful and considered approach is to not this year uprate the age-enhanced allowance. The reason he has not set out a timeframe, like our good friend the Connétable of St. Mary wished, is because he wants to see what is happening in the economy over the medium term. Our colleagues in Guernsey - and for the purpose of Deputy Brée we are not following the U.K. - are making these changes as well and have committed to a 10-year plan.

[12:30]

Our Minister for Treasury and Resources, being more considerate and more cautious, has said he wants to see what is happening to the inflation number over that period because, if inflation increases over that period disproportionately, he needs to be able to be flexible to not reduce the differential between the 2 allowances. I think that that is a careful and considered approach and it puts those with fixed incomes right at the heart of his decision-making, and it will allow him to take longer to reach that equilibrium. Sir, I just wanted to pick up on a couple of things: you rightly corrected me for trying to ... I will not say interfere with Deputy Le Fondré's speech, but clarify what he was saying. I think by his own calculation he said that for a couple on relative low income they were under the existing threshold so this measure will not affect them. For a single person on relative low income that number is £11,700, so they themselves are under the £15,600 threshold. I think it was Deputy McLinton who spoke about the 50 per cent who do not pay tax, and that is right. So I think the reason the Minister for Treasury and Resources raised that point is so that we understand the targeting of the amendment that the Connétable is asking us to think about today. I come back to what I think was a very thoughtful contribution by Deputy Doublet. I spoke about the number of over-65 year olds by 2035 rising to 28,000; the other side again of that coin is the number of people working in relation to the number of people not working. That is something we call the dependency ratio. By 2035 we are going to be saying that for every one person working, so paying tax, paying a social security contribution in the way that we do it today, there are going to be 4 people in our community who are not. We cannot avoid that statistic, we cannot put our head in the sand and put the decision off. We cannot be scared by the big numbers. Deputy Southern agrees with me, we should not be; we should be making careful, considered, appropriate decisions so that we are in an appropriate place when, over the years, these changes affect our community. So I do not think that we will have any more figures about the ageing demographic about those large changes that are happening in our community in a year's time that we do not have now. But, even if we did, once again, the Minister for Treasury and Resources has been considerate and has been cautious and has been careful in that he is not proposing the uprates of the age-enhanced threshold today, but he is also not proposing change to the new entrants to that threshold for another 12 months anyway. We, as a Council of Ministers, understand - and we saw it again in the income distribution survey - the need to understand what is happening in our community. We know that the changes in the income distribution survey over a 10-year period improved for the first 5 years, then we saw the effects of the economic downturn and then saw them slip back to where they were about 10 years ago. So we know that there is work to be done there and we have committed to undertake that work to understand what has happened and to understand how we can target the services and what we are providing to better improve those numbers when we do that survey in another 5 years' time. I want to mention also that Members will by now have read our response to the Christmas Bonus proposal of Deputy Southern; we are committed to supporting vulnerable members of our community. That is why Social Security continued to do the work and spend tens of millions of pounds every year in income support in doing just that. That is why we are committed to doing a proper review in the early part of 2016 to make sure that any new benefit that we bring back - and we are committed to doing that - is appropriately targeted to the most vulnerable. Because we have to make sure that everything that we do is going to be ultimately aligned with the demographics that we find in the future. Some Members have rightly challenged this, that we need to change more of our tax system, and we are alive to that and there are certain things Members will see in the Budget Statement that we are reviewing and will need to be changed. This is why we also changed the way that we uprate the old age pension, because we recognise that in a low-earnings environment when we were simply uprating, because historically earnings have always outperformed inflation, we needed to respond to those who simply relied on the old age pension. Let us just be clear: those who simply rely on their old age pension from the State, be that a partial pension or a full pension, will not be affected or will not see any benefit from the amendment that the Deputy is proposing today. Let us just be clear about that. But that is why

we changed the uprating system so that pensioners could benefit from the better of either inflation or the earnings number. I do not for one minute say that the decisions that we are facing and the challenges that we face around the ageing population is easy at all, and I do not for one minute, equally, want those who are older members of our community - and sadly I find I am getting nearer to being older than younger myself as well - to think that it is a problem and that we do not welcome them in our community. We absolutely do and it is a good thing that people are living longer, but we have to change the way we provide services so that we can respond to that, so that we are not the generation that simply passes on to our children the cost of not having responded soon enough. I am not prepared to do that. I do not think that most Members, as difficult as it is, equally, want to pass on problems to the next generation. Some would say that some of the issues that we are facing today are because problems have been passed on from previous generations around investment in infrastructure, around changing the way that we deliver government, and we need to reform and be more efficient and effective. Let us not fall into that same category. I know it is difficult, I know it is not easy and I am alive to what Deputy Russell Labey said about the correspondence and, for some people, the reality on the ground and the concern that they have with this measure. We understand that but, while weighing-up those issues, we have got to acknowledge the provisions that we have made and put in place and will continue to make for the most vulnerable. At the same time we have got to acknowledge that if we do not start to make these changes then what we are going to be asking for our children to be contributing and paying in tax in 20 years' time, is going to be a crippling burden and we cannot place that upon them. So I ask Members to think very carefully about that intergenerational issue before they cast their vote on that amendment this afternoon.

2.2.22 Deputy M. Tadier of St. Brelade:

Is this an intergenerational issue that is so burning or is it just because the Council of Ministers need to find saving so they are scrabbling around. After last year's Budget, where they basically managed to balance the books after emptying every available pot, they are now hitting the poorest and the most vulnerable in our society. That notwithstanding, it is not to say that all pensioners are poor or that they are all vulnerable, but what I would like to ask first is the question - and keep this in your minds please throughout the debate because it does talk about fairness, but I think the case has been made, quite rightly, and there has been a debate around that - whether or not it is right to have a different rate for over-65s to under-65s, that is one part of the argument. I believe that there are strong and compelling reasons for the *status quo*. The question I would like to ask, perhaps looking at the Constables but looking at everyone who gets involved in these events at this time of year, why do you, or why do we or why do the Parishes provide a free Christmas meal for pensioners when we do not do it for anyone else in the Parish? Why do we do that? Is it because all pensioners are poor and they need to have a meal? Is it because all people under 65 are not poor, albeit they might be working and find it difficult to come there? Is that the reason we do it, because they need it? No, we do not do that, there is an underlying reason why that is still going on, why there is still discussion sometimes at the occasional Parish Hall and why, in my experience, the strong support is overwhelming that that remain the case. It is not because of purely financial need, it is because we recognise that there is something there which cannot necessarily be measured by money. It is about value, and I will come back to that point perhaps in a moment. If there are Constables out there - and I think there might be some who are aligned with the Council of Ministers who are talking about fairness - maybe they should start abolishing the Christmas lunches in their Parishes, because they seem to be happy, you could argue, to give with one hand and take with the other. But that is not the kind of ethos I get from the Parishes when I go to visit mine or other ones. The question of fairness is central here. As I said, this is not driven by fairness, nor is it driven by sustainability, because the Council of Ministers talk about the ageing population and they talk about the issues and the challenges that come with that, but they have a population policy

which in itself is not sustainable anyway, it is essentially: “Just grow the population as much as we want.” It essentially means importing cheap labour, which is unlikely to be able to pay for the cost of society anyway, and it is a bit polite, really, to call it a population policy, because what we have at the moment is an absence of a population policy. We do not have one; we know we are supposed to have an interim one. So when the Council of Ministers talk to us about the sustainability of economics going forward in the ageing population, they really do not have any credibility when they do that, because they do not have a policy on which to base that. That is just the reality; it may not be pleasant for some to hear. So I do not think they are basing this on fairness. I listened earlier, when I was not in the Assembly, but I caught some of Deputy Wickenden’s speech. I think he talked about something to do with the personal rather than necessarily the hard black and white figures. He made the case for having a differential. He said that the elderly, summarising, essentially have associated costs that perhaps other groups, the younger, do not have. We also heard the Constable of St. Peter - who is now the Assistant Minister for Treasury and Resources and so is supporting this particular move - saying that the elderly do not have to worry about things like shoe leather when they are walking to work or perhaps getting new tyres, putting petrol in the car, because they do not do that. No, they do not, but they may have even higher bills because they are more likely to spend more time at home heating their building, their homes, with the lights on. They are more likely to need health care. When we make comparisons with the U.K. saying the U.K. are looking to harmonise their exemption rates, that is all well and good, but in the U.K. remember they do not charge their pensioners, or anyone else, to go and see a G.P. (general practitioner). So if you roll up 3 or 4 times a year, and it is going to increase with age presumably, that is all catered for, so you may not need that exemption. But in Jersey these individuals, who may not qualify for income support or who are not wealthy but not necessarily in poverty, will find their disposable income becoming more and more required as time goes on. I think there is also an issue about goodwill, because we have talked about the cost of pensioners, but what about the value of pensioners?

[12:45]

Something that is not seen is that I firmly believe, and I think many in this room will know it perhaps either from experience or from people in their communities, that when you become a pensioner, you do not suddenly just stop everything; in many cases you become much more busy than you were when you were working; you find that you have got free time and you have got much more demands on your time as well. Those who are perhaps in the 65 to 75 bracket who find themselves very able-bodied, will find that they are doing lots of charitable work, they are perhaps running social clubs, they are involved in the voluntary sector and they have associated costs with that, which do not appear as an expense claim on their tax bill but which gets absorbed. So there is an element of goodwill in this as well. I would not like to send the message out to people out there saying: “Just because you are a pensioner and you are perhaps slightly better off, we are going to hit you with this” because it does not recognise that. That value which is added cannot be seen anywhere on the balance of an accounts sheet; that goes on throughout all of our community and I think that needs to be recognised. Perhaps talking to others who are in 2 minds of which way to go on this debate, Deputy Labey will know from his experience in his constituency, some of his people in the flats there at La Collette will have to move out, they will have to move back in, and they will be getting charged a new higher rate of rent, they will be getting charged the 90 per cent where at the moment they may be on 50, 60, 70 per cent rents. These individuals, who may currently or in the future be pensioners, will find that there had been a massive hike in their rent and they are using a lot of their own money to pay for that rather than having all the costs covered by income support. That will be a real burden on them. So when we hear about this 0.6 per cent negative R.P.I. for pensioners saying that it is okay because the actual rate for pensioners is that, we have to remember that pensioners are not a homogeneous group. There will be pensioners out there who own their

own homes and who paid their mortgages, they may be okay. There will be pensioners out there who still have a mortgage, may be paying it off into their pensionable years. There will be others there who rent in the private sector who will not be insulated against hikes in rental costs and there will be those in Andium who we have made sure that their rents will go up above R.P.I. because that is what we decided as a previous Government. So it is not one-size-fits-all, and to say quite glibly that it is a 0.6 negative R.P.I. for pensioners and they can take it does not make any sense. I would suggest that this is not done on a fairness basis, and I have grappled with this problem too, why are there 2 rates. I think listening to the arguments today, I have come round to the point of view that it probably is right that there are 2 rates given the high level of costs in Jersey and the burdens that the elderly have to endure, which perhaps are not endured by other groups. That notwithstanding, even if the drive was fairness, this Government does not have a plan. We asked them at the Budget debate, I asked them, and they said: "Well, we do not really have a plan to equalise the 2 rates, we are just going to leave it, see how it goes and hopefully at some point they will end up joining up. Guernsey are doing it over a 10-year period. We do not have a plan and, in fact, we do not really know what is going on" was the summary. They may dispute the exact wording of that. I think that is the point: even if we were agreed that at some point these 2 rates do need to be unified, why are we levelling-down, as the case has already been made, why are we atrophying the current exemption rates? Because that is the truth of it; we are not doing this on a fairness basis, we are atrophying the current exemption rates and hoping that magically the economy keeping going up, R.P.I., at some point they will join together. Those at the bottom end will not be helped anyway because they are just getting what they should be getting to keep up with the cost of living anyway, so it is not as if we are doing this to help the younger generation, we are simply doing it because the Council of Ministers have not got a plan. They have not got a plan on population, they have not got a plan when it comes to the new health charge, because they have not told us anything about it. They have not got a plan when it comes to the new water charge, the sewerage charge, because they will not tell us anything about it. They either have got a plan and they are keeping it secret - and yet again much more mushroom politics - or they simply do not have a plan. Neither of those possibilities are particularly palatable in my book, so I would suggest that we cannot keep on rubberstamping badly thought-out government policy with consequences that we do not understand just because they are the Council of Ministers and we have to do this to save money. Certainly, when Deputy Southern spoke, I did not hear him saying: "Let us just put this off time and time again and not have a plan." What I heard is that we need to have a joined-up plan that we can follow through with and which is timetabled and say: "This is what we want to do, this is how we get to it." We constantly hear: "What if somebody gets the benefit and they are rich and they can afford it?" If there are pensioners out there and the Council of Ministers have got a problem with pensioners who earn £150,000 a year, they can simply introduce a higher rate of tax for those higher earners. That solves it, but you cannot keep on picking your arguments one way and using them in another. There needs to be a joined-up policy. In essence, the tax and spend system that we currently have is fundamentally broken. It may have served us fine in the past; with £145 million deficit looming, you either have the bleak option on one hand to privatise, to slash and to burn our public services - and that is essentially what we are seeing - or you instigate a proper, fair progressive system of taxation. Can we really trust a Government which says: "We want to do this on the basis of fairness, we do not want to discriminate" when they have a system where they will charge one Jersey multimillionaire 20 per cent of tax rate but they will charge another individual effectively a rate of 1 per cent on their income? This is a Council of Ministers who wants to propose fairness. At the same time, they will instigate and perpetuate a system whereby foreign companies come to Jersey and essentially pay zero per cent tax on the profits that leave the Island, whereas local-owned companies pay a 20 per cent rate, in effect, when it is distributed. This is not a Government that we can take seriously when they come out with these glib comments about fairness. So I would go back to the point of why do we provide a free Christmas dinner for

pensioners in our Parishes and not for others; it is basically because they deserve it. There is, I think, a truism that goes through the generations: that you respect your elders, that people have paid in, and that there is so much work that they provide in the background that does not go on associated costs, *et cetera*, to summarise, that we have to simply support this amendment from the Constable of Grouville. Kick this back to the Council of Ministers and say: “You have got a problem, we have got a bigger problem here and we all need to work together to solve it.” But you do not do it by tinkering around the edges and cutting here and there and affecting the most vulnerable. This is not what people voted for, it is not what the public went to the ballot box and said: “I am voting for this particular Council of Ministers because they want to cut X, Y and Z and they want to change the exemption rates” because they never stood on that policy. That will be a salutary reminder, I think, for many people in future that when they go to the ballot box they want to be able to vote for a collection of policies which could be implemented and which they can agree on as a majority. We do not have that at the moment and the only option here is to support the good amendment of the Deputy of Grouville.

2.2.23 Deputy T.A. Vallois of St. John:

I was not sure whether it was good enough for me to stand and speak, considering I have been party to being an Assistant Minister at the time of putting this Budget together, but this was a particular area that, on regular occasions with the Minister for Treasury and Resources, I would have a few fairly heated discussions over exemption and marginal rates issues within the personal tax system. So you hear from the debate how it has gone today: Members unfortunately in this day and age talking about the older generation versus the younger generation, putting people into groups and making them different from each other. When you look at the personal tax system it is broken, the marginal rate system is broken and it needs to change. Throughout the discussions that I had with regards to the exemption rate side of things with the Minister for Treasury and Resources at the time, it was there needs to be a piece of work done because the system needs to change. You cannot just change a personal tax system overnight; a personal tax system takes time to change, it takes time to integrate and it takes time for people to get used to it, and that is the point in certainty and stability for society and for businesses to understand what is happening. Many people have stood, as did the last speaker, talking about plans. There is a fear of the unknown from the public and there is a fear of the unknown from Members within this States Assembly, which is an extremely worrying trait. If people in this States Assembly have a fear of the unknown because they were not being informed and they do not understand or they do not have impact analysis or they do not have ageing population policies and nothing is tied together, then how can they be expected to make an informed decision in the appropriate manner, especially when the majority of the Assembly is elected based on independent politics? This is where it leads me to: the difficulty is when it comes to trying to assess how our various different systems across the States may or may not work to help a particular cohort of society. One thing that I did try to do while at Treasury was to look at the relationship between personal tax and exemptions and that of the social security system. I asked for various data and various information, and I tried myself to put this together and tried to identify a form of impact on the cohort of ageing population, of working population, in terms of the tax system and the way that people receive or do not receive benefits. The 2 systems are so unbelievably individualised, especially when you get to the tax system. The income support system, being a fairly new system in place, I would argue still needs, I believe, a better form of analysis to inform Members of how the impact of that income support system works on cohorts in society to make it absolutely clear to people how it is working or how it is not working and how the Council of Ministers intend to achieve a better system going forward. Because, no matter what system we put in, it is not going to be perfect and somebody is always going to fall down the middle somewhere within our system, somebody is always going to be missed out somewhere along the way and we have to make sure that we can achieve a way of improving that situation for

those individuals. So I looked at this particular amendment and I looked at the limits that are set as thresholds for old age pensioners, or plus-65 years now, and for single and for married, and then I looked across at the income support system. I said to myself: "Well, what is the difference between..." for example I have done 2 reviews of income support on Scrutiny previously with Deputy Southern, and it enabled me to understand the system to an extent I do not think you are able to do unless you do that piece of work. So it was very helpful. I have always been interested in how the tax system does or does not work. This particular area, I referred to the thresholds from the income tax system too, the capital limits that are set under the income support system, and so I looked at how much you could have as a saving - or a capital limit as they call it - as a single adult over pensionable age and a couple over pensionable age, and then I compared that to what our system currently looks like. So the capital limits that are set for income support is the amount of savings you can have before your income support is affected. I am sure Deputy Southern will correct me if I get this wrong anywhere along the line. But for a single adult over pensionable age it is £13,706. For a couple over pensionable age, it is £22,718. So already there is a discrepancy there between a threshold under the tax system and the capital limits under the income support system. So there is already a discrepancy there. So then you look at the income tax system and there are so many variables that various people can have different situations. So if the husband is 65 and the wife is 59, for example, because the wife is on the husband's income tax they will come under that particular assessment for pensionable age, so that will be classed under that particular area.

[13:00]

But also there are allowances. So not only is the amount under the threshold for old age pensioners at £26,000 but, if the wife is working, or it will be changed to the other partner is working, that is another £4,500 on top of that threshold. So you are looking at £30,000 before paying that tax. Of course, there are other variables that go into that, but that is a very, very basic ... that is for a couple, sorry, I will clear that up, a couple of pensionable age. That is £30,000 before the payment of any tax. Now, then the argument that comes is: what is a low income? What is a middle income? What is a high income? So we refer to the household income distribution, and every single Member, I am sure, in here has experienced particular people going through particular issues in their lives, who have experienced maybe falling in between the lines, but fundamentally what this story tells us is that, in order to communicate this type of information, it is horribly difficult to try and explain these systems to an individual. Not that I am trying to excuse the Council of Ministers for not communicating this, because it has been an absolute bugbear of mine. The Minister for Treasury and Resources hopefully understands where I am coming from because it is something that I have constantly talked about over the last year. I am glad to hear that independent taxation is coming forward for an options appraisal, I believe; something along those lines, so that will be good, but then there are bigger and harder decisions to make about how to change the personal tax system and the marginal rate system.

The Deputy Bailiff:

Deputy, I am sorry to interrupt. Can I just ask if you are intending to speak a little bit longer? Because we are now 5 minutes past the time the States said that it would adjourn and if you are going to be finished shortly then I think it is sensible to continue, or you could continue after the adjournment. Which would you prefer to do?

The Deputy of St. John:

I am in the States hands, but I am happy to continue after.

Senator L.J. Farnham:

I wonder if I could test the mood of the Assembly and suggest that, if the Deputy of Grouville is going to sum up, we finish the debate on this amendment and break for one hour after that?

LUNCHEON ADJOURNMENT PROPOSED

The Deputy Bailiff:

Then could I ask if anyone else intends to speak on the amendment generally, who has not already spoken? The Deputy of St. Martin intends to speak on it, so there will be at least one speaker prior to the summing up. The adjournment is proposed. Deputy, that means you are in a position to continue after the adjournment at 2.00 p.m.

The Deputy of St. John:

Thank you, Sir.

The Deputy Bailiff:

The States stands adjourned until 2.00 p.m.

[13:03]

LUNCHEON ADJOURNMENT

[14:00]

The Deputy Bailiff:

We will continue with the speech of the Deputy of St. John.

The Deputy of St. John:

Members will be happy to know I do not have very much longer left, but I will just quickly remind Members that I was talking about trying to attempt the comparison between an income support system and a tax system with the marginal relief rate that we have and the various thresholds and allowances that are in place. I am sure there were very good intentions behind all the different allowances and thresholds that have been put in place over the years, some of that will be unknown as we did not have Hansard back in the 1980s and we could not read up on the reasons why Members may have agreed or may not have agreed with that. I get to the point where I am very much aligned with what the Constable of St. Mary was saying about the concern over the Council of Ministers' way of communicating and, for me, it is informing and being able to have Members factually informed about the situation that we are in and the information that we need to make some extremely difficult decisions coming forward. This is just part of a package of measures. Going into the future, people need some certainty and part of the fiscal framework is certainty and stability in our tax structure. That does not mean keeping things exactly the same way all the time; it is about having a plan and setting out that plan. You cannot change the personal tax system overnight so it is setting that vision and ensuring people understand how that vision will be implemented over the years. I come back to the argument about the exemptions on this and the issue of what is a low income, what is a medium income and what is a high income, because, again, I go back to the Council of Ministers and I say: "Well, we have just had an income distribution survey and it gives us various different bits of data" and every single one of us will interpret that data how we see fit or we see is appropriate in terms of whether we see that as at the lowest end or whether it should be slightly higher for other variables within that. Then the Council of Ministers are not explaining how they are incorporating that data into their policymaking or their legislation changes going forward. This puts me in a difficult spot. The Minister for Treasury and Resources knows very well that what I would have liked to have seen happen was work being done - as what was

suggested in the long-term tax policy and what was suggested in the previous M.T.F.P. in appendix 11 - which was that there needed to be work on the relationship between income tax, social security contributions and benefits to give you a better understanding of how it is affecting different cohorts of society. Surely that is the fundamental reason of why we make the changes that we make. So, if I do not feel as informed as I should be and I do not feel that I understand exactly why or whether this is the right way to be achieving something, and what plan it eventually reaches, why should I support the Council of Ministers in what they are doing? I say this purely because it is a constructive mechanism because we have got to a point in this Assembly where emotions do run high when these types of things are debated and the facts sometimes get forgotten. The information gets forgotten. But it has got to the point where there is not a great deal of information, there is not a great deal of impact analysis or distributional analysis or the direction in how the Council of Ministers are going to achieve going forward. We have the high vision, we have the: "This is what we would like to achieve", but it always comes down to the fundamental for us as States Members: how are they going to achieve that? That is where the debate happens. We will be told: "Well, you know, that is why we have the M.T.F.P. debate and we have the arguments, or we will have, over the Christmas bonus." So I sit here really struggling with this amendment - and I say that quite openly and it is nothing that I have not said before - because I fundamentally believe that in order to change the tax system in the way that it needs to be changed the work needs to start now, it should have started 9, 10, 12 months ago on the personal tax system. Trying to achieve getting that work done, to explain how the exemptions do or do not work and how it affects society is, for me, an absolutely fundamental question about how we put other policies together or we take away other things that we have within the States of Jersey. So at the moment I am very much aligned with what the Constable of St. Mary says because the logic says to me that in future this is unsustainable in terms of having a different threshold for the older population and the working population. I get that logic. However, it does not fit within a plan, i.e. what happens in the future. Is the threshold at the right level? That is my argument: for a married couple, old age pensioners, is just over £26,000 the appropriate threshold? Is anyone able to answer that? Is the Council of Ministers able to answer that? For me that is where it hits me, because we have had policies in the past where we have agreed - for example the rental policy for Andium Homes, which I was vehemently against - and we see from the income distribution survey, household surveys, all the different surveys we have had done and all the very good data that is around that housing costs is one of the biggest issues for Islanders. Especially social housing rental now. A lot of the old age pensioners live in social housing and are supported by Social Security, income support, not because they want to be, because they have to be. For the Council of Ministers to turn around and tell these individuals, who have always believed that we have to live within our means, and we have to make sure that we can cope on our own ... and that is the mentality that that generation has. They can manage without the State supporting them. That is the mentality. So we are moving people into a position where they have no choice, and they have not had a choice for a while now, but to go to income support and ask for that help. It can be very distressing for people and I say that because many Members have mentioned this in their speeches. Then it brings me back to: have we got the exemptions threshold right? Is it at the right level? So £15,900 for a single old age pensioner and over £26,000 for a couple, old age pensioners. There may be many arguments that they do not have the same types of costs as working people, they may not have a mortgage, they do not have the children, they do not have school fees or higher education fees, all those types of arguments. It brings me back right to the start where I say these systems are very, very individualised. So it would be helpful for Members to have the information, to get a broader idea of how these policies are impacting each other and how it is affecting the different cohorts of society, and making sure that we have got a plan B to support those that may fall between the net. At the moment I do not feel like we have that information. I am not quite sure how it is really affecting these cohorts of society, whether it is improving their lives or it is making their lives worse. You can ask them on an individual basis but

every story will be different, every story will change. The way they live will be different to somebody else. But you need to have an idea of how our policies affect people's lives. I am not at that stage. I am uncomfortable and the question that needs to be answered, and I think the Council of Ministers need to answer it ... well, I do not think I am going to get the answer today, but definitely it has to be soon, about where they believe the thresholds need to be set at and why they need to be set at that level, why they believe it is appropriate for people to live within that mean and why they do not have to pay tax below that particular level. Those answers are not clear for me. So, on that note, I will sit down.

2.2.24 Deputy S.G. Luce of St. Martin:

I am not going to speak at length but I just wanted to comment on a few things that Members have said during their well-considered speeches to the Assembly. Deputy Tadier quite rightly talks about pensioners and the cost of heating their home, and the Chief Minister gave some figures this morning when he spoke about the energy efficiency scheme. He mentioned the hundreds of thousands of pounds that has been spent on pensioners and I have to say that I am sorry, but the Chief Minister was wrong inasmuch as in his time as Chief Minister we have spent £3.5 million on helping the vulnerable sector in energy efficiency schemes. Money that has been given in grants to people who applied for it, grants that they obviously have not had to repay, to help them with the cost of their heating and making sure they do not have to spend too much money on energy. Deputy Tadier also said, quite rightly, that pensioners are worried about the cost of health care. I would point out to the Assembly that we now, as we have already heard, have a long-term healthcare scheme and we will be putting as much money as we can into things like care in the community so those pensioners can spend as much time at home as possible. We know that home is the best place and the easiest place for them to recover. Deputy Southern said to the Assembly: "Do not be frightened, do not be tricked" and he accused the Council of Ministers of not being able to make hard decisions, not being able to make tough decisions. I would say to the Assembly, when it comes to addressing the difficulties of the balance between the ageing population and the working population, the Council of Ministers have thought long and hard ... and please do not think that we are targeting the ones that are easy. Making decisions that affect the old age pensioners of this Island are as difficult and tough decisions as we could wish to make. Finally, I come to the Constable of St. Mary, and I could not agree with her more. I have to say that I think communications from the Council to the general public are not as good as they can be. I am as guilty as any and people say to me I need to spend more time communicating what I am doing. The reason is because I am trying to be so busy trying to get things done I do not find time to communicate to the people I am hopefully working for. So I say to her, yes, she is right. Our comms are not as good as they could be. The Council are accused of not having a plan and I would say to the Assembly we do have a plan, it is called the M.T.F.P. In that it proposes to spend more money on health care, to spend more money on education, to spend more money on the economy and to spend more money on St. Helier. So I would say to the Assembly, this plan has not been easy to come to. It has come out of hard decisions; it has come out of those tough decisions that we have been accused of not taking. It is a plan that needs to be considered in the whole, it has not been arrived at easily, but it is a plan for the future and I would ask Members to respect that and vote against this amendment.

The Deputy Bailiff:

If no other Member wishes to speak on this amendment, I call upon the Deputy of Grouville to reply. I beg your pardon, Deputy Truscott.

2.2.25 Deputy G.J. Truscott of St. Brelade:

Just a reality check. We are facing a financial challenge I think would be a better way than “black hole”, and we also have a vast grey wave approaching our shores, the ageing demographic wave. As it hits the effects will be felt for generations to come.

[14:15]

Demands on all our services and costs associated with those demands will be felt by taxpayers of the day and more especially those of tomorrow. We also have a hospital to build and that is going to be in excess of £400 million quite likely. Who is going to fund that? It is again going to fall on the taxpayer. Fiscal discipline is required if we are going to produce sustainable public finances. I am not here to be popular, I am not here just to harvest votes with popular voting patterns. I am here to make tough decisions, not just for the short term but also for the long-term prosperity and well-being of the people of Jersey.

2.2.26 Senator P.F. Routier:

I have considered long and hard about contributing to the debate because I am part of the problem, being one of the over-65s. I think we have all had the opportunity over the recent months to have been to presentations where we have had it shown to us very clearly the issue that we are facing with regard to our ageing demographic. The over-65s are going to be doubled in the next 20 years. We are going to really have to look at how we are going to cope with that. But the way I am focusing a lot of my decisions over the next day or so is how it is going to affect our children and grandchildren. It is the real issue for me because I really do not want to delay making decisions that are tough, they are really tough, but for our children and our grandchildren to have to be able to afford to pay for these benefits, which are currently in place, it is putting on them an onerous burden; it really is. I find it something that I am very uncomfortable with, being in that position of ... and I want to be able to help our next generation. Think to the future, really think about the way we can support that generation coming through. We also obviously need to keep in mind the pensioners who are around, who are with us. When the exemption limits were introduced, higher exemption limits and when the things were a little bit better financially, things were different then. But during that time we have improved lots of things for them because we have now got the double lock on the pensions. I would like to thank the Ministers for Social Security who have come through in the period who have put that in place. We have a really very good pension. We need to be fair with our whole community. It is about fairness from my point of view. Some people sort of say it is about the affordability and all the rest of it, but I think what we are being asked to decide today is fair, because it is bringing together the exemptions to the same level because it just is an appropriate thing to do. One of the things which I have picked up during this debate is that people have been concerned about not having the big picture, not having every piece of information which we could possibly have to make a decision. It reminded me of the former Minister for Home Affairs who very pointedly would say to us that the dream of a perfect plan is at the death of a good plan. I think that is something which we ... we could go on for ever and ever not making a decision because we do not have all the information we would like at our fingertips. The issue is we are all very aware of the demographic problem that is facing us and we should not leave it to the next generation to resolve.

The Deputy Bailiff:

Does any other Member wish to speak on the amendment? Very well, I call upon the Deputy of Grouville to reply.

2.2.27 The Deputy of Grouville:

I would like to thank all Members who have contributed. It is been a long, but I think a good, debate. Much play has been made during the debate about the people that do not pay tax. As

Deputy McLinton said, this is not something that we should be proud of, that there are swathes of people out there that do not pay tax. But this debate is not about them, it has never been about them. It is about the 8,000 pensioners who do pay tax and have contributed to the system. Paid tax at marginal rate and by dint of that have low incomes. It is about people who have worked, contributed, continued to contribute but who do not have a lot of money or a lot of disposable income. Members - including Senator Bailhache, who unfortunately is not in the Chamber at the moment, but even the Minister for Treasury and Resources - feel concerned that the enhanced threshold is discriminatory in favour of pensioners. Of course it is. Our entire tax system is discriminatory. We base our tax and our tax system and our allowances on people who are single, married, own houses, have children, *et cetera*, so of course it is discriminatory. It is how we shape our society and support those we want to support. Senator Bailhache wanted to know why a young family should receive a lesser threshold allowance than a pensioner, so he set up a scenario. Young families versus pensioners on the marginal tax relief. That is the scenario, and a few Members have been concerned about that, not least the last speaker. So we have childcare allowances for people with families, we provide higher education allowances; in fact, in this very Budget, we are increasing the childcare allowances by £2,000 from £12,000 to £14,000. So we do help people with young families and we help people who have got to go through the huge cost of sending their children - or do not have to but choose to - to higher education, which is the right and proper thing for a society, a community, to do. I would perhaps like to pose a question to Senator Bailhache, and I am glad he has come back in now, why should a person, a single pensioner, who has never had any children, contribute to a family who have children? It is the same thing. But we have to learn to shape our society and support where we want to support, and do not forget tax systems can change and are meant to change habits. The plastic bag tax as an example. We can shape our society and support those that we want to support. So I think a few Members brought this up in their speeches and I do not think it is right, I do not think setting 2 echelons of our society against one another in this way has helped one bit. Taxation is not about pensioners versus young families. If you give it out to a young family then when you reach old age there is not enough for you so sorry. We have had your economic contribution, we have allowed you to go out to work by providing generous childcare allowances so both parents can go out to work, which is not something I support necessarily. But that is the scenario that we have recognised, the high price of our properties, so we get everyone that is here, or try to, in an economic bracket. But then, by the time they become pensioners on a fixed income: "Well, it is tough. You have paid in, yes we know you have, so now we are going to skim from your allowances. The little bit more that we choose to give to you in recognition of your contributions." I do not really have much more to say other than if I were to put a scenario to Members and that is if they were take a blank piece of paper ... and at the end of this debate we must, or the Minister for Treasury and Resources, surely take away the message that our tax systems needs an urgent root and branch overhaul. I would go so far as to say our low income support system needs an overhaul as well. Probably not for the same reasons as those tapping their feet over there, because I think there are a lot of people that gain low income support, who have contributed very little to our system, and here we are standing here today scrimping off our pensioners. So I think our 2 systems need a huge overhaul and it needs to be done quite urgently. I hope that addresses the Constable of St. Mary and other people because I have grave concerns as well. I think we are tinkering on the outskirts while Rome burns. So, in conclusion, what I would like to put to Members about this particular proposition is if they were to take a blank piece of paper with objectives to make up the budget shortfall, reduce the number who need income support, promote financial independence and responsibility and to make ours a fairer, more equal society, would this proposition to the Minister for Treasury and Resources really be it? Would States Members really consider targeting our pensioners first? Pensioners who still contribute and pay tax and are probably at the lower end of the income spectrum. The same 8,000 pensioners who have already been clobbered for the Island shortfall with their Christmas Bonus and

T.V. licences; would this cohort of plus-65s on their fixed income be the first people Members would target to make up this Government shortfall while those on the higher income end of the spectrum go unscathed and the reform programme continues at a painstakingly slow pace to deliver. If this Budget proposal is not what Members would devise to achieve those objectives, then they should vote for my amendments and hopefully we will get some sort of overhaul so when we are standing here this time next year we can be voting on a much better system. So I shall leave Members to ponder on those points and I ask for the appel. If I could ask for the first part and the second to be taken separately?

The Deputy Bailiff:

You would like them taken separately, yes.

Deputy G.J. Truscott:

Sorry, Sir, a small technicality. The Deputy of Grouville alluded to the fact that the T.V. licence was no longer part of benefits, but it still is and it was voted earlier on this year.

The Deputy Bailiff:

Very well, the appel is called for. Members are voting on paragraph 1 of the amendment of the Deputy of Grouville. I ask all Members to return to their seats and I ask the Greffier to open the voting.

POUR: 20		CONTRE: 25		ABSTAIN: 0
Connétable of St. Helier		Senator P.F. Routier		
Connétable of St. Mary		Senator P.F.C. Ozouf		
Connétable of St. Ouen		Senator A.J.H. Maclean		
Connétable of Grouville		Senator I.J. Gorst		
Connétable of St. John		Senator L.J. Farnham		
Deputy G.P. Southern (H)		Senator P.M. Bailhache		
Deputy of Grouville		Senator A.K.F. Green		
Deputy J.A. Hilton (H)		Connétable of St. Clement		
Deputy J.A.N. Le Fondré (L)		Connétable of St. Peter		
Deputy K.C. Lewis (S)		Connétable of St. Lawrence		
Deputy M. Tadier (B)		Connétable of St. Brelade		
Deputy M.R. Higgins (H)		Connétable of St. Martin		
Deputy J.M. Maçon (S)		Connétable of Trinity		
Deputy S.Y. Mézec (H)		Deputy of Trinity		
Deputy R. Labey (H)		Deputy E.J. Noel (L)		
Deputy S.M. Wickenden (H)		Deputy of St. John		
Deputy S.M. Bree (C)		Deputy S.J. Pinel (C)		
Deputy T.A. McDonald (S)		Deputy of St. Martin		
Deputy of St. Mary		Deputy R.G. Bryans (H)		
Deputy P.D. McLinton (S)		Deputy of St. Peter		
		Deputy A.D. Lewis (H)		
		Deputy of St. Ouen		
		Deputy L.M.C. Doublet (S)		
		Deputy M.J. Norton (B)		
		Deputy G.J. Truscott (B)		

The Deputy Bailiff:

We now vote on paragraph 2 of the amendment. I ask the Greffier to open the voting.

POUR: 20		CONTRE: 25		ABSTAIN: 0
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Connétable of St. Helier		Senator P.F. Routier		
Connétable of St. Mary		Senator P.F.C. Ozouf		
Connétable of St. Ouen		Senator A.J.H. Maclean		
Connétable of Grouville		Senator I.J. Gorst		
Connétable of St. John		Senator L.J. Farnham		
Deputy G.P. Southern (H)		Senator P.M. Bailhache		
Deputy of Grouville		Senator A.K.F. Green		
Deputy J.A. Hilton (H)		Connétable of St. Clement		
Deputy J.A.N. Le Fondré (L)		Connétable of St. Peter		
Deputy K.C. Lewis (S)		Connétable of St. Lawrence		
Deputy M. Tadier (B)		Connétable of St. Brelade		
Deputy M.R. Higgins (H)		Connétable of St. Martin		
Deputy J.M. Maçon (S)		Connétable of Trinity		
Deputy S.Y. Mézec (H)		Deputy of Trinity		
Deputy R. Labey (H)		Deputy E.J. Noel (L)		
Deputy S.M. Wickenden (H)		Deputy of St. John		
Deputy S.M. Bree (C)		Deputy S.J. Pinel (C)		
Deputy T.A. McDonald (S)		Deputy of St. Martin		
Deputy of St. Mary		Deputy R.G. Bryans (H)		
Deputy P.D. McLinton (S)		Deputy of St. Peter		
		Deputy A.D. Lewis (H)		
		Deputy of St. Ouen		
		Deputy L.M.C. Doublet (S)		
		Deputy M.J. Norton (B)		
		Deputy G.J. Truscott (B)		

[14:30]

2.3 Draft Budget Statement 2016 (P.127/2015): fifth amendment (P.127/2015 Amd.(5))

The Deputy Bailiff:

The next amendment is by the Connétable of St. John and I ask the Greffier to read the amendment.

The Deputy Greffier of the States:

Page 2, paragraph (a) - for the figure “£622,155,000” substitute the figure “£621,433,000” and for the words “, land transactions tax and vehicle emissions duty” substitute the words “and land transactions tax”, and make consequential amendments to the totals in Summary Table A.

2.3.1 The Connétable of St. John:

This amendment is simply to delay the implementation of the new vehicle emissions duty until further research and consultation has taken place. It is interesting to note that the Minister claims he has consulted widely, yet the Jersey Farmers Union, the Jersey Old Motor Car Club, Jersey Vintage Car Club, the Jersey Motor Trades Federation have all written to me opposing the way in which this tax is being proposed. I should also say all these organisations are in favour of environmental taxes but regard this as unfair. The Minister for Treasury and Resources bangs on about taxes must be broad, simple and fair. This is not fair. Let me deal first with tractors. Farmers on Jersey have a great disadvantage compared with their competitors around Europe. Trying to compete with other European farmers is a massive struggle. Jersey has very beautiful small fields with miles and miles of very expensive hedging. This hedging has to, by law, be cut twice a year under the branchage law. No other jurisdiction in Europe has that burden. Farmers

pay rates on land, no other European jurisdiction pays rates on land. Now farmers are being taxed on their tractors, no other European jurisdiction charges a tax on the tractors. Here we are claiming we support agriculture when in reality we place 3 taxes on the industry which no other jurisdiction in Europe does. Vintage and classic cars. We are told Vehicle Emission Duty was introduced as a tax for the life on the vehicle. When it is registered it pays a tax to last its whole life. So when you bring in a vintage or a classic car, 90 per cent of its life has already been expended. So why is the tax being put on there? These cars travel a minimal distance, 160 to 200 miles a year depending on which church you go to on Sundays. This proposed tax could have quite a severe effect on the economy because through these car organisations they have a number of rallies in which a number - quite a considerable number, and I am thinking of the MG Club - come over and spend not just a weekend but sometimes a week on holiday here, not just with their car but with their family. What is the benefit to the economy of the Island versus the minimal amount of tax that would be collected on this? There is also the question of CO2 emissions. This, after all, is what it is all about. When I first saw the proposition I looked at it and this is where a little knowledge is dangerous and I confess at the time I had a little knowledge. I thought: "What a good idea, we are going to tax the car according to its emissions not the size of the engine." However, studies are coming out of Germany, and the German ministry is quite strong on this, what is the difference between the declared emissions on a car? If you look across the bottom of an advert and it has factory simulations for urban driving, for motorway driving and combined. That is worked out in a laboratory, not in reality. But what is fascinating is that in 2002 the differential between the factory-simulated emissions and the actual simulations carried out on a road, on the tarmac, there was a variation of 10 per cent. But because this is being used across Europe as a form of tax revenue we have seen these 2 testing methods increase enormously and there is now a 35 per cent difference on average between the declared carbon emissions through the factory simulated method, declared by the motor manufacturers and the actual on the road emissions. So I asked the Minister: which is he going to tax on? The actual amount of emissions on the road or the emissions declared by the factory and the manufacturer? I shall not bore this Assembly with the Volkswagen effect, but that is yet another fiddle by not just one but several manufacturers. We then have yet another problem, diesel versus petrol. At the moment, diesels tend to be larger engines, they pay more duty, but they are more economical and under the new system they are going to pay less duty. Considerable research throughout Europe is now finding that diesel fumes are more harmful than petrol fumes. So, if this is to protect the environment, why are we effectively increasing the tax on the less harmful petrol fumes more than what we are taxing on to the diesel fumes? It is the wrong way around. There has not been any research on this topic. Finally is what I would call the "welly effect". That is your right foot. At the moment I am driving my son's Fiesta because he is at university and he does not know about it. **[Laughter]** He does now. It is a very posh little car and it has a little dial in front of me with a digital display telling me how economical I am when I am driving. So I took it down to the bottom of Bonne Nuit, and I hope my Honorary Police are not listening, and I gave it some welly up the hill and I got it down to 8.9 miles to the gallon. A Ford Fiesta doing 8.9 miles to the gallon, wow. I then drove from home to the Parish Hall ... yes, there was a little green arrow saying: "Change gear" but I ignored it. **[Laughter]** It made more noise. Driving modestly from my house to the Parish Hall I managed to get 72 miles to the gallon. Now tell me, Minister, which of those 2 figures, 72 miles or 8.9 miles to the gallon, are you going to tax me on? I was going to tell you the story about Jeremy Clarkson, who managed to show that a BMW Sport uses less fuel than a Toyota Prius, but I will leave that for now. So basically to sum up, what are you going to base the tax on? The actual emissions or the factory declared emissions? How are you going to tax petrol heads who drive the way I did up Bonne Nuit as opposed to those who are more responsible? How are you going to differentiate between less harmful petrol fumes and the more harmful diesel fumes? Sorry, I cannot read my writing. This is a rash proposal, poorly thought out and has been brought forward just simply to collect an extra £700,000. I urge

the Assembly to support the amendment and to send it back to the Minister until some proper detailed studies have been carried out.

The Deputy Bailiff:

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

The Connétable of Grouville:

Can I ask your advice, Sir? The next proposition, if we get to it, is of the Deputy of St. Mary's. It is about tractors and I have a direct interest in that subject. This is a much broader proposition which includes tractors, is it proper for me to stay here?

The Deputy Bailiff:

In my view it is; it is an interest that you share generally and everyone is affected by taxation in one form or another. On the other side of the coin, if this amendment is successful, arguably there will be a different tax effect on other people. So it seems to me you have a general interest and you do not have to step away from this particular debate.

The Connétable of St. John:

Sorry, I am not clear on that ruling. Are you saying he should step away now or later?

The Deputy Bailiff:

No, I am saying he can stay for this debate; there is no conflict in connection with this debate.

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

I believe the good Constable of St. John is a bit discombobulated in his argument. This is not a proposed new tax at all, it has been there for the last 6 years, and we are not taxing cars in a new way on their CO2 emissions; that has been there since the beginning. What we are allowing for is commercial vehicles to be taxed on their emissions if they have a manufacturer's certificate. That, hopefully, will bring down the cost of their V.E.D. for those particular vehicles. We are making it simpler. Taxes should be broad, simple and fair. We are certainly in this case making it simpler. To answer his question about what are we going to be using in the first instance? It is the manufacturer's certificates that we will be using purely for the reason that there is no way that we could - in his words - tax the petrol heads. The way you drive a vehicle, we could not possibly tax that, so we have to be fair and we have to use a balanced and a level playing field. That is the way the manufacturers calculate their statistics, so they might not be perfect, but they at least are all calculated in the same way. For Members' benefit, there are some 441 cars currently on the U.K. market that one can purchase under 100 grams of CO2 per kilometre. More than half of those are petrol or zero-carbon, i.e. fully electric vehicles. So we are not encouraging people to switch to diesel vehicles that pollute in other ways. I think it is ironic that only last week Paris hosted the largest ever gathering of world leaders to attempt to find a way forward to addressing climate change and the massive implications that it has on mankind and our planet. Here we are today with this amendment wanting us to shy away from doing just that. Jersey is a signatory to several international conventions which obligate us to play our part. Only last year, this States Assembly unanimously approved the Energy Pathway 2050, which sets out ambitious targets to reduce our carbon emissions. Transport contributes about a third of those emissions and yet we have made little progress in finding mechanisms which might deliver those targets. V.E.D. currently is our only fiscal lever that we have to play in this regard. Yes, vehicles are becoming a little less polluting in Jersey, but only partly due to the old V.E.D. rules and mostly due to the measures which have been imposed on manufacturers by other jurisdictions.

[14:45]

We must play our own part in ensuring that the public of Jersey make better transport choices. Encouraging cleaner vehicles is obviously a critical aspect. For those that continue to opt to buy higher polluting vehicles, they will be required to pay a higher rate of duty and that income will help the States fund environmental initiatives that can offset it. So, in answer to the Constable of St. John's question: is this to encourage low emissions or to raise revenue? Its primary aim is to encourage behavioural change. If we achieve a great shift towards less polluting vehicles and indeed reduce to little or nothing the V.E.D. collection, I would consider that a great success. The bands for vehicle emissions duty were set some 6 years ago and have become out of step with modern vehicle manufacturing. So we have proposed revised bands which better suit the market. Lowering the zero-rated band to 100 grams of carbon dioxide per kilometre will also make it compatible with our half-price parking scheme in our car parks for low emission vehicles. Another key aspect of the change is the current rate of a 35 per cent discount for one year-old vehicles and 50 per cent discount for vehicles over 2 years old. This has led to an increasing importation of second-hand vehicles, particularly in the commercial sector and to some extent larger private engined vehicles. Older vehicles tend to be more polluting and less safe and it is quite illogical that we should incentivise their importation. The third key change is that all commercial vehicles are currently assessed on their engine size, not emissions. Where commercial vehicles have an appropriate certification they will be rated on emissions and in most cases that will reduce the rate of V.E.D. that they will pay. I would correct the Constable when he suggests that these changes have not been thought through or that we have not consulted the industry. We have looked at best practice elsewhere and we have considered the impact the current rates have been having, particularly in increasing the second-hand vehicles coming into the Island. We have consulted with the motor trade via the Jersey Motor Trade Association and this has led to the decision of the further removal of the current 85 per cent discount for hire cars until 2017 to give them time to adjust their fleets. Indeed, we broke Budget tradition by going to the Jersey Motor Traders Federation and advising them of what we were planning to do in advance of the Budget being announced. The Jersey Motor Traders Federation suggested that we should look into replacing the registration based on V.E.D. with an annual charge. In my discussions with the Constable he has suggested that we might simply increase fuel duty instead of V.E.D., but both of these alternatives raise the issue of ability to pay. People may not be able to afford to change their cars to avoid increased taxes. The advantage of V.E.D. is that people do have a choice to opt for a lower-rated vehicle and it is applied on the purchase or the importation of a vehicle that previously has been registered on the Island and not on existing ownership. It is, therefore, I believe more equitable and more progressive. Jersey has a traffic problem and it also contributes to our international problems caused by motor traffic but we have, in the past, shielded away from introducing measures which seek to address these issues. The proposed changes to V.E.D are relatively modest: they make the whole system much simpler, but in importance they are a step in the right direction and I would urge Members to reject the Constable's amendment.

2.3.3 Deputy S.M. Wickenden:

I never took the Minister for Transport and Technical Services as somebody who would do a half-hearted proposition but it seems that this has happened here. The change in V.E.D. just lacks any kind of substance. He is right. He did go and speak to the Motor Trade Forum but it was not a consultation, it was to tell them: "We are changing this." There was no consultation. It was just: "This is what is happening, these are changes that have been done." Is V.E.D. working currently? The Minister for Transport and Technical Services in the Budget says it is not, but it is: the figures that I have show that since V.E.D. was brought in there has been a 15 per cent increase in the 120 grams or less, there has been 133 per cent decrease in the 121 to 150 grams, 198 per cent decrease in the 151 to 165, a 211 per cent decrease in the 166 to 185 grams, 148 per cent decrease in the 186 to 225 grams, 316 per cent decrease in the 226 to 250 grams, 165 per cent decrease in the

251 to 300 grams and 148 per cent decrease in the 300 grams or more. So, is vehicle emissions duty working? Well, yes, it is. So why are we changing it? He says that the second-hand cars that are being purchased and driven around the Island are more polluting to the Island and as a car gets older it is less efficient, which is absolutely right. So to remove the incentive for people to buy second-hand cars, what I think is going to happen if we remove this and make it more expensive is we are going to have less second-hand cars of whatever polluting level coming into the Island, which means people will just keep their old car and we will have more older cars driving around the Island, because people will not buy new ones. It is all lumped in: you might as well buy a new car and not many people can afford a new car. You lose 20 per cent of the value of the car after you have driven it out of the showroom. This is a tax on middle Jersey again. This is a revenue raising increase of 722. There is also the fact that every year that we raised the amount of money that we are paying for V.E.D. we have got less money. So every year ... and you see it in the report it says: "This year we are going to raise it by 5 per cent and we expect £55,000 of extra tax revenue" and we get £78,000 less. It has gone on and on and on. So each time we raise it we get less money, so the whole idea that you are going to make 722 does not add up to me either. It seems to go against the trends and the facts that have been laid out already in front of us. I would say that this is an ill-thought out, badly put together, way of trying to raise revenue that ... it has got no facts given behind it. It is another level of where are the facts and where is the information so that we can vote on it with faith and trust that you have done your work. It is not in the Budget debate, it just says it is not working. Well, it is. It says you are going to make money but the trend has shown that it never has. It has always got less money. It says that we are going to drive less polluting cars. We are, that is a trend that is already happening. This is just about raising revenue, it is nothing to do with trying to change behaviours that are already changing or increase it. There is no evidence behind this. So what we are saying is: "Go away and think about it, and do the work. Do the research and come back to us and tell us." Let us not do something that is going to harm the economy and stop people from bringing second-hand cars in. Do not stop the second-hand cars salesmen from delivering in the Island so that we have to buy new cars that we cannot afford anyway. Go away, think again and come back with a proper, well thought-out plan for what is going to happen and why we are doing V.E.D. Let us not just throw it in as a money-making scheme. It is just not good for Jersey, it is not good for middle Jersey, lower Jersey and think again. So I recommend that you go ...

The Deputy Bailiff:

Through the Chair, Deputy.

Deputy S.M. Wickenden:

Through the Chair, Sir. Sorry, I recommend that you support this proposition and we send it back saying: "Think again."

2.3.4 Deputy M.R. Higgins:

The last speaker said a lot of what I was going to say. We have just heard the Minister for Transport and Technical Services talking about it as reducing pollution. That is basically what he is doing, but I just simply do not believe it. What we have got, as Deputy Wickenden has put out, is a revenue-raising measure. We have already had the Council of Ministers, already for the last morning and half the afternoon, fighting to take the Christmas Bonus away from pensioners. Now they want the money. The point is that this is another motive to try and get money. I also want to bring up as well that they are talking about changing behaviour. I can remember a few years ago in this House arguing that we should penalise traders who were charging an extra 20 per cent on their prices, in other words the equivalent of the U.K. V.A.T. (Value Added Tax), pocketing it as extra margin. When I brought a measure to the States to try and penalise them for it and also penalise

those firms who were charging excessive freight charges and using the taxation system as the means of doing it, I was told we should not be using taxes to change behaviour. That is exactly what the Minister is putting forward. The arguments are inconsistent. It is whenever it does not suit them: “No, you cannot do it”, whenever it does suit them they can do it. I hope no Members have been fooled by this and I hope that they will support the amendment to it.

2.3.5 The Deputy of St. John:

Just briefly looking at the vehicle emissions duty side of things, I went away and looked at the Sustainable Transport Policy, which is 5 years old now, and then referred to what is known as - bear with me - Pathway 2050, which is an energy partnership. We have a terms of reference, we also have some action statements and on the energy pathway it talks about the low-emission vehicles registered with D.V.S. (Driver and Vehicle Standards) and it has requirements for measurements from 2014 in year one - there is no benchmark for that, of course - and then 2020 and 2030 what is expected. So, of course, when I saw this document and I was aware and knew about what was going on here and had a discussion with the motor trade and a discussion with Deputy Wickenden and the Constable of St. John, I asked the question of the Planning and Environment Department, in particular about the energy pathway, how it was working and what work they had done on the vehicle emissions duty. I was provided with an annual report. But the basic summary of it was they are not quite there yet in terms of analysing as to the actual effectiveness of the vehicle emissions duty, there is no clarity in terms of V.E.D. It has only been going for a year, the energy pathway, so when I received this email of course it sets off an alarm bell and you have these discussions. Deputy Wickenden has just made the point about there has been a reduction and if this is about changing behaviour, if this is about environmental policy, which I am of the understanding this particular area is, you have got to expect diminishing returns if the policy is going to work. So you can understand some of the sceptical nature of: “Okay, it is working so let us change it to something else, and increase the bands ... the course of the bands so we can keep the revenue coming in at what we have or maybe possibly get a bit more.” Yes, there is concern from the motor trade and there is an argument that the last 2, 3, 4, 5 years you have lower vehicle emissions on second-hand cars because they are making them to those standards now. Okay, they are getting better every year as technology does and manufacturing does, but just to bluntly put it in from day one on an annual charge and not having what I believe was called a sliding scale of some form is concerning. The motor trade did not turn around and say: “No, we do not want to do anything. We want to work with the Minister for Transport and Technical Services and the Minister for the Environment about a way to do this better.” They have put in suggestions and they were willing to work over the next year about how that could come forward in next year’s Budget. There is a misunderstanding, I believe, that leeway has been given to the hire car companies, for example, in terms of a year’s grace to get their affairs in order but the motor trade to a certain extent feel as if they have just been ignored, been told: “This is what we are doing, that is the way we are going to do it” and that is what the Council of Ministers has decided to do. That is a concern.

[15:00]

So I believe it is absolutely right for the Constable of St. John to bring this forward so we have an appropriate debate and if we decide to support the Constable of St. John then that gives the year’s grace for them to work with the Minister for Transport and Technical Services and the Minister for the Environment to make sure the right thing is in place and that we are achieving the right energy policy that is expected, but also I would say that if there is no working together then I would expect this to come back. Because that gives a year’s grace for people to work together to make sure we have the right policy going forward.

2.3.6 The Deputy of St. Martin:

Members must expect me to speak not only to this amendment but to the other 2 involved with V.E.D. My speech now will be slightly long but I will hope to not repeat myself and speak shorter at the other amendments. As the Minister for Transport and Technical Services has already alluded to, only last week a historic new global climate agreement was struck at the United Nations Conference on Climate Change in Paris. It took a significant step forward in reducing emissions. For the first time ever, 195 countries, including the world's largest emitters, have now committed to act together to combat climate change and to be held equitably accountable. The agreement marks a clear turning point towards a sustainable and low carbon future. Countries will now have to come together regularly to review their climate plans and collectively ensure that the necessary action is being taken to tackle climate change. The Paris agreement marks an unprecedented political recognition of the risks of climate change. There are processes in the agreement designed to ratchet up the level of global action. The agreement requires countries to act on climate change and to increase their actions over time. The hope is that with the whole world now on a settled course, with ever better technology and with a much greater flow of financing to developing countries, the ambition of these contributions will be revisited for stocktakes every 5 years. The first reckoning will be in 2018. Perhaps the most significant effect of the Paris agreement in the next few years will be the signal that the united governments of the world say that the age of fossil fuels has started drawing to a close. After Paris, the belief will be that governments are going to stay the course on their own agreed green strategies. I ask Members to recall the near unanimous adoption of our own Energy Plan in May 2014 and the commitment that this Assembly made to reducing the emissions of harmful greenhouse gases, which contribute to climate change. We agreed to begin an emission reduction pathway that would reduce Jersey's carbon emissions by 80 per cent compared to our 1990 levels, which is in line with the efforts of other jurisdictions globally, and to avoid the effects of dangerous climate change. One-third of Jersey's emissions come from transport. In short, more than once this Assembly has accepted that private car use contributes to harmful emissions. We have indicated that we wish to change behaviour and encourage people to make more sustainable transport choices. Accepting that people will choose to use private cars, the aim is to ensure people purchase the lowest emission models, particularly hybrid and electric vehicles, so minimising their emissions. I argue that the only fiscal lever we currently use is Vehicle Emission Duty, Jersey's first-named environmental tax, which was finally introduced in 2010. This tax incentivises the purchase of low emission vehicles, albeit in a very modest way given that the amount of V.E.D. paid is very small in relation to the overall costs of a vehicle. One finds it difficult to argue that the tax is particularly punitive, but since its inception I am in agreement with the Constable that people are choosing lower emission vehicles. The Constable argues that this is the proof that the tax is working and thus asks us why change anything. My answer to that is clear. We have begun to see some positive results, but this is only the beginning. We need to review the tax's performance to ensure that it is working most effectively in shifting behaviour. I wish to say this to the Assembly today as clearly as I can, that this time next year I too will be seeking changes to V.E.D. but not the type we have before us today in the various amendments. I wish to see changes which I hope will demonstrate our full commitment to reducing carbon emissions. Members will know from the many actions outlined in the Energy Plan that V.E.D. is just one of a suite of ways we have proposed to decarbonise our future. Nevertheless, it is an important one and we need to satisfy ourselves that it remains fit for purpose and that there are no loopholes that need to be addressed. In examining V.E.D. as it currently stands, we see it falls into 2 areas that the proposal rectifies. Number 1: the charging bands are no longer representative of the emissions arising from recently manufactured vehicles. The bar has been raised, so to speak. Number 2: there is a loophole around the amount of V.E.D. paid on second-hand vehicles that is not in line with the "polluter pays" principle that is at the heart of this tax. Number 3: we are now allowing commercial vehicles that can report on emissions data to be measured against that data rather than engine capacity as was previously. I will talk more specifically about tractors later in this debate. Taking my first point,

since the introduction of V.E.D. in 2009 manufacturers have been driven by global targets to reduce the emissions of their vehicles and, of course, we are pleased about this. Therefore, in general, it has become easier to purchase a lower emissions vehicle, a trend that is seen to some degree in the purchasing patterns and subsequent registration rates. It seems to me if Jersey is serious about its environmental responsibilities, and we say we are, and if we want to encourage the purchase of lower emission vehicles, and we say we do, we must then modernise our bands to continue to maintain pressure on purchasing patterns in a changing world. I believe that the zero rate of duty should only be levied on the very lowest emission vehicles. Currently, the zero rate applies to a vehicle rated 120 grams per kilometre or less. At the time the tax was developed this represented the gold standard with few vehicles achieving this rating and the benefit of the zero rate was applied at that emission factor. However, now it is easier, far easier, to buy a vehicle that has emissions between 100 and 120 grams and the gold standard lies in vehicles that have emissions 100 grams or lower. I believe it is only those whose purchasing decision demonstrates they are achieving the highest standard who would benefit from zero rate. From this recalibration stems a shift in bands across all the emission spectrum to better represent the market for modern vehicles. We must remember that the actual amounts of the duty in question are incredibly modest when compared to the full purchase price of vehicles. However, what level of environmental responsibility would we be showing if we did not strive to send the right signal to the marketplace? Moving now to my crucial second point, that there was a loophole in the V.E.D. when it was first designed and that was the second-hand vehicles registered for the first time in Jersey benefit from a reduced rate of duty depending on their age, the proposal is now to remove this benefit and to ensure that V.E.D. fulfils its full potential as a “polluter pays” tax. Older, second-hand vehicles are most likely to be higher emitters, yet currently they are not asked to pay the commensurate amount of V.E.D. when compared to new vehicles. As an Assembly committed to carbon reduction and the principle of “polluter pays”, we have to show that we are prepared to send the right tax signal. There is no doubt in my mind that second-hand vehicles should be judged on their emissions in exactly the same way as a new vehicle for V.E.D. to be a truly environmental tax. Similarly, my third point about allowing commercial vehicles to be rated against their CO2 emissions if they have available data is another move to ensure that V.E.D. fulfils its environmental objectives. Now that CO2 data is more readily available on commercial vehicles, it is only fair to reward those purchasers in accordance with their reported emissions rather than using engine capacity as a proxy for emissions, which is what is done with V.E.D. at the moment and as it was when it was set up. The Constable in his amendment argues that if an environmental tax is successful it will always have a declining revenue. Taking this line, he argues that our current proposal to modernise V.E.D. is clear proof that this is just a revenue-raising tax. However, I look outwards to examine how environmental taxes are generally constructed and used across Europe. There are a number of taxes, charges and levies in place across many areas, notably in the areas of transport, energy and water. A recent report by the Institute of European Environmental Policy for the Dutch Government looked at environmental tax reform in Europe and the opportunities for the future. Environmental taxes, charges and levies are in place in Europe across a number of areas. To date, the main focus of efforts has been in the areas of transport, energy and water. There are a number of examples where these instruments have had important environmental impacts alongside other policies and external factors. In the Czech Republic, air pollution charges are allocated to the state environmental fund where they fund programmes related to air pollution. In Ireland, there is a plastic bag levy and that is earmarked for environmental work. In Cyprus, three-quarters of the revenues from the quarrying charge are used to reimburse environmental damage from quarrying in local communities. In Latvia, payments collected from water abstraction taxes or charges are earmarked for environmental protection. In Portugal, revenues are used for activities to increase water efficiency, improve water quality and the state of ecosystems. In Estonia, revenues from hunting-right fees are earmarked for a state environmental fund. I have to say I do not know that

there is much scope for that in Jersey. I would say further across the globe we have carbon taxes in British Columbia, in Canada, also in India a carbon tax, water pricing in Israel. In Japan, there is a tax on any oxides of sulphur. There is a water conservation tax in Singapore, an environmental fiscal reform in South Africa, a land use change tax in New Hampshire in the United States. In Switzerland, they have a CO2 tax and, finally - Members will be pleased to know I am at the end of my list - our near neighbours in France enjoy a *taxe générale sur les activités polluantes*, and that was introduced in 1999. It aims to implement the “polluter pays” principle and provide a price signal to discourage polluting activities. When introduced, the tax covered the disposal of waste, atmospheric industrial pollution and air traffic noise. It has subsequently been extended to cover washing products, insecticide products, waste storage, incineration and single use plastic bags. I would like to see even more policy levers and mechanisms to encourage progress towards our carbon reduction goals in the future, especially in the transport sector. As I said before, Members can expect to see me proposing even stronger measures under V.E.D. this time next year and I will be making those propositions to the Minister for Transport and Technology in the coming 12 months. As an Island, our sustainable transport targets have proved difficult to meet and our love of the private car has been difficult to uncouple, yet we must make progress. To finish, I ask this Assembly in the face of its previous commitments around emissions and targets and in the light of the global concern and progress being made around emissions and climate change and, further, in the light of the very recent global agreement in Paris, how can we in all good conscience not take this opportunity to make the most modest of changes to increase the effectiveness of V.E.D.? I urge Members to reject the Constable of St. John’s amendment.

2.3.7 Deputy P.D. McLinton:

Firstly, I applaud any measures that protect our planet. After all, it is the only one we have and I have every intention of sticking to it for a few more years now and maybe enjoying a bit of bonus in my ... we live in hope. Who knows?

[15:15]

Interestingly, I think that any measures that penalise the farming community any more than they already are being penalised should be looked at very carefully. It is tough enough being a farmer on this Island as it is. We do not want to put any more strangles on this industry. Taking all the points that the Connétable of St. John has already made forward, I think that should be definitely and deeply considered. My dad likes nothing better than the old car parade on Boxing Day. He lives the whole year for that. This tax will put a stranglehold on people who have taken the time and the trouble to drive round in museum pieces to show a link to the past, and there is a real feel good factor as I am driving along the road to see one approaching. I say to the kids: “Look, an old car, an old car.” It is a wonderful thing and this tax in no way, shape or form is going to persuade somebody who might consider investing in an old Jaguar, for example, maybe I should not, maybe I will buy a Prius and save the environment. They want the car because they believe and thoroughly love the hobby in which they are engaged. **[Approbation]** I do not expect anybody stood on St. Aubin’s Bay and looked at the Jersey International Air Display whizzing above our heads, saw a Spitfire pass, and thought to themselves: “You know, that is doing nothing for the environment.” While I am on the subject, I would quite like this question answered: why are boats and planes not included in this?

2.3.8 The Connétable of St. Peter:

I think most Members will expect me to make some comment on this, but I have to say I am conflicted in 2 parts, one in being the owner of a vintage vehicle and the past president of the Jersey Old Motor Club and my second conflict is because, of course, I have to support my Minister for Treasury and Resources as well, so I will not be voting with the proposed amendment. I think there

are some points that have been raised in this debate which I would like to ask Members to consider a little bit differently. There has been a lot of comment about V.E.D. as being effective. I do not believe it has been. I think the Minister for Transport and Technical Services is absolutely correct in that regard. I know Deputy Wickenden has made some good points and came out with some figures. He is absolutely correct. Those figures are right; I do not challenge those whatsoever. But what it does not do is look at what have been the other drivers that have caused motorists to change their habits, their purchasing behaviour. If we go back to the Budget speech in around about 2008, I think it was, of the then Minister for Treasury and Resources, Senator Le Sueur, when G.S.T. was brought in at 3 per cent, at the same time it was recognised that there could be an impact on the motoring trade in Jersey because there was Vehicle Registration Duty, V.R.D. as it was known then. That was going to lose us £4 million per year if V.R.D. was lifted off all vehicles, so that was when V.E.D. came forward to replace the loss of the V.R.D. at that time. What we had then, we had 3 per cent G.S.T. added on to vehicles coming in, plus we had V.R.D., now V.E.D., delivering the same sort of money back to the economy. What then happened, of course, we all know that G.S.T. went up 3 years later to 5 per cent, which put another penalty on bringing vehicles in and the higher priced vehicles with larger engines tended to be impacted by that. Over that same period of time, about a 10-year period, the States Statistics Unit did a comparison between 2005 and 2014 on motor vehicles. They demonstrated there that in the U.K. motoring costs had decreased by 12 per cent. In Jersey, they had gone up by 26 per cent over that same period. So there was very much a financial driver for people to buy smaller engine cars and things like that. But equally, over that same period of time, fuel prices in Jersey went up by 54 per cent. I would argue that those measures in themselves drove people's choice and desire to have smaller engine vehicles and the smaller engine vehicles we see today do outperform considerably the smaller engine vehicles of the 1950s and 1960s. My daughter-in-law has just bought a Ford EcoSport. It is based on a Fiesta with a 900cc 3-cylinder engine and it performs better than any car I drove in the 1960s and 1970s with far better fuel efficiencies. So I think to talk about V.E.D. as being effective, I have to agree with the Minister for Transport and Technical Services, it is not. But also I listened to the comments of the Deputy of St. John talking about the Sustainable Transport Policy. I think there is a piece of work missing which we need to do and I am more than happy in my new role with the Minister for Treasury and Resources and the Minister for Transport and Technical Services and the Minister for Planning and Environment to work with them to look at how we can make the environmental tax better, not Vehicle Emission Duty but the environmental tax, by looking much broader. For example, in my vintage car, if I fill up the tank once a year I am contributing, no matter how polluting it is, virtually nothing to the overall burden. But if I take my modern car, my Cooper S that I currently have, and I drive that around and I drive it around all day long, I am contributing so much more by the amount of time I am using it in the environment. So would it not be better to charge me for the amount of time I am using that vehicle? How can you do that? We will not put a spy in the cab like they do on heavy vehicles, but you can make me pay for it at the pumps. Jersey is well regarded, has a very good history, and I just cannot remember now ... that last year I went down to the Chelsea Hotel in Gloucester Street to renew my annual car tax, road tax. Jersey was a leader in that. We took road tax away, we stopped it, but what we did do was we said the more you drive on our roads the more you are going to pay. We are going to put it on the charge of fuel so people that burnt the most paid the most. Is that a more effective way, to get a vehicle environmental tax, not emission, environmental? The more people that pollute the environment by virtue of the time their engines are running, the better ... I think we need to be looking far broader as well about it and I think the general public, like me in particular and many others like me, I do not mind paying a tax on my hobby. If I can see that tax is being used appropriately to fund environmental initiatives, I can see where the money is going to, where I am paying my money to, and I can see what the Island of Jersey is gaining from that. If I can see that link, I do not mind how much you are going to charge me. I think we all need to think more

carefully about introducing these taxes and make them much broader to make a positive benefit to our environment, not do things which appear to. I made a comment to somebody over lunch. The V.E.D. at the moment is a very blunt instrument. It is like me going into the car park and somebody is getting into his car and I say to the Honorary Police: "Book him, he is going to speed." The guy says: "What are you booking me for? You do not know if I am going to speed." "Well, you could do, so I am going to book you anyway." That is effectively what we are doing. We are making people pay for something upfront which they may contribute next to nothing to. I would like Members to think about the broader aspects of the environment and the opportunities there are out there to all think more creatively about how we deal with the very essential thing that we need to do for my children and my children's children, to protect our environment. I am not saying we stop it. I say we become smart and we make it work. We make it work effectively where we can see the real results of it. I shall abstain from the vote.

2.3.9 Deputy R. Labey:

I have to declare an interest in that my brother is a potato farmer. I do not gain financially from that and, come to think of it, last season nor did he. **[Laughter]** I did mean that as a joke but it is actually the truth.

Male Speaker:

Surely he is misleading the House.

Deputy R. Labey:

It was not a good season. I do in all seriousness say I do talk to other farmers, too, and I was speaking to one just yesterday morning, a centuries old family farm, who was saying: "I am going to give it 6 months, one more season, and if it is as bad as the last one that is it, we are finished." So, farming in this Island is at a very critical point and stage. Although the Minister for Planning and Environment painted the global picture for us, he did fail to address the point made by the Constable of St. John that no other farmer in Europe is subject to this tax. I am pleased that the Constable of St. John and the Deputy of St. Mary have brought these initiatives forward. I did not know whether to speak in the Deputy's debate but I think if we do this now and do it right we do not have to have these other 2 debates, do we, **[Laughter]** so that is a win-win situation. This time last year or a bit before the last elections there was claim after claim by candidate after candidate, successful candidates, about their support for the agriculture industry. We have not heard a lot about the agriculture industry in this debate so far until the Constable of St. John's proposition. There are all those promises about the need to value our farmers and to help our farmers. I saw one manifesto point from somebody now in power: we want to restructure and dramatically increase Government support towards sectors of the community, including agriculture. Dramatically increase Government support, and that has not happened yet and maybe they need some time, but the farming industry has suffered at the hands of this Assembly over the last 25 years. For things to get better, we would need to reinstate no V.E.D. or V.R.D. on tractors, forklifts or bona fide agricultural equipment. We would need to reinstate the rebates on harbour dues for all exports and imports; no planning or building control fees on agricultural construction, including staff accommodation; reinstate no contribution from agricultural construction to the percentage for art; reinstate no rates on agricultural land; reinstate no charges for water abstraction; reinstate no charges for bulb inspection; reinstate no G.S.T. payable on agricultural buildings, including staff accommodation; look at the high cost of installing power infrastructure the producers have to pay to access electrical power; go some way to levelling the playing field between Jersey agriculture and its European/U.K. counterpart. To do that, all of these things would have to be introduced as a package and then we might just start to level the playing field. They need a lot of help and at the moment they are not getting it. The Minister for Transport and Technical Services said in his

speech that this tax on the farmers would help to fund environmental initiatives, but the whole of the farming industry on this Island is the best environmental initiative that we have because they are looking after the countryside beautifully. What is this Government, I ask rhetorically, doing for them in return? The answer is unparliamentary and I will not give it, but I think we should definitely support the Constable of St. John.

2.3.10 Connétable A.S. Crowcroft of St. Helier:

The Environment, Housing and Technical Services Panel has not done a report on the Budget because there are only a number of small issues that our panel would be interested in, but clearly this is one of them. Members may remember that the panel tabled several amendments to the Strategic Plan and we successfully managed to bring the environment to the top of the agenda in all of the 4 priorities that the Council of Ministers has adopted. So it would be a very strange thing if certainly this member of the panel, the chairman of the panel, was to support the amendment because certainly the message that we would be sending out was that environmental issues are not so important when we are talking about the agricultural industry or the classic car enthusiast. To take the second category first, a previous speaker said that unless this amendment is approved we will be putting a stranglehold on owners of classic cars. I suppose I should declare an interest, although I am not sure whether my recently acquired collection of rust, the 2CV, is a classic car or not. It certainly is not roadworthy yet and it is going to require quite a lot of investment before it is in a fit state to take on our roads, particularly as, as a Connétable, one would obviously not want to be stopped in a police check and taken off the roads. My feeling, though, with classic cars is if you can afford to run one then you can probably afford to pay your way as a polluter. I do not see why there should be a special case made for someone who drives a car which has a wonderfully large and possibly loud engine. I think that is part of the pleasure one takes from, say, driving a Lagonda, and there is a notable example of that which I have been in. I do not believe the owners of these sorts of vehicles expect to be paying less in terms of V.E.D. than other owners of vehicles. As far as agriculture goes as well, I do not see that this particular tax on vehicles is a make or break.

[15:30]

Deputy Labey gave a lot of examples of how agriculture is suffering and he is quite right, it is a difficult industry to make progress and all kinds of charges and fees and red tape beset the farmer. But I do not believe that it is sustainable for that industry to be exempt from environmental taxes which the rest of us have to pay. I think it would send out a very poor message. I particularly enjoyed the Minister for Planning and Environment's speech. I thought he was absolutely right to remind us that we are players in a global world when it comes to the environment and we need to do our bit. I think to support this amendment would send out entirely the wrong message today and I certainly will not be doing it.

2.3.11 Deputy S.M. Brée:

If I am correct, we have just heard the Minister for Planning and Environment announce he will be bringing a proposal to make major changes in V.E.D. at the end of next year, that being 2016. I am sure we all await that. But surely it would be much more logical and sensible to await that proposal with all the detailed work and research that will go with it before making any sweeping changes now. We have also heard much about a Sustainable Transport Policy and once again I would hope very, very much that any changes we make in taxation for cars goes hand in hand with a Sustainable Transport Policy. Surely the ultimate aim is to reduce the number of cars on the road and, once again, I would say, perhaps to the Minister, it is imperative to have a public transport system that is fit for purpose. The raising V.E.D. proposals contained within the Draft Budget 2016 is purely a tax-raising measure and to suggest it is anything else is being somewhat disingenuous with this Assembly. I would suggest to all Members that we support this amendment and await the

Minister for Planning and Environment's proposals which, hopefully, will be much better founded and much better researched.

2.3.12 Senator A.J.H. Maclean:

I will just be brief. I wanted to make just a few observations on the remarks of the proposer, the Constable of St. John, and one or 2 other Members for that matter, about this particular plan. It is quite simple really. The plan is straightforward. It simply says the polluter pays with no exceptions and, as the Constable of St. Helier has pointed out, that is exactly the objective we should be aiming for in terms of environmental responsibility. I think that is right. The other point that I think is important just to mention is the fact that the proposals before Members today simply bring us into line with bands elsewhere. We were, if anything, not meeting our responsibilities. We, if anything, had undertaxed to provide appropriate safeguards against pollution and this is simply moving us more in line. I think that is right. Although I would suggest, having listened to the Constable of St. John with his description of driving to Bonne Nuit in a responsible way, I think what he described afterwards was not only massively polluting, but was also probably contravening the speed limits in his local Parish. So on 2 counts he was not doing terribly well with his experiment. That said, the Constable also, interestingly, proposes this amendment to remove the V.E.D. revenue and, of course, principally this is about behavioural change but, of course, it also brings in revenue of £722,000 as Members will have noted. I found it curious that the Constable takes this position. He is, of course, a member of the Corporate Services Scrutiny Panel, the same panel who, as I remarked earlier today, made the point or have made the point previously - and the Constable feels very strongly about this - that our income forecasts for the Medium Term Financial Plan period are far too optimistic. Part of the process of the Budget is that we are raising additional revenues, albeit relatively modestly. If all measures are approved, this Budget raises £1.8 million and by 2019 that would equate to £7.5 million. That builds flexibility. That helps the Constable of St. John sleep more peacefully in St. John knowing there is a little bit more flexibility within the plan if the income forecasts that he is so convinced are not going to match up and are far too optimistic ... so why would he bring a proposition such as this which takes away some of that flexibility? Perhaps he can address that in his summing up. I am sure he will be delighted to do so. I would encourage Members to reject this particular proposition. It is not either on an environmental basis a sound position to take, nor from a fiscal point of view, and you would expect the Minister for Treasury and Resources to take that particular position. But I think on balance and overall it has been well thought out. It brings us into line largely with elsewhere and it is part of a progression to us doing our bit. We have seen what has happened in Paris very recently where world leaders got together to address issues around climate change. It is important that Jersey starts to move in that direction as well and it is a small measure. Albeit a small measure, nevertheless it is in the right direction. I would encourage Members to reject the proposition.

2.3.13 Deputy J.A.N. Le Fondré:

I rather think the Minister for Treasury and Resources cannot have it both ways. I do like the Minister for Treasury and Resources; it is good timing to come in immediately after him. Because either the income forecasts are fine or they should have been more prudent in the M.T.F.P. **[Interruption] [Laughter]** For the benefit of the tapes, there was a kind of ...

Senator A.J.H. Maclean:

My apologies, I think something accidentally came out that was not supposed to.

The Deputy Bailiff:

Well, I cannot really direct you to withdraw it, Senator, so carry on as we are.

Deputy J.A.N. Le Fondré:

How come when we were all debating the M.T.F.P. and I was standing up here and we were saying the Council of Ministers should be more prudent in how you are setting your expenditure plans, we were told: "No, it is all fine, absolutely no problem. We stand by our plans and you must hold our feet to the fire" I think it was? Yes? It came in a couple of times. The first thing we have is we are now raising £7.5 million extra because we need flexibility. Yes, fine, maybe that is prudent. You could have been a bit more flexible by perhaps setting one's expenditure limits slightly lower, which is what we were suggesting. It is trying to get the emphasis on: are we taking more money out of the economy and off the population in whichever shape or form, or are we cutting our cloth accordingly? That to me is the flexibility bit, not keep taking money off people. Even though we will disagree at varying times, I rather liked the speech from the Constable of St. Peter because just before he had started speaking I thought it rather begged the question from various comments elsewhere why do we not just put all this stuff on to the fuel. Every time we introduce a new system there is more admin costs somewhere in there. That was the beauty of ... I can remember it, going back to my father's day when he was in the States, when it came in. It was the beauty. They got rid of the Chelsea Hotel saga. They put it on fuel. My recollection and the reason why we are debating V.E.D. versus V.R.D. is because the former Deputy of St. Ouen pulled a blinder on the Assembly, got them completely confused and rather a lot of us voted the wrong way. By voting the wrong way, we actually removed V.R.D., which then, of course, Treasury had to make up the money for and then introduced something completely different, which, of course, was vehicle emissions duty rather than registration. The point was, going back to what the Constable of St. John has been saying, I am concerned about what the definition of consultation is. Consultation is not turning up and saying: "This is what we are going to do." It is: "Let us hear some views, let us have an exchange of views." I am concerned about what the impact is on the hire car industry. We are hearing good things about tourism and things like that. What is the impact there? It is all very well giving them a year. It is not that long. I certainly endorse the comments by the Constable around diesel because, yes, there is a lot of data that has been coming out for quite some time - and not even by drivers of VWs - about what the impact is of diesel and particles and all that sort of stuff versus actual CO2. I think my main message really was: why are we seeking to attract yet more income if it is not for a revenue-raising purpose and particularly - and Deputy Brée has already highlighted that - given the remarks of the Minister for Planning and Environment that we are going to be changing it next year anyway? On that note, we heard the anomalies from Deputy Wickenden. We heard the anomalies from the Deputy of St. John. The Constable of St. John, I think, has produced a sensible amendment, which is basically saying can we have the whole picture and let us deal with that for the moment, so I shall support his amendment.

2.3.14 Deputy A.E. Pryke of Trinity:

I think it is a bit of a risk sometimes sitting next to Deputy Le Fondré when he starts with his hands. I am pleased to say this time I am in one piece. One question all of us have to ask is: do we take the effects of climate change seriously? If we do, then we must address all issues, however painful they may be, but not only for us but protecting this Island and our planet for future generations. This Assembly does take climate change seriously. We know that as we approved the Energy Plan only last year. One part of that plan was to lower carbon emissions and that we can easily do, encouraging by not supporting this amendment. We need to encourage low emissions in vehicles. The Minister for Planning and Environment quite rightly gave us a state of the nation regarding climate change and the good results from the Paris meeting last week. We have had V.E.D. duty for the last 6 years and it has worked. That is seen in the discount of CO2 emissions, but it needs to be updated. We need to sort out the second-hand cars, thus keeping it simple and fair. The changes have been based on detailed data from D.V.S. and fully researched. The choice of the car is still with the purchaser, but knowing the emission duty should play a part in that choice. It is better for Jersey in lowering our CO2 emissions. For those who choose to buy high emissions it is simple:

pay a higher rate of duty. This is a way of changing our culture and all of us taking some responsibility in reducing emissions when we purchase cars and having an effect on climate change. This is not a revenue-raising measure and I urge Members to reject this amendment.

2.3.15 Senator A.K.F. Green:

I am not going to repeat what people have already said but, to pick up on one point of “polluter pays”, for me as Minister for Health and Social Services what I want to see is a reduction in pollution. We have talked about the money that is raised, we have talked about the vehicles, we have talked about different occupations, but we have not talked about the air quality in town. We know there are several parts of town where the air quality is just not acceptable. If this particular tax makes people think about the vehicles that they use to help improve the air quality in town and, therefore, the air that my grandchildren, Members’ grandchildren, Members’ mums and dads, are breathing in, then it has done its job. I urge people not to support this amendment but to think of the health of our people in town. It is not a myth that the air quality in town on occasions falls woefully behind that where we would want it to be.

2.3.16 Deputy G.P. Southern:

I did not believe when I came in this morning that I would be in danger of supporting this particular proposition, but it has come down to an old ploy that I have seen before done, which is do not vote for this now, I have a new policy coming along later and that is a super one and that is the one you want. Well, the answer to that is: and where is it? Is it in front of us? No, it is not. It is some time in the future. I do not believe, necessarily, that is going to be realised. Then we talk about whether this tax is a green tax. Is it intended to change behaviour or is it simply a money raiser?

[15:45]

Certainly, from the evidence that has been presented in this debate, in particular by Deputy Wickenden, who went through the 3-year trend and showed that what we have in place is apparently working perfectly well; then again one says that may not be good enough for the Constable of St. Peter who said: “I have heard that evidence and I do not challenge it but nonetheless I am going to ignore it.” It seems to me that that is the key thing. The key evidence that we need that the tax is already working. Then, when we talk about the health of the nation and really doing something to keep cars off the road and improving our air quality we refer to the Sustainable Transport Plan time and time and time again. The Deputy of St. John has just spotted where I am going. If you really want to get people out of their cars then back a Hoppa bus in town and the air quality might well indeed come down. But, no. This House previously has supported in principle a Hoppa bus to do exactly that and then did not vote for the subsidy required to make sure it happened. So are we talking environment? Are we talking about changes in behaviour? Or are we simply revenue raising? It seems to me from the evidence presented today that, surprisingly, I am going to be supporting this because I think this looks like revenue raising and not a genuine green ascent to make our air quality better.

2.3.17 Senator I.J. Gorst:

I was just tempted to - I apologise in advance - say it is quite clear, absolutely clear, and I am surprised that I find myself following the sentiments of the previous speaker that this is about taxing polluters. It could not be clearer, so the Deputy trying to suggest that that is not connected with environmental issues I find, shall I say, somewhat surprising. I am surprised that I stand, because I fear that I fall into that category. If we are serious about climate change issues and trying to drive, even if it is only in small ways, at this point in time, which the Minister is doing, better behaviour, which will again help with the policy aims of the Minister for Health then surely there should be a straightforward ‘the polluter pays’ with no exceptions to that. That is the plan that the

Minister for Treasury and Resources, his Assistant Minister, the Minister for Transport and Technical Services, is proposing. Therefore, I ask that Members support it. I understand that somebody else - I think it was Deputy Le Fondré - raised the issue of hire cars. My understanding is that last year I think they paid together only around £3,500 and there is a grandfathering provision, as I understand it, or a time of grace to allow them to make some changes, which they will do, which will mean that they will fall into these lower emission brackets as well. I will not deal, much as I might wish to, with the long list of improvements that Deputy Russell Labey wished to make to the farming community. I think perhaps he did at the start protest slightly too much but he knows that the Economic Development Department and the Environmental Department are working together on a new rural strategy and they are working together with farmers there. It will not simply be any section of the farming community. It is not simply tinkering a little bit here with a charge here and a charge there. There are much greater issues which need to be dealt with. Some of those are getting access to greater international market and governments are acting and helping in ways that they never have before in that regard. But if Members are concerned about V.E.D. in relation to agricultural vehicles then I would suggest at this point we have the argument when we come to the Deputy of St. Mary's amendment and we will debate the issues, and the Minister for Environment has got some extremely interesting things to say in regard to that amendment as well. But do not throw away this proposal, which is one based on sound environmental principles that the polluter pays with no exception. That is the policy we should be pursuing. That is the policy that is on the table and, therefore, I ask Members not to accept the amendment of the Constable of St. John.

The Deputy Bailiff:

Does any other Member wish to speak on the amendment? If no other Member wishes to speak I call on the Connétable of St. John to reply.

2.3.18 The Connétable of St. John:

I agree with many things so many people have said, both those who have opposed the amendment and those who do not. The Chief Minister said "the polluter should pay." Absolutely agree 100 per cent. But of course only some polluters must pay. Only those who drive cars. Those who have boats and those who have lawnmowers and those who have jet skis, they do not pay. They get cheap fuel from St. Helier. So are we going to be consistent? As the Minister for Treasury and Resources keeps banging on, taxes must be fair. This is not fair. Let me just say it again in case you did not hear it. This is not fair.

The Deputy Bailiff:

Through the Chair please, Connétable.

The Connétable of St. John:

Through the Chair. [Laughter] Would you like me to say it again, Sir?

The Deputy Bailiff:

Not necessarily, no.

The Connétable of St. John:

The £722,000 this allegedly is going to raise was not in the M.T.F.P. I did not see it in it. No. It is a kneejerk reaction to try and fill the black hole with a little bit of Blu-Tack. I think you need a little bit more Blu-Tack to fill this black hole. The Minister for Environment was absolutely right when he talked about Paris and global solutions and we must sign up to it. In that case, we need to take an international responsible view. Here is a question, and I bet very few people know this. If you were to buy a Toyota Prius and you were to buy a Land Rover Discovery diesel, it is not until

both cars have travelled in excess of 80,000 miles that the Prius starts to be more environmentally friendly because of the massive carbon footprint created in manufacturing the batteries. If we are going to be responsible we have to take a global situation and say: “Well, yes, we must look after that” and to just buy a battery-driven car and say: “We are clean, blow everybody else because you are making the batteries” is irresponsible. I am not signing up to that. Second-hand car market: very interesting. People are bringing in second-hand cars just to avoid paying V.E.D. because when they are 2 years old they only have to pay 50 per cent. I would prefer somebody to swap out a 10 year-old car and bring in a 2 or 3 year-old car because they are bringing in a more modern car and in all likelihood a smaller engine and more economical car. It is a bit like smoking. We keep putting up the duty on tobacco and people keep giving up smoking. They are not giving up smoking because of the duty, they are giving up smoking because of their peer pressure, because their wife wants them to, because they cannot smoke at work. The reason people are giving up smoking are far more to do with the advertising and with the health benefits than it is with putting up the tax. In the same way, people are buying smaller engines, more economical cars, because they are environmentally responsible. I would just like at this stage to say that I am somebody who puts his money where his mouth is. I planted over 2,000 trees in the Parish of St. John. I have also planted hedgerows. I care for the environment passionately. I have gone out, dug the holes, planted the trees, purchased the trees out of my own pocket and done it, and I can now drive around parts of the Parish, sit back and see some oak trees that I planted 35 years ago, they are as high as the gallery almost, and say: “I planted that tree.” Anybody who tells you that you plant trees for your grandchildren: rubbish. I planted them when I was young and I am enjoying them now. I think many of the points have been covered by counterarguments that everybody has put forward. But I think the point I wish to make very strongly is we need to have an environmental policy in which the polluter pays, to use the Chief Minister’s words, and a system, to use the Minister for Treasury and Resources’ word, that is fair. I am using the words of the Council of Ministers it should be fair, it should be polluters pays, and we should have a cohesive policy where the taxation or the “polluter pays” policy matches the environmental activities that we wish to promote. I urge people, therefore, to vote in favour of the amendment until proper research is made and we can vote on a proper cohesive plan. I ask for the appel. Thank you.

The Deputy Bailiff:

The appel is called for. I invite Members to return to their seats. I ask the Greffier to open the voting.

POUR: 20		CONTRE: 23		ABSTAIN: 1
Connétable of St. Ouen		Senator P.F. Routier		Connétable of St. Peter
Connétable of Grouville		Senator P.F.C. Ozouf		
Connétable of St. John		Senator A.J.H. Maclean		
Connétable of Trinity		Senator I.J. Gorst		
Deputy G.P. Southern (H)		Senator L.J. Farnham		
Deputy of Grouville		Senator P.M. Bailhache		
Deputy J.A. Hilton (H)		Senator A.K.F. Green		
Deputy J.A.N. Le Fondré (L)		Connétable of St. Helier		
Deputy K.C. Lewis (S)		Connétable of St. Clement		
Deputy of St. John		Connétable of St. Lawrence		
Deputy M.R. Higgins (H)		Connétable of St. Mary		
Deputy J.M. Maçon (S)		Connétable of St. Brelade		
Deputy S.Y. Mézec (H)		Connétable of St. Martin		
Deputy of St. Ouen		Deputy of Trinity		
Deputy R. Labey (H)		Deputy E.J. Noel (L)		

Deputy S.M. Wickenden (H)		Deputy S.J. Pinel (C)		
Deputy S.M. Bree (C)		Deputy of St. Martin		
Deputy T.A. McDonald (S)		Deputy R.G. Bryans (H)		
Deputy of St. Mary		Deputy of St. Peter		
Deputy P.D. McLinton (S)		Deputy A.D. Lewis (H)		
		Deputy L.M.C. Doublet (S)		
		Deputy M.J. Norton (B)		
		Deputy G.J. Truscott (B)		

2.4 Draft Budget Statement 2016 (P.127/2015): third amendment (P.127/2015 Amd.(3))

The Deputy Bailiff:

The next amendment is that of the Deputy of St. Mary and I ask the Greffier to read the amendment.

The Deputy Greffier of the States:

Page 2, paragraph (a) – after the words “as set out in the Budget Statement” insert the words – “except that the estimate of income from taxation in 2016 shall be reduced by £30,800 by maintaining the vehicle emissions duty (V.E.D.) at present levels on any agricultural tractor whose speeds are governed not to exceed 26 miles per hour and not imposing increased V.E.D. on these vehicles as proposed on pages 26 and 27 of the draft Budget Statement.

The Deputy Bailiff:

Connétable did you have ...?

Connétable J.E. Le Maistre of Grouville:

I would just like to excuse myself because, as I said earlier, I have a direct interest in this subject.

The Deputy Bailiff:

If you have a direct financial interest it is appropriate to declare and excuse yourself.

2.4.1 Deputy D. Johnson of St. Mary:

I think I can only begin by thanking the Connétable of St. John for his warm up act. **[Laughter]** It was a wide-ranging review of the whole position regarding V.E.D. and various comments from other Members on the strength of agriculture that needs to be supported and the changes proposed in V.E.D. into the future.

[16:00]

In fact so much so that you have all stolen my lines I am not sure where to start. However, reverting to the limitation of this amendment, it is set out in the proposition seeking to exempt certain agricultural tractors from a proposed increase in vehicle emissions duty by freezing V.E.D. at current levels. The 2 main strands to the rationale behind the amendment I deal with each in turn. The first relates to the very purpose behind V.E.D. As mentioned in the Budget Statement itself on page 5, and I quote: “The duty is intended to incentivise the choice of less polluting vehicles with the least polluting vehicles currently paying nothing in V.E.D. and the highest polluting vehicles being charged V.E.D. of 1,473.” That by the way is the old rate before any increase. I fully accept the basic principle of encouraging consumers to purchase less polluting vehicles and indeed I have heard many other Members this afternoon say exactly the same thing. However, Jersey makes no distinction between tractors and other vehicles for V.E.D. and while charging duty on vehicles according to their C.C. (cubic centimetres) may well have the desired incentivising effect when applied to choosing a car, it has no such effect in relation to tractors. The

type of agricultural tractor required is determined solely by reference to the particular tasks to be undertaken and the C.C. is not a material factor. Unlike Jersey, the United Kingdom and most other European jurisdictions do recognise the special situation in the agricultural industry in relation to V.E.D. and in their own countries, and accordingly tractors are there fully exempt. I had written here: "While I submit there is a strong argument to claim the tractor should be similarly exempt in Jersey" having heard various Members' comments I perhaps wish I had tabled that amendment in the first place. However, all this amendment seeks to attain is a freezing of V.E.D. at current levels. This is a modest and responsible request that will lead to a saving of £327 on a tractor charge at the highest rate. If that sounds relatively insignificant it is not so in the accounts of small farmers. It is also noted that with a view to discouraging the import of tractors capable of higher speeds, the amendment would only apply to those fitted with the 40K box. I appreciate there are only a small number of them at the moment in excess of a 40K but I think there is more than a chance that they will increase in number. Aside from a question of the lack of incentivisation under the current provisions I submit it is also appropriate to recognise here the importance of the agriculture industry to Jersey as a whole. It has already been alluded to by Deputy Labey, Deputy McLinton and others. The attractiveness of our Island environment, which itself is of keen interest to residents and visitors alike, is dependent to a large extent on the efforts of the farming community and in these difficult times they are entitled to look to the States for immeasurable support. I appreciate that at the annual farming conference held only last month, which I know some Members attended, both the Minister for Economic Development and the Minister for Environment did, in their opening addresses, acknowledge the importance of the industry and assured it of their support. I also note that the Chief Minister has referred again to measures in hand to give further support but I do make the point here that this amendment is submitted only after consultation and with the full support of the J.F.U. (Jersey Farmers Union). This amendment, therefore, does represent an opportunity for Members themselves to demonstrate their own support for the industry. You will note from the figures given by Treasury that the figure involved - the loss of income to the Exchequer - is relatively small; it is nevertheless significant and it does, as I say, give Members an opportunity to demonstrate their commitment to the farming industry, which appears not to have been so giving, at least in the eyes of the public so far. One further point I make here is that the Minister for Treasury and Resources did earlier refer to the need to align himself with other countries in the need to reduce vehicle emissions. With respect, they cannot have it both ways. Most other countries in Europe have their provisions but exempt the agriculture. This is the important difference in relation to this amendment. Members will have seen the comments made by the Council of Ministers in reply to my amendment and while I had originally thought to deal with these in my closing address, it is perhaps simpler to deal with them here and now. Comment: "Any exemptions undermine the principle that all commercial motor vehicles contribute to pollution and CO2 emissions." Answer: all European countries have a CO2 target to meet but still exclude agricultural vehicles and tractors because they recognise them as being important to their country and bring environment benefits, which offset emissions. Comment: "A 50 per cent refund is offered to any vehicle which is exported within 6 months of registration." I do not dispute that but that applies only to the major producers here and not to the small farmers who buy a tractor to keep for at least 12 months. Further comment: "In advance of the next Budget, Transport and Technical Services will investigate whether specific emissions bands based on CO2 output per hour can be developed for tractors, which will be more equitable than rating on engine size; thereby incentivising the purchase of lower-polluting tractors." I was aware, as members of the Environment Scrutiny Panel were, of the fact that T.T.S. (Transport and Technical Services) were investigating this and, indeed, I am sure most of us would welcome any more efficient measures but they are for next year and may not happen next year. As Deputy Southern said, we cannot run that risk. What is requested here is the immediate benefit for this year. Comment: "While it could be argued that exempting agricultural tractors from the proposed changes in V.E.D.

would offer further support to that industry, similar arguments could be made for other industries.” I make no apology for singling out the agricultural industry for special treatment but, again, as has been mentioned by both the Constable of St. John and Deputy Labey, what about V.E.D. on luxury yachts and the like? Agriculture, if this exemption was given, would not be the sole beneficiary. Finally, on a very small point, the comment is the effect that almost all tractors here opt for what is known as the 40K box, which restricts speeds to that limit. Clearly, I accept it is a small percentage at the moment, I am told that more smaller tractors are being built with a 50K box and I think we do need to flag the fact that there is a link between speed and the safety on our roads, especially in agricultural areas. I now invite Members to let me have their comments, let the Assembly have their comments. I expect many already have done so but I will be interested to hear your views, but I maintain the proposition. The earlier one, which was narrowly defeated, was a global one affecting commercial vehicles, and everything else. This, as I say, is limited to tractors, limited to the agricultural industry who will require immediate benefit. In fact, if they do not receive this benefit but know that there are measures in hand to improve the situation next year, they will simply stave off buying their tractors this year resulting in a loss to the Exchequer and that, therefore, is counterproductive.

The Deputy Bailiff:

Is the amendment seconded? [**Seconded**] Does anyone wish to speak on the amendment?

2.4.2 The Deputy of St. Martin:

I am grateful for this opportunity to talk to this amendment and that the Constable of St. John was not successful because I have some things to say about farming that otherwise I would have missed the opportunity to do so. The amendment from the Deputy of St. Mary calls for an exemption for agricultural vehicles whose speeds are governed not to exceed 26 miles an hour in order to support the agricultural industry and to discourage the importation of tractors capable of higher speeds. Members have already heard from me in depth that I believe firmly that the basis of V.E.D. is an environmental tax and at its heart lies the principle of “polluter pays” and emissions or C.C.s are taxed accordingly. I would ask Members to bear with me until they hear the second part of what I have got to say before they pass judgment on my ex-farming credentials. I would remind Members that one-third of emissions arise from the use of transport fuels in all sectors and that includes the agricultural sector. If we were to accept that tractors are exempt from V.E.D. we would have to ask ourselves what signal this sends to members of the public and other commercial vehicles who could equally ask Government for a subsidy on their operations. The Deputy and others make 2 points to defend their argument. They say that in the U.K., and many other European jurisdictions, tractors and other vehicles utilised for agricultural purposes are fully exempt. In many ways they are correct in making that statement. But I would say to the Assembly that in the U.K. in particular they are exempt from road tax, which is an annual tax, whereas V.E.D. is something that you pay once and you do not repeat. That is not apples and apples. It is apples and pears. The other point that the Deputy makes is the levels of emissions are not a material factor when deciding the type of agricultural tractor required. That may be the case, but the one-off V.E.D. payment on registration is not punitive compared to the costs of a new tractor and thus I would say that it should remain in place. It has the effect of demonstrating to the whole Island that this agricultural sector accepts responsibility for its emissions and is prepared to abide by the “polluter pays” principle. Further to that, I have to say that amending V.E.D. on the basis of speed is not a good way to modify the system. Would you, as a car driver, expect a reduction in V.E.D. if you promise to drive your car below 30 miles an hour? Unfortunately, speed and emissions, emissions being the reason for V.E.D., are not really compatible. I would say to Members, yes, a gearbox in a tractor which can be limited to driving at 26 miles an hour is what the Deputy is talking about, but it is not limited exactly to 26 miles an hour, inasmuch as computers can be modified and tractors with 40K boxes

regularly travel much faster, as I have witnessed on a number of occasions in the past few weeks coming across the north of the Island. I have to say to Members, would I prefer to drive behind a tractor going at 30 miles an hour or go back to the good old days when tractors drove at 16 or 17 miles an hour, but that is another point altogether. I would say this though: that there is no question if you are reselling a tractor back into the United Kingdom a tractor with a 50K box is far more valuable than a tractor with a 40K box because farmers in the U.K. do not generally want to drive quite as slowly as we do when they get on the roads. However, and this is the point I would really like to say to Members in the Assembly today, as an ex-farmer I do want to help. I am sure I have some ex-colleagues out there at the moment shouting at me through the radio and I would say to them since this amendment was lodged I have done some homework, and I have to say to the Assembly that I am surprised not only that the Constable of St. John or Deputy Labey, or even the proposer of this amendment, has not come up with the conclusions that I have managed to come up to in the last week or so, is this: new tractors are pretty good when it comes to emissions. They have for some time now been working to a tier system, where the engines they put in new vehicles comply with many, many emission standards. What I say to Members is this: new tractors do have better engines when it comes to emissions. They are friendly and even more friendly as time goes on. So, to be consistent, which is something I always aim to be and I hope to be, I will ask next year the Minister for Transport and Technical Services for a full review on how tractors are V.E.D. rated. I commit to do this work to the industry. I sympathise with the Deputy. I, like he, want to support agriculture as much as I possibly can and I want to see what I can do myself to help my fellow ex-farmers, especially in the light of what I have recently discovered about tier 4 and what I hear is tier 5 agricultural engines for next year.

[16:15]

The amendment that the Deputy brings just is not right. Speed is not a reason to modify a system which is designed for emissions, so I urge Members to reject this but I do say to them: I will come back next year with the Minister for Transport and Technical Services with a reformed V.E.D. system that will not only look at these much better engines that are being put into tractors these days but to the other issues that have been raised by other people around diesel engines in boats, petrol engines in boats and anything else which emits carbon emissions into the atmosphere. So, I would urge Members to reject this, but I would say to the Deputy I do sympathise with him and I will come back and do some serious work on this in the future.

2.4.3 Deputy J.A.N. Le Fondré:

I was only prompted to speak really because of the comments of the last speaker when he talked about consistency. Unless my memory has gone completely awry, one of the reasons we rejected or the Minister for Environment rejected the arguments of the Constable of St. John was what he has just said. The reason I put it that way round, we heard not so long ago that the Minister for Environment is doing some form of full review on V.E.D. and therefore the Constable of St. John was suggesting let us wait and see what the outcome of that review is. Therefore let us not put up the taxes. Whereas now the Minister was saying: “No, forget all that” ... sorry, the Minister said: “No, do not wait for that review put the taxes up now.” Do not wait for the review. Now he just said: “Wait for the review before we make a decision on this aspect.” Does that make sense? To me that is a completely 180 degree argument in the space of about 10 minutes or so. All I really was going to say before he said all that, at the end of the day this is inconsequential in terms of revenue terms. It is £30,000. It is not quite going to be lost in the rounding, but it is not far off that. At the end of the day I think if it is a signal for the agricultural side of things I am afraid I do not buy the Minister for Environment’s comment: “Let us wait for a review next year which we will do”, particularly on the basis of the arguments put in one of the earlier debates. I think we should try and support this.

2.4.4 Senator L.J. Farnham:

I just wanted to speak about how this is not going to cause the agricultural industry to implode or come to an end. Just to pick up on Deputy Le Fondré's last point. I understood the Minister for Environment very clearly. We do work very closely together and he has highlighted the fact that improved technology in the agricultural sector will lead to lower emissions and be more environmentally friendly. I think that was his point. That is what he is going to look at and we are going to work together to deliver that. But I have huge respect for the farming industry. I could not do it. I am just not up to doing it. I find a day in here hard enough having to spend day after day in the fields ... and they deserve huge respect. In fact, as Members will know, I have shaped my own personal political agenda around trying to help the traditional industries, especially tourism and agricultural, and that is continuing. Together with my team at E.D.D. (Economic Development Department) and especially with the support of Deputy Lewis and the Assistant Ministers, have against all of the odds managed to hold the agricultural budget. In fact, there will be a slight increase of what we are putting into agriculture next year and I intend to make a strong case for further funding from the Economic Growth Fund to help farmers be able to market and promote and sell more of their product. Just to remind Members of what the States does: between the Minister for Environment and my own budget, approximately £4 million a year is invested in the sector and from single area payment to quality milk payment to a dairy service provision and the admin of the dairy costing scheme. A Rural Initiative Scheme, which itself made a contribution, which ensured that local produce was going to continue to be readily available in a wide range and in good quantities in our local shops. That was enabled by assistance from the Rural Initiative Scheme. There are numerous environment grants and indirect subsidies that are available from Deputy Lewis's department. There is an early warning system for pests. Maybe we should have one of those installed in here. It would probably be going off right now as I am speaking. A plant health diagnostic programme really is very good and there is some world-class ground-breaking work being done there, together with the growers. Work on P.C.N. (potato cyst nematode), *et cetera*. We have a highly-subsidised abattoir. Additional funding with industry and we are working on partnerships which delivers international and national P.R. (public relations) which is supporting the sector. We are going to establish a Farm Jersey model, whose role will be everything to do with promoting and marketing the rural sector, and more funds are going to be going into that. Last week I met with the potato exporters. We all got together in the same room and had a very frank discussion and we all want to get more of a buzz going in the industry again. We want to get it going. We want to be on national television. We want to do everything we can to sell our products. Deputy Labey's brother is a superb farmer. They are one of the leading and he is somebody I have spoken to who wants to pass his business on to his children, and that is something we need to support. But, at the end of the day, after we had this discussion, we agreed what we were going to try and achieve of course, the most important thing for the future of farming is the environment and although we are still at the early stages of understanding what we need to do to protect the environment it is very important that we make a start. I welcome the Minister for Environment's words that if we are going to be serious about this we have to start doing things that really are going to change behaviour. The speed is not a factor at all in doing this and it is true. The £1,800 duty on a £65,000 tractor is unlikely to influence a tractor choice in the same way that a duty freeze would have limited impact on choice. In fact, it is usually the look of the tractor, the newer, the bigger and shinier the better. These are decisive factors when buying farm equipment and I am guilty of that when buying cars, but not for much longer. It is probably fair to say that most farms are over horse-powered as a result. It could be argued that V.E.D. should be being used to better influence tractor choice based on lower emissions or capacity which would involve a higher duty being charged but, of course, as the Minister for Environment said, that is something for the future. So while I appreciate the Constable of St. John, the Deputy of St. Mary, and most

Members I know are big supporters of the industry, I just wanted to say that I am too, Economic Development is too, the Minister for Environment is too, the Council of Ministers is too. While I do not like to impose any extra charges on farmers, I understand why we are doing this. This is not going to have a significant impact at all on the industry and I wanted to assure Members that we are absolutely committed with the resources we have to making sure we develop and improve the productivity and support innovation in the rural economy.

2.4.5 The Connétable of St. Mary:

I seem to have had the wrong idea about this amendment. I did not think it was primarily focused at reducing the speed of tractors. I thought that was probably just a by-product of the whole idea. I thought it was a way of just showing a little bit of genuine support for our key industry. We are talking about environmental benefits. I am just thinking about all the other environmental benefits that our farmers give us. There is a huge thing out there. There is the branchage that was mentioned before, but this is an incredible thing that most of the branchage in this Island is done by the farmers because they farm the fields with most of the hedgerows. Environmental benefits are not simply a question of reducing emissions although, of course, as the Minister has said, the newer tractors do seem to be better. Something the Deputy of St. Mary said struck a chord with me. I had not thought about it before, but of course it is true, that the larger operators, who bring in their plant and equipment every year and then send it back again, get a 50 per cent reduction, although of course they have to do that every year, although the smaller farmer who might just buy one big piece of equipment in the year does not get that reduction, does not get that benefit. So that seems a little odd to me. But certainly the phrase: "Using V.E.D. to control speed is not the right idea" is absolutely correct. But I am sure, unless the Deputy ... I am sure he will correct me when he sums up that surely was not the prime motivation here. That is just an extra by-product and, okay, the speed may not be the important factor, the Minister said - joked I think - about would you rather be stuck behind a 30 mile-an-hour tractor or the old 15 and 16 from years ago. The tractors now are huge in comparison to the little David Brown that we used to have in our backyard, and I think that the public in general, certainly the people I have been speaking to, take a great deal of comfort that these large vehicles are travelling generally slower than they would have done if they were ungoverned, and I think that is an important by-product. So this is just a very small bit of support for the farming industry. It is not a huge amount of money, but I think it is just a little incentive to them and although I was not going to support this amendment, actually, now because of what I have heard ... in fact the thing I wanted to say that I think our farmers are hugely professional, the ones that I know. There are a couple in St. Mary, there is one who is just over the border who I have a lot of time for. I have seen the equipment that they are using and it seems to be equipment that is good for the job. I do not believe that our farmers choose their equipment based on the fact that it is bigger and shinier, which is what the Minister said. I thought that was an absolutely weird comment to have. They, I am sure, choose the equipment that gets the job done in the most beneficial way for them. I am going to support that.

Senator L.J. Farnham:

Just for the avoidance of doubt, I did follow that comment with ... it was trying to make the point that most farms are over horse-powered. They have a lot more horse-power than they need.

2.4.6 Deputy R. Labey:

Just following the Minister for Agriculture, because that is who he is and agriculture in this Island needs a Minister battling for them at the top table. They are calling for that and you will hear more of that in 2016, I am sure. He says the industry will not implode with this tax but it is the cumulative effect of a tax, this tax here, that charge there, that harbour due here, farmers who want to build new sheds, buy new equipment, to move forward and modernise are being hit with charge

after tax after charge after tax. If you want to build an average-sized big grey shed like we all see around the countryside now, that needs to be built for farmers to practise in a modern and efficient way, an average-sized shed like that you will see £100,000 going to the States in taxes and charges. Maybe while we have the Minister for Planning and the Minister for Agriculture in the same room we could ask them to get together on planning and building control fees because surely, in this Island, with the amount of floor after floor, square metre after square metre, of finance industry offices that should be enough to pay for the building control costs for everybody. If it is not, it should not be going to Farmer Brown or Farmer Le Brun for the money. I really urge him to look at this. This Island has dotted around the countryside big blue banners which say “Keep Jersey Farming”, which I understand the noble sentiment behind those banners, but it is a matter of shame for this Island and this Government that such banners are needed. It should not need to be said, but it does need to be said. Farmers, I have to say, have rolled over and played dead on this on too many issues for the last 25 years and, if they are listening, there is a lot of people here who do support them but they have to get a bit more ... maybe “militant” is too strong a word, but they have got to toughen up and get organised and start lobbying. It really irks me to hear Ministers in this debate coming up with the phrase: “I urge Members not to support this amendment”, because I hear it as I urge Members not to support farming. I really rose to ask if the Minister for Treasury and Resources or the Chief Minister is going to speak again I would like them to address this point that Deputy McLinton made, that the Constable of St. John made, that I have made, is that Jersey farmers are the only farmers in Europe subject to this tax. How do you answer that?

[16:30]

2.4.7 Deputy R.J. Renouf of St. Ouen:

The Assembly, over the decades, has badly let down the agriculture industry; fine words of support are often given, guardians of the environment, protectors of our countryside. Once, many, many years ago, as a time of entry into the common market, promises were made that the States would ensure that industry would be given the support that would be effective against the support given in competing jurisdictions, the U.K. and the E.U. (European Union). That level of support has not been forthcoming. In fact, the level of support has been extremely poor and our agriculture industry is to be congratulated at having battled on in spite of many difficulties and many impositions of Government. As has been mentioned in this debate and previously, the industry suffers taxes and charges and obligations that are not imposed elsewhere. This Budget proposal, it seems to me, comes without consultation or consideration of specific groups such as the agriculture industry. They already pay the vehicle emissions duty and they do not appear to pay it in other jurisdictions or similar taxes. This amendment will give some relief to farmers, but it will also send a signal that the Assembly recognises the agriculture industry is deserving of support. If any sort of review is to be carried out in the next 12 months to better engineer the effectiveness of this vehicle emissions duty, then let us maintain the status quo for the agriculture industry, which this amendment largely seeks to do and let that review take place. I would support the amendment and urge other Members to do so.

2.4.8 The Connétable of St. John:

The Deputy of St. Ouen has more or less stolen the words from my mouth when referring back to the negotiations into the common market. This Assembly did make undertakings to agriculture and they have not been honoured. It was interesting also to hear about the blue banners around the Island saying “Support Jersey Farming”. It is not a Government-led initiative, it has come from the *J.E.P. (Jersey Evening Post)* and I would like to thank the *J.E.P.* for the work that they have done on that: Buy local - Keep Jersey Farming. We should be like some European countries that give a grant to farmers who buy a more economical tractor. Modern tractors, a lot of work has been put in, as the Minister for Planning and Environment said, to more economical tractors. Those of you

who knew or know anything about a tractor, you can now set the engine according to the work you are doing. In other words, if you are doing heavy work you put the full power on, if you are doing light work then you switch it down to a lower power rating. That technology comes at a price, but we are going to tax that price when other countries within Europe are subsidising it. There is not a level playing field for agriculture on this Island and this Government has not supported agriculture anything like what it promised to do. Even if it is only to make a small show of support, I would urge people to at least put their money where their mouth is for once, as far as agriculture is concerned, and support this amendment.

2.4.9 Deputy E.J. Noel:

I am grateful to follow the last speakers and they ask Members to put their money where their mouths are in terms of supporting the agriculture industry. We do: we support our agriculture industry in many, many ways, some of which are quite hidden. There is a substantial hidden subsidy in the abattoir and the knacker's yard in terms of some £450,000 a year. There is an unquantified subsidy in the amount of red diesel that is sold duty-free to the farming industry. To add another, effectively, hidden subsidy is not the way to provide the necessary subsidies to the farmers. The correct way to do that is through the Government system that E.D.D. operates, so it is open and transparent and the money is going directly where it needs to go to. Any exemptions under the principle of vehicle emissions duty, all conventional motor vehicles contribute CO2 emissions. It is appropriate that they then contribute to V.E.D. in line with the emission levels, in other words, the polluter pays. We must, therefore, be very mindful if we make exceptions and the reasons we are doing so must be logical and justifiable. There are many other industries and bodies that could claim to be a special case, the third sector, for example. The Deputy of St. Mary is, of course, correct, the States does provide support for the agriculture industry and it could be argued that exempting agricultural tractors from the proposed changes in vehicle emissions duty would offer further support to that industry. I would contend, however, that similar arguments be made for other industries. For example, will it apply to our oyster industry? I would also contend that potential further financial benefits to the industry from this amendment would be tiny in comparison to the considerable benefit they already receive from the red diesel duty. A £327, effectively, reduction on a second-hand tractor costing some £40,000 to £60,000 is tiny and on a new tractor costing £100,000 is insignificant. The current V.E.D. arrangements offers discounts for second-hand vehicles. This encourages older and more polluting vehicles to be brought into the Island and so inconsistent with the States commitment to reduce such vehicle emissions and tractors are no different. It is, therefore, an important aspect that the proposed changes that the discount for older vehicles is removed and, logically, this applies as much to agricultural tractors as it does to other motor vehicles. This amendment would retain that discount system. It would retain a system that is contrary to the policy that we have. Members should be aware that, as the Constable of St. Mary alluded to, we are keeping the 50 per cent refund that is offered for any vehicle that is exported within 6 months of its registration. This is in place, primarily, for the agriculture industry and it continues to apply to tractors brought into the Island on a seasonal basis to meet peak demands. That is a significant material proportion of the Island's fleet. Although tractors are currently rated by the manufacturers' output per working hour, it may be possible, in the future, to rate them as such for emissions. Tractor engines are becoming cleaner with tier 4 and tier 5 emissions coming in and further improvement is expected. I have asked my department to work in conjunction with the Minister for Planning and Environment's department to see if the modifications to our regulations can be brought back to this Assembly in the Budget for 2017. I would consider that the proposal for encouraging tractors that are governed by 26 mph gearboxes, known in this industry as 40K boxes, is insignificant and irrelevant. It is insignificant because, in practice, the operators require tractors in Jersey, almost all of them opt for the 40K version. The percentage of tractors with 50K boxes is understood to be about 1 per cent and these are the figures

that come to us from the industry. It is irrelevant to this debate, as this is a road safety issue and not one that will have an impact on emissions. I am asking my department to review our legislation in terms of the safety of tractors within the Island and identify updates that need to be brought in place; for example, the relatively low age limit that currently is in place that allows 16 year-olds to drive these large tractors with substantial loads, sometimes as much as 10 tonnes or more, on our public roads. That is something that needs to be addressed. In summary, therefore, I consider this amendment is well-meaning but, ultimately, unjustified. It might only be some £30,000 in lost revenue overall but it will require additional legislation changes and carve outs to cover a very small proportion of the imported vehicles and I would humbly ask Members, for that reason alone, not to support it.

The Deputy Bailiff:

Does any other Member wish to speak on the amendment? No other Member wishes to speak on the amendment, then I call upon the Deputy of St. Mary to reply.

2.4.10 The Deputy of St. Mary:

I thank everyone who has contributed to the debate. Beginning with the Ministers, I thank them in particular for their vow of support for the industry, which I am sure will be welcome news to the J.F.U. and others. I am also grateful for the commitment to looking into improvements in the present system and to bring more proposals, hopefully, in the Budget next year. Again, that, I am sure, will be welcome. I thank too the various contributors who have done my summing up for me, the Constable of St. Mary, Deputy Labey and others have all pointed to the immense contribution the agriculture industry makes to the environment, which itself is a cornerstone of our economy and our way of life. All I am asking, really, is that the Members do vote in favour of this amendment to signify to the industry as a whole that we do care for them. Yes, it is the case and I admitted it in my original address at the recent annual Jersey conference, there was an address by the editor of the *J.E.P.* on the Keep Jersey Farming and it is a shame that it had to come from that quarter, rather than any others, but it is a campaign by the public, as I am sure this will be. I do accept that improvements, hopefully, will be made, that we are back to the basic point that should not be overlooked. V.E.D. is intended to incentivise and be a tax on high-polluting vehicles. It has no incentivising effect. Farmers buy their vehicles for other reasons, despite the fact that if it was rightly made next year this does not alter the situation for the current year. Deputy Le Fondré quite rightly pointed out the fact that the loss of tax to the Exchequer is minimal and I am sure this is why there is so much angst about this. It may be that the individual amounts are not too significant in the books of the farmers concerned but, as has been said, they add up to a considerable amount when added to other factors in any purchase. I return to the basic proposition that the V.E.D. on agricultural tractors is maintained at present levels for the current year and I urge Members to vote accordingly.

The Deputy Bailiff:

The appel has been called for. I invite Members to return to their seats. I ask the Greffier to open the voting.

POUR: 23		CONTRE: 17		ABSTAIN: 0
Connétable of St. Lawrence		Senator P.F. Routier		
Connétable of St. Mary		Senator P.F.C. Ozouf		
Connétable of St. Ouen		Senator A.J.H. Maclean		
Connétable of St. John		Senator I.J. Gorst		
Connétable of Trinity		Senator L.J. Farnham		
Deputy G.P. Southern (H)		Senator P.M. Bailhache		
Deputy of Grouville		Senator A.K.F. Green		

Deputy J.A. Hilton (H)		Connétable of St. Helier		
Deputy J.A.N. Le Fondré (L)		Connétable of St. Martin		
Deputy K.C. Lewis (S)		Deputy of Trinity		
Deputy of St. John		Deputy E.J. Noel (L)		
Deputy M.R. Higgins (H)		Deputy S.J. Pinel (C)		
Deputy J.M. Maçon (S)		Deputy of St. Martin		
Deputy S.Y. Mézec (H)		Deputy R.G. Bryans (H)		
Deputy of St. Ouen		Deputy of St. Peter		
Deputy L.M.C. Doublet (S)		Deputy A.D. Lewis (H)		
Deputy R. Labey (H)		Deputy M.J. Norton (B)		
Deputy S.M. Wickenden (H)				
Deputy S.M. Bree (C)				
Deputy T.A. McDonald (S)				
Deputy of St. Mary				
Deputy G.J. Truscott (B)				
Deputy P.D. McLinton (S)				

The Deputy of St. Mary:

I would like to thank those who supported me.

2.5 Draft Budget Statement 2016 (P.127/2015): Second Amendment (P.127/2015 Amd.(2))

The Deputy Bailiff:

The next amendment is that of the Connétable of Grouville and I ask the Greffier to read the amendment.

The Deputy Greffier of the States:

Page 2, paragraph (a) - after the words “as set out in the Budget Statement” insert the words - “except that the estimate of income from taxation in 2016 shall be reduced by £3,000 by continuing to exempt vehicles that are over 50 years old when first registered in Jersey from vehicle emissions duty (V.E.D.) and not imposing V.E.D. on these vehicles as proposed on page 26 of the draft Budget Statement”.

[16:45]

2.5.1 The Connétable of Grouville:

Before I start I have got an apology to make. When I was putting this together I asked for the figure of what monies would be lost to the Treasury if my amendment was accepted and, in good faith, I was given a figure of £3,000 but that was based on the existing V.E.D. The actual figure would have been closer to £6,000. That was based on 2014’s figures where ... and there is a very small amount of cars imported every year. There were only 16 cars in 2014. The average number of old cars being imported over the last 4 years is 12. I think Members will agree it is a very small amount on the Budget, as an item overall. Obviously in terms of the Budget this is not a particularly important matter. Having a balanced Budget, providing extra funding for education and health and getting our welfare system right are far, far more important. But to those people on modest incomes, whose hobby is looking after cars, cherishing them, this is an important issue, albeit that there are very few of them. Before I start, I have used the term “old car” to refer to vintage cars, veteran cars and classic cars. I most certainly do not mean old bangers that **[Laughter]** have no business on the road, of course. But the sort of people who own cars that are

50 years old or older, cherish them, look after them and they are in good condition. Vehicle emissions duty was introduced to encourage people to buy cars with lower CO2 emissions. That is helping reduce so-called greenhouse gasses. The Minister for Treasury and Resources is quite right to address the issue of people bringing in second-hand cars that are 4 or 5 years old to pay less V.A.T. or to avoid it altogether. These people are using these cars on a day-to-day basis and they are more polluting. But the sort of cars I am talking about, the old cars that are over 50 years of age, are hardly used. They are cherished. Their owners bring them out very seldom and it is thought their mileage will be less than 200 miles a year. So they are not really affecting the environment. Vehicle emissions duty is not going to influence the type of old car bought either. Because they do not have any data for the emission levels of these cars they will pay duty on the cubic capacity. Old car enthusiasts choose cars not for their cubic capacity but for all sorts of reasons. Maybe they have nostalgia for a car that their grandfather had, they have seen the car in a film or they are not going to worry too much about engine size. Because they are not going to use them very much anyway it is a bit of an irrelevance. In short, no environmental benefit will come from this measure. It was also introduced, of course, to raise much needed funds. I do not have a problem with that. The Council of Ministers' mantra is that taxes should be low, broad, simple and fair. I think I am going to show that this tax is most definitely not fair in certain circumstances and often, in percentage terms, as I will explain later, can be very high. There is a perception that only old cars are solely a pursuit of the rich. This is not the case. There are people from all walks of life who enjoy the pastime of restoring and enjoying old cars. **[Approbation]** There are, of course, some wealthy people who own old cars, but there are just as many middle and lower income people who enjoy that pastime too. People in the lower income brackets will be looking for cars at the lower end of the price range. I am not a car enthusiast. Like Deputy McLinton, I like to see old cars, as many people do, on our roads, Liberation Day, *et cetera*. I tried to look on the internet to see what sort of car somebody on a lower or modest income might go for. I came across a Wolseley 1952 2.2 litre. It was described as needing a little attention. The price was a very low £1,850. It is just the sort of car an enthusiast who is not wealthy might be able to afford. To a real car enthusiast the fact that it needs attention is a bonus, because many car enthusiasts enjoy working on their cars, restoring them, bringing them back to showroom condition as much as they do driving them. This car though, 2.2 litre, would incur V.E.D. of £700. That is over 37 per cent tax to value. Add on G.S.T., 42 per cent tax to value. Definitely not low. When you compare it to my next example, it is not fair either, because by contrast it works the other way round. If you are wealthy you might like to purchase an Austin 7, the original Mini. They are quite sought after and a car in good condition could cost you as much as £25,000. You guessed it, it has a cubic capacity of 747cc and therefore will incur no V.E.D. So the poor man, buying his car that he wants to do up, will be paying 42 per cent tax, but the wealthier person, who is buying a car at £25,000 will simply pay the G.S.T. at 5 per cent. Definitely not fair. I must emphasise that all cars imported, assuming they are over the *de minimis* value for G.S.T. will be paying G.S.T. I cannot think of anybody buying a car for less than £500. Incidentally, old cars in the U.K. are exempt from road tax. These cars are seldom used, but do play a part in our Island life and culture. They can be seen at events, such as Liberation Day celebrations, and the clubs hold other events that raise significant funds for charity. The local clubs are also a catalyst for groups of old car enthusiasts from the U.K. and elsewhere visiting our Island. In short, this tax is not fair and often not low. It would have minimum impact on reducing CO2 emissions. The presence of old cars on our Island is beneficial to our heritage and good for tourism. The amount lost to the Treasury, which is estimated to be less than £6,000, is negligible. I ask Members to support this amendment and exempt cars that are over 50 years old. **[Approbation]**

The Deputy Bailiff:

Seconded? **[Seconded]** Does any other Member wish to speak on the amendment?

2.5.2 Deputy S.M. Wickenden:

Again, we are going over the same ground and I apologise for that. This is a vehicle emissions duty and it is supposed to bring benefits and money into the environmental things that we are doing. Again, is it fair? Is this a fair duty? One of the arguments earlier has been about: this is a small amount to pay in vehicle emissions duty for the price of vehicles that there are. But there are other vehicles that use this. There are boats. We have the boat show. We have some fantastically expensive and impressive Sunseekers that turn up during the boat show and they are registered in Jersey. If we take a small percentage of the cost of them and add it into vehicle emissions duty that will be a great income, I would say, into the Treasury coffers. But it seems to be, again, a bit of a half-a-job on this vehicle emissions duty changes. Aeroplane, we have an aeroplane registry that we have set up now. Again, fairly pricey for an aeroplane, but we do not charge vehicle emissions duty on aeroplanes. But a small percentage of vehicle emissions duty based on the cost of an aeroplane would be great revenue income and we could put that to environmental uses. If the Minister for Transport and Technical Services is going to speak on this, I wonder could he tell us: is he planning on bringing in V.E.D. for these as well? If we cannot remove it from anything, let us add and make it fair and let us make it broad. Thank you.

2.5.3 Deputy E.J. Noel:

I will address the points from the previous speaker first, if I may. It is not my place to bring in a tax on boats or planes, in terms of their emissions duty. But those who know me, who have worked in the Treasury for the last 7 years, most Budget times I have complained about the fact that we do not apply duty to boat fuel. It is something that I would like to see happen. As the Minister for Transport and Technical Services that is not in my remit. I deal with transport on-Island, not transport off-Island. That is the remit of the Minister for Economic Development, along with the Minister for Treasury and Resources. On a sort of lighter note, the example of the Wolseley and the Austin 7, I would advise the Constable's friend that perhaps they should copy the Constable of St. Helier and myself and buy a 2CV. Although most of us, myself included, look upon older vehicles with a feeling of nostalgia and, as you have obviously gathered, I have a classic vehicle, which I cherish most dearly. It is called a Mehari. It is the name of a type of camel. I will leave it at that. In fact I bought my wife a present on a recent 2CV rally. I bought her a souvenir mug that said: "I love my wife almost as much as my Mehari", and got away with it. **[Aside] [Laughter]** These vehicles are often disproportionately more polluting compared to modern vehicles. That is a given. The exemption of any motor vehicle which emits carbon dioxide from paying V.E.D. when first registered in the Island - it is not an annual sort of thing, it is first importation to the Island - is inconsistent with our environment policies. On that basis, I cannot support this amendment, even though my heart is in classic cars. Therefore, what is being proposed is counterintuitive on our Assembly's stated policies. That is why we are trying to make the whole V.E.D. system simpler and in line with our environmental policies. Buying a classic car is a discretionary spend and the cost of V.E.D. is an insignificant issue to the purchaser. They can, by choice, choose a vehicle with a smaller engine size, a less polluting vehicle, and therefore can attract a lower duty. As I have said, I will be voting against this amendment on policy issues. I would invite Members to follow suit. I will also be driving my Mehari at the weekend.

2.5.4 The Connétable of St. John:

Just briefly. One subject that has not been mentioned at all: people who tend to buy vintage, classic cars are the elderly. It is very important, with no reference to anyone in this Assembly, when you retire it is vital for your health to have a hobby, to have an interest and have something to do. Even if it is only to drive the car out of the garage every Saturday to wash it and put it back again. That is what happens. I think that that side has been completely missed. It is a treasured possession. It

is something that, when you have retired, gives you that little bit extra. We have not given them relief on their age enhanced allowance, so perhaps we could on this. Thank you.

2.5.5 The Deputy of Grouville:

Just very briefly, it is a question that is probably for the Minister for Treasury and Resources more than anyone, if he is going to speak in this debate. As shareholder of the J.E.C. (Jersey Electric Company) is there ever any emissions charge raised on companies like that that emit pollution into the air? If not, why not? Okay, it might be something technical, I do not know. Is it just cars and tractors and vehicles on our roads that we get tax from? Is there any consideration to things like chimneys that emit greater pollution to the air? That is my question.

2.5.6 The Deputy of St. Martin:

I apologise to Members if they have already heard the speech. I will try to be as brief as possible. But I do stand to oppose this amendment. Members have already heard from me twice, but I have to say again I firmly believe the basis for V.E.D. is an environment tax and at its heart lies the principle of polluter pays. Can I reiterate that one-third of our emissions arise from the use of transport fuels, albeit a small amount from classic and vintage vehicles. But their owners, like everybody else, have a part to play in addressing the challenge of carbon emissions and global warming. My friend, the Constable, cites the case of his 1950s Wolseley, £1,500 that needs attention. I have to tell him that I have experience of 1950s Wolseleys. If it is only £1,500 and needs attention, I suspect the attention it needs is probably of a tow-truck to take it to somewhere to end its life. I have nothing against the concept of vintage cars or for their role in tourism. I very much enjoy looking at them, travelling in them, driving them when I get the opportunity and hopefully one day I may even be able to afford to buy one. Of course, I would like to remind Members that visitors who come with their cars to the Island are not obliged to pay V.E.D. and, of course, the people who already own vintage cars on this Island are not obliged to pay any more V.E.D.

[17:00]

The Constable argues about the small impact, whether that is financial or the emissions. I accept that, absolutely, the amount of money to the exchequer is not great. The amount of emissions being emitted is not great. He may argue that the small numbers involved is a reason to exempt these vehicles. However, it sends out an inconsistent message, and I know there are also boats and planes and other vehicles and other engine types being discussed, and I would very much hope that we will have the opportunity to review all those things in the next 12 months. But I get back to the inconsistent message. We should be standing behind our global commitment to abide by the principle of “polluter pays”, however small that piece of pollution may be. I ask Members, please, please to stay consistent to our V.E.D. message and to reject the small but important amendment. Thank you.

2.5.7 Deputy J.A.N. Le Fondré:

I just rather feel we are making mountains out of molehills here, for the sake of £6,000. Really why could the Council of Ministers not have just accepted this and moved on? **[Approbation]** I would have thought there was some form of benefit from the tourism point of view. We have heard the comments about hobbies and do we really want to tax hobbies and that type of stuff. At the end of the day there is very little environmental impact, there is very little financial impact. Can we not just accept it and get on to the rest of the budget? Thank you.

The Deputy Bailiff:

Does any other Member wish to speak on the amendment? If no other Member wishes to speak I call on the Connétable of Grouville to reply.

2.5.8 The Connétable of Grouville:

I thank everybody for their comments. I am most definitely not going to comment on Deputy Noel's love life. **[Laughter]** I would like to pick him up, we are talking about so minute an amount ... **[Laughter]** I most definitely would not like to pick him up. **[Laughter]** Light as he is. We are talking about so little pollution here that it is a complete irrelevance. These cars are doing less than 200 miles a year. They probably go to Liberation Day, 10 miles; do the Boxing Day run, 40 miles; and a couple of weddings. That is all they are doing. I looked up the miles per gallon that my Wolseley is expected to do and is about 20 miles. It burns 10 gallons in a year. Less than a lot of people's lawnmowers. We are talking about no pollution whatsoever, in real terms. It is a nonsense. Strangely enough, the Council of Ministers' comments, and I think I must hold the world record for the shortest comments that they have ever made on a proposition, states the exemption of any vehicle which emits CO2 from the charge of V.E.D. is inconsistent with the States Environment Policy. But, of course, they do exempt some vehicles that emit CO2, anything less than 1 litre and anything that produces less than 100 grams of CO2 per kilometre. My daughter has a Fiat 500 and she has had it for 2 years. It does not incur V.E.D. We live in the country, so she cannot use the bus. I do not describe her as a car enthusiast. So she just uses it for getting from A to B. After 2 years she has done 18,000 miles; 9,000 miles that is per year. The fuel figures for that, I would imagine, urban driving, would be somewhere around 60 miles per gallon. She is using 150 gallons a year. Yet she pays no V.E.D. But the poor chap who is getting an old car that he wants to look after, which he is hardly going to use, is only using 10 gallons. This is not fair. It is just arbitrary. I ask Members to support my amendment. **[Approbation]**

The Deputy Bailiff:

A call for the appel? The appel is called for. I invite Members to return to their seats. I ask the Greffier to open the voting.

POUR: 23		CONTRE: 18		ABSTAIN: 1
Connétable of St. Lawrence		Senator P.F. Routier		Connétable of St. Peter
Connétable of St. Ouen		Senator P.F.C. Ozouf		
Connétable of Grouville		Senator A.J.H. Maclean		
Connétable of St. John		Senator I.J. Gorst		
Connétable of Trinity		Senator L.J. Farnham		
Deputy G.P. Southern (H)		Senator P.M. Bailhache		
Deputy J.A. Hilton (H)		Senator A.K.F. Green		
Deputy J.A.N. Le Fondré (L)		Connétable of St. Helier		
Deputy K.C. Lewis (S)		Connétable of St. Mary		
Deputy M.R. Higgins (H)		Connétable of St. Martin		
Deputy J.M. Maçon (S)		Deputy of Grouville		
Deputy S.Y. Mézec (H)		Deputy of Trinity		
Deputy A.D. Lewis (H)		Deputy E.J. Noel (L)		
Deputy of St. Ouen		Deputy of St. John		
Deputy L.M.C. Doublet (S)		Deputy S.J. Pinel (C)		
Deputy R. Labey (H)		Deputy of St. Martin		
Deputy S.M. Wickenden (H)		Deputy R.G. Bryans (H)		
Deputy S.M. Bree (C)		Deputy of St. Peter		
Deputy M.J. Norton (B)				
Deputy T.A. McDonald (S)				
Deputy of St. Mary				
Deputy G.J. Truscott (B)				

Deputy P.D. McLinton (S)				
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The Deputy Bailiff:

The Connétable of St. John, the next amendment was down to you, but I understand you are proposing to withdraw that amendment?

The Connétable of St. John:

That is correct, sir, I do propose to withdraw it. But if I may I would just like to address the Assembly for a brief statement. Just to update the Assembly, when the plans for the Sea Cadet Unit were withdrawn last year I was very fearful that, unless somebody stepped up to the challenge, it was unlikely a new Sea Cadet Unit would be built. I obtained a set of the drawings which were passed by the Planning Department in 2000, and asked a local builder for a quote on that design. The quote was most reasonable and this gave me the confidence to move the plan forward. In April of this year I met with the C.E.O. (Chief Executive Officer) of Ports of Jersey and I hope I can name him, Mr. Doug Bannister, because his work has been enormous. He and I have moved the project forward and we have had a series of meetings on a monthly basis with the Sea Cadets, the Rowing Club and a number of other organisations. The idea is to build a shared facility which will be for primarily the Sea Cadets but to provide the necessary facilities for the Rowing Club and other organisations that are marine-based. We have been in contact with the Planning Office on 2 occasions, and at an officer level as well, and we are now moving the project forward. We have reached the stage where we now need to spend money on architect's fees and to progress it further. I am not prepared to spend this money unless I know the final project is going to be delivered, and hence the need to know with certainty - or as much certainty as possible - that the funds are going to be made available. I am exceedingly grateful to the Ministry for Treasury and Resources and to the Council of Ministers for agreeing to my amendment and to funding £1.2 million towards the building of a Sea Cadet Unit which I hope this Assembly and the Island will one day be very proud of. Thank you to the Council of Ministers. **[Approbation]**

2.6 Draft Budget Statement 2016 (P.127/2015) - as amended

The Deputy Bailiff:

That concludes the debates on all of the amendments, so we now resume the debate relating to the Draft Budget Statement. Does any Member wish to speak on the Draft Budget Statement?

2.6.1 Deputy J.A.N. Le Fondré:

Just briefly, just to clarify my stance on where I will be voting on the Budget this evening. For me one of the most important factors that I did not support was the issue around the pensioners and the exemption thresholds. There are other measures in the Budget that I do support, but for me the pensioners' one is the most important one and on the basis that it remains unchanged I will not be voting for the Budget.

2.6.2 Deputy G.P. Southern:

I tempted to just say ditto. It often happens that while we make relatively minor amendments to Budgets, the bulk of what is going on in the year is contained in the Business Plan, that is where the spend is and that is where it really counts, and often the Budget is just a relatively trivial amendment. I am not saying it is trivial in this case, but they are not great amounts, apart from the fact that we are indulging in fiscal drag and that will, I believe, cause some hardship to pensioners who are just around that threshold level, where a minor change produces significant tax paid. If we

are to see levels of R.P.I. go back up again, as is predicted, solidly predicted in the M.T.F.P. then this will cause some hardship. I cannot support then this Budget.

2.6.3 Senator P.F.C. Ozouf:

I know that it is easy for Members to say that because something like the old age allowance has not been accepted after a vote in this Assembly that would lead to Members rejecting the whole Budget. Can I just urge those Members who simply wish to hang their decision, after a properly arrived at debate, is it really responsible at the end of the day to, therefore, vote down a whole Budget? If everybody practised that, if everybody had an amendment which they lost and did that, the public finances for the Minister for Treasury and Resources would not effectively be able to be carried out. I would just say is it really responsible to do such a thing? We can all have differences of opinion and the debate was a useful one and I think a good one that needed to be had, and it was defeated by a margin of 5. Is it reasonable and responsible, I ask the Deputy as Corporate Services Scrutiny Panel, to put the Assembly potentially in a position - if everybody was to follow his lead - where effectively we would not have a Budget and we would not have arrangements for public finances next year? I urge the Deputy, and those other people that may consider doing that, to consider the democratic will of the Assembly and to vote accordingly, after having had their rightful say on individual matters. If I may say, I thought that this was the issue I was rising for because I did not see any other lights, I know Members want to go home perhaps, and I know that it is often the case that we have an amendment on amendments but we never have a debate on the overall substantive position of the Budget. That is always a matter of regret when we are dealing with such huge issues overall. I am not encouraging debate, I know people want to go home perhaps, but it is the big issues that need to be discussed and now is the time, briefly, in order to raise them. If I may say, this is the first time I am not doing this job and sitting here, and may I say that I thought the Minister for Treasury and Resources gave an excellent account of himself and that he has the full support, I know, of all of the Council of Ministers in the work that he is doing. I congratulate him on his first Budget speech and in the leadership he has shown in dealing with some very difficult issues, and also his clear explanations of the position that he has found himself in, in terms of being Minister for Treasury and Resources. It is a pleasure to hear him speak and I wish him well, and congratulate him on his speech. **[Approval]**

The Deputy Bailiff:

In the light of the Senator's comments, could I just remind Members that the States has resolved to sit until 6.30 p.m. this evening.

2.6.4 The Connétable of St. John:

I rise to congratulate the Minister for Treasury and Resources on what is, basically, an exceedingly good Budget. Broadly speaking, it remains in line with conventions and the few amendments that were proposed - if they had been passed - would have made it a perfect Budget. But there we are. As the Assistant Minister for Digital Affairs says, one of the biggest failings of a perfect plan is a near perfect plan or something. **[Laughter]** We have nearly got there and I congratulate you and I shall be supporting the proposition.

2.6.5 Deputy S.Y. Mézec:

I will only be brief. Senator Ozouf said in his speech that he did not want to spark a debate; well, the only reason I am speaking is because of a statement he made in his speech. He questioned whether it would be responsible for some Members to vote against this Budget. Well, I have got news for him, there is something called democracy which means we can vote how we like and especially us Members who are not part of the Executive. Our jobs as a Member of this Assembly is to hold the Executive to account and that means if we do not like what they come up with it is

our job to say: “No, go back and come up with something else.” It is the job of this Assembly to do that. It is not the job of this Assembly to simply be the servants of the Executive and any Member who does believe that is what their job is, is not fit to be a States Member. Being a States Member is an important job and the role of it primarily is to appoint the Government and then hold the Government to account. On that basis, since I do not like this Budget, since I know a significant number of my constituents do not like this Budget and what the Government is doing to them, I believe it would be the responsible thing to say to this Government: “No, go away, take it with you, amend it, bring it back and bring back something better than this.” That is all the more important to make that point given, frankly, the irony of being told that it may not be a responsible position to back this Budget when the Senator, himself, is part of a Government which many Islanders believe is responsible for creating this £145 million forecast black hole in the first place.

[17:15]

So let us not have too much in this debate and, accordingly, I will be voting against this proposition and urge other non-executive Members of the States to do the same.

2.6.6 Deputy A.D. Lewis:

I support this Budget. I do have one concern and it is speed of public sector reform. The Government did promise significant savings by this stage and we know that has not happened and my committee, in particular, is reviewing this, as is Corporate Services. So I would like to hope that the beginning of next year we hear a lot more on savings in the public sector so that we can divert some more money towards frontline services, which this Budget does do. I hope that the tractor owners are happy because of the Deputy of St. Mary’s proposition being won and I hope vintage car owners are happy and I also hope that pensioners are reassured that their circumstances are not going to change after this debate at all, albeit new pensioners in the future may. So, pensioners out there, if you take on board a lot of what I think is misinformation I do hope that that has been put straight during this debate today. I support this Budget. Without voting this Budget we have no public finances. We are breaking the finance law. We cannot do the things we need to do for our people, the people of Jersey. Finance needs to be allocated to support our public services, health, education, social services. It needs the finance from our Budget debate today. So it would be wrong to oppose this Budget because we would not be able to provide the finance that our people need to have access to public services. It would be the wrong thing to do. However, I do accept Deputy Mézec’s protestations about democracy. We have had a fair and open debate today. It has been very useful. Some points have been raised on both sides of the House, or this Assembly rather, and I think that has been very useful, as Senator Ozouf said, but I would like to see the Government come back next year with much more information on savings in the public sector, the efficiencies in the public sector, so that we can go forward with confidence over the next 4 years and know that we have got an efficient public sector that is well financed and our taxpayers’ money is well spent within that public sector.

2.6.7 Deputy M.R. Higgins:

What I am going to say will come as no surprise to the Council of Ministers. I will not be supporting the Budget. One of the things that I dislike about this House is that we have debates like this where Members have very little chance to change things. We have had a few minor tinkering around with things but basically we have really no effect because of the way the Council of Ministers seem to be able to gather up their support in a particular way but all States Members are blamed afterwards for the Budget and everything else. Well, I am saying, not in my name. I totally oppose this Budget and, therefore, there is no way that I can support it. It is the only way I can sort of get a message across: not all States Members follow the line of the Council of Ministers and believe that what they doing is correct. I happen to believe that a lot of our ills; yes, we talk about

the £145 million black hole. Well, obviously some of it is new investment because they have not been investing or planning in the past but there is a sizeable black hole which is a direct result of the policies that have been pursued by the Council of Ministers. I have been in this House, or Assembly, 7 years and we have had very little effect on trying to change it because the Council of Ministers is a particular grouping of people, who are supported by a particular grouping of people and can get whatever they want done. I think it is important that the people of this Island realise that and that it is not every single Member of the States together. So I just want to make it quite clear, not in my name. I will not vote for it. I wish they would listen to us, get new tax policies, do impact assessments and so on before they do anything and let us then have proper debates and proper policies for the people in this Island.

2.6.8 The Connétable of St. Helier:

I just want to take issue with the previous speaker, Deputy Higgins. I think he said that we have no ability to change things. Well, that is not the States Assembly that I am familiar with and one of the reasons I do not share the view of some Members that the Council of Ministers has done so badly with this Budget, is because States Members in St. Helier, at least, have managed to change things. In the course of the year we have got our Parish, for the first time, on the radar of the Council of Ministers with one of their strategic priorities. There is funding coming our way in the form of a commitment from the Minister for Treasury and Resources that the States will be paying rates in 2017, which will bring a lot of money to improve the infrastructure and the services in the Island's capital, and that is only because people like Deputy Higgins and other Deputies and hopefully myself as well have managed to change things by being in this Assembly. So I do not think our hands as Back-Benchers are quite as badly tied as the Deputy would suggest. I am not an apologist for the Council of Ministers. They do not need me to do that, they have got a Communications Unit after all, but I do want to commend them for the Budget. The other point I think as well is that they have listened to some extent to the concerns of the public. We had members of the public this morning in the Royal Square. We have had a willingness to look again at the Christmas Bonus. I was sorry that the debate on allowances was not won this morning in favour of increasing the allowances for pensioners but they clearly do have an ability to listen and I am not giving up on them yet. It is for that reason that I am going to support the Budget and really echo Senator Ozouf in congratulating Senator Maclean on a very difficult job for the first time.

2.6.9 The Deputy of Grouville:

As I alluded to in my summing-up speech, I do not think our tax system is fit for purpose. I really do not and I am putting a marker down now. I would like Treasury to have a look at this because I do not want to ever be put in a position again whereby we are faced with pensioners versus young families. It is ridiculous when there is a huge scope out there where we should be looking and simplifying and broadening our tax base. So I am just putting a marker down now that I would like Treasury to take on this task. I know it is an enormous task. I think he is listening now which is good because I will be pursuing him. I will, however, vote with this Budget. I am not so churlish as to think because I lost my debate ... that is democracy. I lost my debate but I shall vote with a heavy heart with this Budget because I really do not think that pensioners on the marginal tax rate, which is the lowest quintile of taxpaying pensioners, I do not think they ought to have been targeted. However, that debate was lost but I will be looking for some changes, root and branch changes to our tax system.

2.6.10 Deputy S.M. Wickenden:

It has been a fairly interesting day. I know it has been long, it has been 4 amendments and it has taken the entire day, but I think the level of debate today has been very high. I think there has been a lot of very passionate speeches and a lot of the votes have been very close. What I am going to

ask the Minister for Treasury and Resources in his summing up is, what have you heard from these very close debates about ...

The Deputy Bailiff:

Through the Chair please.

Deputy S.M. Wickenden:

Sorry.

The Deputy Bailiff:

What has the Minister heard?

Deputy S.M. Wickenden:

What has the Minister heard during these very close debates about what we have been saying and what is he going to do about trying to address closer some of the things that we have done from some very close debates? I would really like to hear what he feels that he has heard from us to say that we are passionate about and we want to see a bit more movement in.

2.6.11 The Deputy of St. John:

I think the level of debate today has shown that there are serious issues going forward and serious issues I mean by which is not about tinkering with what we have, it is about fundamentally relooking at a personal tax system that we have and ensuring that it is a properly based personal tax system, and which I mean, like the Deputy of Grouville stated, we do not want to be having these arguments about which cohorts of society are better than others. It is wrong. I particularly want to speak in relation to the Scrutiny Report that was done because the Budget is not just about the tax system. We have also the capital programme within this Budget as well. The Minister for Treasury and Resources has done his old trick where he quotes from a Scrutiny Report the bits that he likes and the bits that praise him and the Council of Ministers and that is all right and proper. I am not saying that it is not, but I would like to challenge him to address the parts which I think need to be dealt with and one of which is mentioned on page 51 of the adviser's report which talks about the capital programme performance. It is recommended that: "The legislative framework around the capital allocation process and incorporation within the Budget process be reviewed to allow for the realistic delivery of the Capital Programme and that appropriate performance management arrangements are put in place to ensure delivery." Many times it has been discussed, the concern around potential inflationary measures from the size of the capital projects, not only going out from the States but from the companies that the States own as well. So that includes Andium and, dare I say it, the States of Jersey Development Company. So I would like the Minister for Treasury and Resources to address that particular issue and the adviser's recommendation outlined in section 6 of the report but also what has gone amiss and what the Council of Ministers also missed out on stating, which I think is incredibly important, because I have come across this from speaking to these particular 2 departments and in particular their finance directors. It states: "In terms of budget construction and in-year budget management we would especially commend the work undertaken in Health and Social Services and Education, Culture and Sports Departments. We were particularly impressed with the way that the semi-annual spending review regime adopted within Health and Social Services allows a dynamic approach to be employed in the use of resources in what is arguably the most complex of service environments." The reason why I reiterate that particular point is because I think it is very important that that is not missed because they are extremely complex areas. The type of reform that Health and Social Services are currently going through to receive a good comment like that, do not get me wrong, it is not perfect. Nothing is perfect but it is an improvement. To get a comment like that I think we should recognise that with

these particular departments because there is a lot going on behind the scenes. I have seen it first hand with the finance teams in both of those particular departments and I absolutely have to give credit where credit is due and they are steaming away and really trying to do their best, and I think it is important to make note of that particular comment. The last point I want to make is from the adviser's report as well, is if the Minister for Treasury and Resources could address this ... it states in 7.12 on page 52: "That the 2016 Budget sets a clear initial position on recovery although the formulation of detailed realisable estimates across 2017 to 2019 must provide further evidence that the structural deficit can be eliminated and that the States can fund current spending from income." So I would like to know the Minister's view and how he will be dealing with that particular comment. On the basis it is a very difficult position because we do not have a straightforward opposition as such to put a complete alternative budget forward and so it has always been picking around the edges and putting slight things in and to be able to, as a Back-Bencher, completely overhaul a tax system would be nigh impossible. It is about having to try and work together and I really hope that the Minister for Treasury and Resources takes on a lot of the comments that have been made today because they are fundamental, really fundamental issues, and it is about setting a plan in train ready for things to happen over the next 10, 15, 20 years so that the public, the people that work here, the people that move here understand where they fit within the contribution to our society.

[17:30]

So, on that basis I will be supporting the Budget and I look forward to all the distributional analyses and the ageing population papers and the impact analyses coming forward by 30th June next year.

The Deputy Bailiff:

Deputy Brée, did you ... sorry, you had your light on earlier I think, perhaps by mistake. Does any other Member wish to speak on the Draft Budget Statement? If no other Member wishes to speak then I call on the Minister to reply.

2.6.12 Senator A.J.H. Maclean:

Thank you to Members for your comments, all of them, both in the debate itself that we have just concluded and also during the course of the amendments. I would also like to thank Senator Ozouf who, I think, stimulated this debate. It was perhaps not going to be quite as lengthy as it would have been if he had not made the remarks that he did. Nevertheless, I think in all seriousness it is a good thing that Members do air their views and there were some interesting and useful points that have been made. I will try to make some comments to answer the questions raised or the points posed by Members briefly in order. I hope, first of all, that we can persuade Deputy Le Fondré not to vote against the whole Budget as he has suggested. He is now thinking he might abstain; well, that is fine. We have had a debate, we have been through a democratic process on a number of amendments and I welcome, very much, the views of Members who have accepted that point and are prepared to vote with the Budget. I think it was Deputy Lewis that made the point, we need a budget for next year. It is, in my view, and, of course, I would stand here and say that I think it is a fair and balanced Budget that is looking to the long term and that was the basis and the heart of the proposals that were contained within it. It was also very much tying into the Medium Term Financial Plan and the Strategic Plan in order to get some linkage there recognising that we need sustainable public finances, as I have said, in the long term. Just on Deputy Andrew Lewis's comments about public sector reform, I agree with him and in fact my comments ... I know it was many hours ago when I stood here to give my opening statement on the Budget. I did include a part in that about the Public Sector Reform Programme and in particular I remarked on the fact that it was going to be accelerating in 2016, which is absolutely right. There are changes that have been made in order to achieve that but I do not want Members, or the Deputy, to have the opinion that

nothing has been happening and that could not be further from the truth. Quite a bit has been happening and I mentioned some of it this morning about voluntary redundancy. We have had 102 accepted. That is £4.3 million of recurring savings as a result of those voluntary redundancies. On top of that we have had 130 full-time equivalent posts taken out of the organisation and we have seen structural change as well with departments coming together. Only last weekend, I mentioned this morning, Economic Development, External Relations and Finance coming together in one place. Again, making a far more efficient department to operate in that way but also there will be cost savings associated. Of course, this year, 2015, departments have taken 2 per cent out of their budgets, that is £12 million, and we know that all departments still have underspends for this year, despite the fact they are taking money out. Next year, £26 million is coming out of department budgets as well. The redesigning work is happening. The point I made this morning is the reform programme as a whole does need to accelerate. I would just make a point; I went with members of the Council of Ministers recently to the hospital to view their special room they have set up for the Lean Project. I was incredibly impressed by what the team at the hospital are doing in terms of the way they are working, developing new ways of stripping out cost, improving services for patients so that that money they are saving can be reinvested into frontline services. That is exactly what they should be doing and they are doing it in an incredibly professional way and frankly should be congratulated. It is not widely known. I would encourage any Member to make contact with, perhaps, the Minister for Health or Assistant Ministers for Health and go and visit the Lean programme in the hospital. It will give you an insight into what is being achieved here and now.

Deputy Southern: I just wanted to pick up on a point he made with regard to a fiscal drag. I would like to make a commitment to Deputy Southern, he might be surprised. I believe that we do need to look at this issue and in fact work has commenced with regard to social security, so that anyone who falls into tax does not fall into a position of being worse off as a result of losing entitlement to benefit. I think we need to understand to a greater extent what fiscal drag, if any, is existing. I think a further discussion with the Deputy would be quite constructive to get a clearer view of his views on that matter. I think I make the point because I pick up on and have listened to quite a number of views expressed by Members; Deputy Southern just happens to be one of those that I picked a point up on. In fact I am going to zip straight, if I may, to Deputy Wickenden because he was asking about lessons learned. I think the greatest lesson in life for anybody is that whoever you are and whatever job you have you should never stop listening. I have found in this Assembly, on many occasions over the years, I have learnt things which I was unaware of in a number of areas and I think we can all benefit from that. There have been views expressed by Members. I think we have had some robust debates on particularly the amendments and I think it has been very interesting that the Assembly has found these issues quite challenging, understandably, particularly the aged-enhanced exemptions issue is a very emotive one. I understand that. I understand why it was very difficult but what the Assembly have done, and one of the points I have learnt, is that (a) we, as the Council of Ministers, need to communicate better, looking across at the Connétable of St. Mary, in terms of explaining what we are doing, why we are doing it, the analysis that goes behind the decision making and I think reaching out to Members more often to get one-to-one or small groups; we did do, of course, 2 briefings for Members on the Budget and I am very pleased that quite a number of you attended. We clearly need to do more to get the message across as to what we are seeking to do but overall Members have decided, and I am thankful for that, to take the long-term view and particularly over an issue that is so difficult such as that one. The long-term view for sustainable public finances and future generations is the right thing to do. The important lesson, of course, is we need to make absolutely certain that there is not going to be members of our community that are disadvantaged as a result of the decision that we have taken today. Members are aware that there is nobody, no pensioner, who currently has the benefit, is going to lose it but over the passage of time we need to make certain that there are not pensioners who are going to be disadvantaged. So that certainly is something we need to look at further. The Deputy of Grouville,

I thank her for her comments. I am sad she has got a heavy heart. I understand why in some respects but I also respect and appreciate the fact that she is supporting the Budget in the way that she expressed. I would say to her that there are a number of measures across the Budget which impact on taxpayers at all levels. We have not really left anybody out, even the higher payers, in terms of the 20 per cent tax rate band with the child allowance. So I would hope that as we move forward ... I have taken on board her question and we will work further to understand what we can do to perhaps address the further concerns that she has. The Deputy of St. John raised a number of points. She quite rightly pointed out, of course, as the Minister I am going to pick out the positive aspects of a report. I am sure any Member here would do exactly the same; nothing unreasonable about that. All I would say is that I am absolutely delighted that the Corporate Services Scrutiny Panel's professional adviser had some positive things to say about the Budget. I think that is a good thing. There were a number of positive points in there and I was very pleased about them and I did, so she rightly quoted them for the benefit of Members. The adviser's report, of course, as she also said, pointed out some other issues around capital. We recognise some of the challenges with capital, getting projects started, the management, and this is the area I think she was most concerned about and I understand it, with regard to delivery and getting suitable outcomes but I am very keen, and have been for a number of years, that when projects are approved funding in principle is put in place; until all the money is there the project cannot start. What we tend to do is we get a backlog of projects that are due in-year and get rolled over into the next year because we are not in a position, because of the rules in the Public Finances Law, to progress those particular projects and that is an area that we need to address as well. We need to be mindful, of course, that not only with our own capital programme but also organisations that we have established to address the housing needs in the Island, like Andium, they have a significant amount of resources via the bond to improve housing in the Island for first-time buyers and social housing. We have to make sure that the unintended consequences of that investment into the market does not cause inflationary pressures in the construction industry and that needs to be managed quite carefully at the same time. The other points that the Deputy raised, and I thank her for her positive comments as well, but the other point that I think she raised, if I remember correctly, was the adviser's point about evidence with regard to the structural position, the structural deficit, and, of course, that is something that will come later. An update will come at the time of the Medium Term Financial Plan update by June of next year. Hopefully that addresses the points raised by Members. I thank all Members for their contributions and I thank Ministers for their support in presenting this Budget and putting all the measures together and I maintain the principles.

The Deputy Bailiff:

Do you call for the appel? Do you wish to take all of the paragraphs together, Minister, or do you wish to take them separately? Take them all together. Well, the appel is called for. I invite Members to return to their seats. I invite the Greffier to open the voting.

POUR: 36	CONTRE: 6	ABSTAIN: 1
Senator P.F. Routier	Deputy G.P. Southern (H)	Deputy J.A.N. Le Fondré (L)
Senator P.F.C. Ozouf	Deputy J.A. Hilton (H)	
Senator A.J.H. Maclean	Deputy K.C. Lewis (S)	
Senator I.J. Gorst	Deputy M.R. Higgins (H)	
Senator L.J. Farnham	Deputy J.M. Maçon (S)	
Senator P.M. Bailhache	Deputy S.Y. Mézec (H)	
Senator A.K.F. Green		
Connétable of St. Helier		
Connétable of St. Peter		
Connétable of St. Lawrence		
Connétable of St. Mary		

Connétable of St. Ouen				
Connétable of St. Brelade				
Connétable of St. Martin				
Connétable of Grouville				
Connétable of St. John				
Connétable of Trinity				
Deputy of Grouville				
Deputy of Trinity				
Deputy E.J. Noel (L)				
Deputy of St. John				
Deputy S.J. Pinel (C)				
Deputy of St. Martin				
Deputy R.G. Bryans (H)				
Deputy of St. Peter				
Deputy A.D. Lewis (H)				
Deputy of St. Ouen				
Deputy L.M.C. Doublet (S)				
Deputy R. Labey (H)				
Deputy S.M. Wickenden (H)				
Deputy S.M. Bree (C)				
Deputy M.J. Norton (B)				
Deputy T.A. McDonald (S)				
Deputy of St. Mary				
Deputy G.J. Truscott (B)				
Deputy P.D. McLinton (S)				

3. Draft Finance (2016 Budget) (Jersey) Law 201- (P.129/2015)

The Deputy Bailiff:

The next item is the Draft Finance (2016 Budget) (Jersey) Law lodged by the Minister for Treasury and Resources and I would ask the Greffier to read the citation.

The Greffier of the States:

The Draft Finance (2016 Budget) (Jersey) Law. A law to set the standard rate of income tax for 2016 and to amend the Income Tax (Jersey) Law 1961, the Stamp Duties and Fees (Jersey) Law 1998, the Taxation (Land Transactions) (Jersey) Law 2009 and the Customs and Excise (Jersey) Law 1999. The States, subject to the sanctions of Her Most Excellent Majesty in Council have adopted the following law.

3.1 Senator A.J.H. Maclean (The Minister for Treasury and Resources):

Following the decisions reached in the Budget debate the Draft Finance (2016 Budget) (Jersey) Law proposes the standard rate of income tax and the income tax exemption thresholds for 2016. It also makes a number of amendments to the Income Tax Law, in particular changing the allowances, deductions and reliefs available to personal income tax payers and the taxation of distributions made by companies. It also makes a small number of minor administrative changes for income tax purposes. It amends the rate of stamp duty and land transaction tax applied to residential mortgage debt on properties worth not more than £450,000. It sets the level of impôts duties for 2016. I spoke about most of the measures this morning and we have had a lengthy debate, of course, around some amendments so I move the principles.

The Deputy Bailiff:

Are the principles seconded? **[Seconded]** Does any Member wish to speak on the principles? All Members in favour of adopting the principles kindly show. Those against? The principles are adopted. Minister, how do you wish to deal with the ... I beg your pardon, does the Corporate Services Scrutiny Panel wish to **[Interruption]** sorry, in fact there is no basis of calling for Scrutiny in any event as it a taxation draft. How do you wish to propose the Articles, Minister?

3.2 Senator A.J.H. Maclean:

I was going to propose Articles 1 to 14. Members will be aware that Article 15 is not going to be proposed and then I would propose Articles 16 to 30. The only point I would raise, if any Members were keen for me to take any particular Articles individually I am happy to do that if they could perhaps notify it otherwise that is the proposed format.

[17:45]

The Deputy Bailiff:

I think there is an amendment that you wish to propose in the second batch of the Articles?

Senator A.J.H. Maclean:

I am sorry. Yes, that is my mistake. So, yes, I would go 16 to 28 and then Article 29 would be proposed as amended. That was the Deputy of St. Mary's tractors and then finally the citation which is Article 30.

The Deputy Bailiff:

Very well then. Then do you propose Articles 1 to 14 *en bloc*?

Senator A.J.H. Maclean:

Yes, I do.

The Deputy Bailiff:

Are those Articles seconded? **[Seconded]** Does any Member wish to speak on the ...

3.2.1 Deputy J.M. Maçon of St. Saviour:

I do not know when we will come to it but I would like to be consistent in my voting history and when we come to the impôts duties on alcohol and fuel, I would like to take them separately as and when they come up.

The Deputy Bailiff:

Does any other Member wish to speak on Articles 1 to 14? If no other Member wishes to speak then I call upon the Minister to respond.

3.2.2 Senator A.J.H. Maclean:

I note the point raised by Deputy Maçon.

The Deputy Bailiff:

All Members in favour of adopting **[Interruption]** ... the appel is called for. I invite Members to return to their seats. I would like the Greffier to open the voting.

POUR: 39		CONTRE: 3		ABSTAIN: 0
Senator P.F. Routier		Deputy G.P. Southern (H)		
Senator P.F.C. Ozouf		Deputy M.R. Higgins (H)		
Senator A.J.H. Maclean		Deputy S.Y. Mézec (H)		
Senator I.J. Gorst				

Senator L.J. Farnham				
Senator P.M. Bailhache				
Senator A.K.F. Green				
Connétable of St. Helier				
Connétable of St. Peter				
Connétable of St. Lawrence				
Connétable of St. Mary				
Connétable of St. Ouen				
Connétable of St. Brelade				
Connétable of St. Martin				
Connétable of Grouville				
Connétable of St. John				
Connétable of Trinity				
Deputy of Grouville				
Deputy J.A. Hilton (H)				
Deputy J.A.N. Le Fondré (L)				
Deputy of Trinity				
Deputy K.C. Lewis (S)				
Deputy E.J. Noel (L)				
Deputy of St. John				
Deputy J.M. Maçon (S)				
Deputy S.J. Pinel (C)				
Deputy of St. Martin				
Deputy R.G. Bryans (H)				
Deputy of St. Peter				
Deputy of St. Ouen				
Deputy L.M.C. Doublet (S)				
Deputy R. Labey (H)				
Deputy S.M. Wickenden (H)				
Deputy S.M. Bree (C)				
Deputy M.J. Norton (B)				
Deputy T.A. McDonald (S)				
Deputy of St. Mary				
Deputy G.J. Truscott (B)				
Deputy P.D. McLinton (S)				

You are not proposing Article 15, I think, Minister?

Senator A.J.H. Maclean:

That is correct.

The Deputy Bailiff:

So we are moving to Articles 16 to ...

Senator A.J.H. Maclean:

I think 27 because Deputy Maçon is keen to vote separately on Article 28.

The Deputy Bailiff:

You wish also to propose the amendment to Article 29 as well so you could propose that as amended?

Senator A.J.H. Maclean:

I do. So perhaps if we take 28 and 29 separately if that is all right.

The Deputy Bailiff:

Articles ...

Senator A.J.H. Maclean:

If we go 16 to 27 then, is it not?

The Deputy Bailiff:

So you propose Articles 16 to 27 *en bloc*?

Senator A.J.H. Maclean:

Yes.

The Deputy Bailiff:

Are those Articles seconded? **[Seconded]** Does any Member wish to speak on Articles 16 to 27? No Member wishes to speak. All Members in favour of adopting the **[Interruption]** ... the appel is called for. I ask the Greffier to open the voting.

POUR: 39		CONTRE: 3		ABSTAIN: 0
Senator P.F. Routier		Deputy G.P. Southern (H)		
Senator P.F.C. Ozouf		Deputy M.R. Higgins (H)		
Senator A.J.H. Maclean		Deputy S.Y. Mézec (H)		
Senator I.J. Gorst				
Senator L.J. Farnham				
Senator P.M. Bailhache				
Senator A.K.F. Green				
Connétable of St. Helier				
Connétable of St. Peter				
Connétable of St. Lawrence				
Connétable of St. Mary				
Connétable of St. Ouen				
Connétable of St. Brelade				
Connétable of St. Martin				
Connétable of Grouville				
Connétable of St. John				
Connétable of Trinity				
Deputy of Grouville				
Deputy J.A. Hilton (H)				
Deputy J.A.N. Le Fondré (L)				
Deputy of Trinity				
Deputy K.C. Lewis (S)				
Deputy E.J. Noel (L)				
Deputy of St. John				
Deputy J.M. Maçon (S)				
Deputy S.J. Pinel (C)				
Deputy of St. Martin				
Deputy R.G. Bryans (H)				
Deputy of St. Peter				
Deputy of St. Ouen				
Deputy L.M.C. Doublet (S)				
Deputy R. Labey (H)				
Deputy S.M. Wickenden (H)				

Deputy S.M. Bree (C)				
Deputy M.J. Norton (B)				
Deputy T.A. McDonald (S)				
Deputy of St. Mary				
Deputy G.J. Truscott (B)				
Deputy P.D. McLinton (S)				

Senator A.J.H. Maclean:

If I could propose then Article 28, which, as Deputy Maçon has requested, deals with the impôts duties on alcohol from 1st January 2016. The details that I mentioned earlier on, I am not sure if the Deputy wants me to go through the amounts. I am happy to do so. No, he is signalling not. So that is the Article that is relevant so I propose Article 28.

The Deputy Bailiff:

Is Article 28 seconded? [**Seconded**] Does any Member wish to speak on Article 28? All Members in favour of adopting Article 28 [**Interruption**] ... the appel is called for. I ask the Greffier to open the voting.

POUR: 34		CONTRE: 7		ABSTAIN: 0
Senator P.F. Routier		Connétable of St. John		
Senator P.F.C. Ozouf		Deputy G.P. Southern (H)		
Senator A.J.H. Maclean		Deputy K.C. Lewis (S)		
Senator I.J. Gorst		Deputy M.R. Higgins (H)		
Senator L.J. Farnham		Deputy J.M. Maçon (S)		
Senator P.M. Bailhache		Deputy S.Y. Mézec (H)		
Senator A.K.F. Green		Deputy R. Labey (H)		
Connétable of St. Peter				
Connétable of St. Lawrence				
Connétable of St. Mary				
Connétable of St. Ouen				
Connétable of St. Brelade				
Connétable of St. Martin				
Connétable of Grouville				
Connétable of Trinity				
Deputy of Grouville				
Deputy J.A. Hilton (H)				
Deputy J.A.N. Le Fondré (L)				
Deputy of Trinity				
Deputy E.J. Noel (L)				
Deputy of St. John				
Deputy S.J. Pinel (C)				
Deputy of St. Martin				
Deputy R.G. Bryans (H)				
Deputy of St. Peter				
Deputy of St. Ouen				
Deputy L.M.C. Doublet (S)				
Deputy S.M. Wickenden (H)				
Deputy S.M. Bree (C)				
Deputy M.J. Norton (B)				
Deputy T.A. McDonald (S)				
Deputy of St. Mary				

Deputy G.J. Truscott (B)				
Deputy P.D. McLinton (S)				

Senator A.J.H. Maclean:

If I could propose then Article 29 as amended by the Deputy of St. Mary; that is the tractors. If I can propose that then.

The Deputy Bailiff:

Is Article 29 seconded? **[Seconded]** Members should have had a copy of the Article as amended circulated earlier. Does any Member wish to speak on Article 29? No Member wishes to speak. All Members in favour **[Interruption]** ... the appel is called for. I ask the Greffier to open the voting.

POUR: 40		CONTRE: 2		ABSTAIN: 0
Senator P.F. Routier		Deputy G.P. Southern (H)		
Senator P.F.C. Ozouf		Deputy S.Y. Mézec (H)		
Senator A.J.H. Maclean				
Senator I.J. Gorst				
Senator L.J. Farnham				
Senator P.M. Bailhache				
Senator A.K.F. Green				
Connétable of St. Helier				
Connétable of St. Peter				
Connétable of St. Lawrence				
Connétable of St. Mary				
Connétable of St. Ouen				
Connétable of St. Brelade				
Connétable of St. Martin				
Connétable of St. John				
Connétable of Trinity				
Deputy of Grouville				
Deputy J.A. Hilton (H)				
Deputy J.A.N. Le Fondré (L)				
Deputy of Trinity				
Deputy K.C. Lewis (S)				
Deputy E.J. Noel (L)				
Deputy of St. John				
Deputy M.R. Higgins (H)				
Deputy J.M. Maçon (S)				
Deputy S.J. Pinel (C)				
Deputy of St. Martin				
Deputy R.G. Bryans (H)				
Deputy of St. Peter				
Deputy A.D. Lewis (H)				
Deputy of St. Ouen				
Deputy L.M.C. Doublet (S)				
Deputy R. Labey (H)				
Deputy S.M. Wickenden (H)				
Deputy S.M. Bree (C)				
Deputy M.J. Norton (B)				
Deputy T.A. McDonald (S)				

Deputy of St. Mary			
Deputy G.J. Truscott (B)			
Deputy P.D. McLinton (S)			

There is just the one Article remaining, Minister, is there not?

Senator A.J.H. Maclean:

Yes, that is the citation so if I could propose Article 30 please.

The Deputy Bailiff:

Is it seconded? **[Seconded]** Does any Member wish to speak on Article 30? All those in favour of adopting Article 30 kindly show. Those against? Article 30 is adopted. Do you propose the matter in Third Reading, Minister?

Senator A.J.H. Maclean:

Yes, thank you.

The Deputy Bailiff:

Is it seconded in Third Reading? **[Seconded]** Does any Member wish to speak on this Act in Third Reading? No Member wishes to speak. Those in favour of adopting the **[Interruption]** ... the appel is called for. I would ask the Greffier to ask Members to return to their seats and I would ask the Greffier to open the voting.

POUR: 39		CONTRE: 3		ABSTAIN: 0
Senator P.F. Routier		Deputy G.P. Southern (H)		
Senator P.F.C. Ozouf		Deputy M.R. Higgins (H)		
Senator A.J.H. Maclean		Deputy S.Y. Mézec (H)		
Senator I.J. Gorst				
Senator L.J. Farnham				
Senator A.K.F. Green				
Connétable of St. Helier				
Connétable of St. Peter				
Connétable of St. Lawrence				
Connétable of St. Mary				
Connétable of St. Ouen				
Connétable of St. Brelade				
Connétable of St. Martin				
Connétable of Grouville				
Connétable of St. John				
Connétable of Trinity				
Deputy of Grouville				
Deputy J.A. Hilton (H)				
Deputy J.A.N. Le Fondré (L)				
Deputy of Trinity				
Deputy K.C. Lewis (S)				
Deputy E.J. Noel (L)				
Deputy of St. John				
Deputy J.M. Maçon (S)				
Deputy S.J. Pinel (C)				
Deputy of St. Martin				
Deputy R.G. Bryans (H)				
Deputy of St. Peter				

Deputy A.D. Lewis (H)				
Deputy of St. Ouen				
Deputy L.M.C. Doublet (S)				
Deputy R. Labey (H)				
Deputy S.M. Wickenden (H)				
Deputy S.M. Bree (C)				
Deputy M.J. Norton (B)				
Deputy T.A. McDonald (S)				
Deputy of St. Mary				
Deputy G.J. Truscott (B)				
Deputy P.D. McLinton (S)				

Senator A.J.H. Maclean:

If I may, could I just very briefly, once again, thank Members for their support and their comments? As I have said, we have very much listened to everything that has been said today. It has been a very useful debate. I would also like to take the opportunity to thank members of the Treasury team who have done a sterling job in getting this done. **[Approbation]** It is very rare that Members and in particular members of the public know sometimes how late and hard members of departments within the public sector work and certainly the Treasury team have put in above and beyond the call of duty time in order to deliver this and previous jobs like the Medium Term Financial Plan, so I thank them publicly for that.

4. Draft Finance (2016 Budget) (Jersey) Law 201- Acte Operatoire (P.129/2015)

The Deputy Bailiff:

Minister, I believe there is an Acte Operatoire that has been circulated. Do you propose the Acte?

Senator A.J.H. Maclean:

Yes please.

The Deputy Bailiff:

Could I ask the Greffier to read the citation?

The Greffier of the States:

Act declaring that the Finance (2016 Budget) (Jersey) Law 201- shall have immediate effect. The States, in pursuance of Article 15 of the Public Finances (Jersey) Law 2005 have made the following Act.

Senator A.J.H. Maclean:

The Draft Income Tax (Amendment No. 45) ...

The Deputy Bailiff:

No. I beg your pardon, Minister. We are dealing with the Acte Operatoire immediately before the Act declaring the Finance (2016 Budget) Law. I am afraid I was going rather too quickly and I asked you to propose but the Greffier had not read the citation. So the Greffier has now read the citation so it is for you to propose.

4.1 Senator A.J.H. Maclean (The Minister for Treasury and Resources):

In that case I do that.

The Deputy Bailiff:

Is it seconded? **[Seconded]** Those Members that are in favour of adopting the Acte Operatoire kindly show. Those against? The Acte is adopted.

5. Draft Income Tax (Amendment No. 45) (Jersey) Law 201- (P.128/2015)

The Deputy Bailiff:

The next item is the Draft Income Tax (Amendment No. 45) (Jersey) Law lodged by the Minister for Treasury and Resources and I would ask the Greffier to read the citation.

The Greffier of the States:

The Draft Income Tax (Amendment No. 45) (Jersey) Law 201-. A law to amend further the Income Tax (Jersey) Law 1961. The States, subject to the sanction of Her Most Excellent Majesty in Council, have adopted the following law.

5.1 Senator A.J.H. Maclean (The Minister for Treasury and Resources):

Yes, I was going a little bit too fast I think. The Draft Income Tax (Amendment No. 45) changes the Income Tax Law 1961 such that the Comptroller of Taxes is no longer personally obliged to attend all hearings of the Commissioners of Appeal. That is quite simply what this measure is about. It is about flexibility within the Taxes Department, recognising that there are likely to be more hearings during the course of 2016 and 2017 and it is not good use of the time of the Comptroller to attend each and every one. I maintain the principles.

The Deputy Bailiff:

Are the principles seconded? **[Seconded]** Does any Member wish to speak upon the principles?

5.1.1 Deputy G.P. Southern:

Could I have an explanation of why the number of appeals is likely to go up in 2016 and 2017? What, in particular, is likely to be appealed in those years?

The Deputy Bailiff:

Does any other Member wish to speak on the principles? If no other Member wishes to speak on the principles then I call on the Minister to reply.

5.1.2 Senator A.J.H. Maclean:

I think my terminology was probably not as clear as it should have been. If I said “likely” I apologise. It is possible but quite simply the point I was making was that we do not believe it is good use of the Comptroller’s time to attend what appeals there are and therefore this proposal is being made on that basis.

The Deputy Bailiff:

Do you maintain the principles?

Senator A.J.H. Maclean:

I do.

The Deputy Bailiff:

Those Members in favour of adopting the principles kindly show? Those against. The principles are adopted. Deputy Le Fondré, does your Scrutiny Panel wish to call this in?

Deputy J.A.N. Le Fondré (Chairman, Corporate Services Scrutiny Panel):

No thank you.

The Deputy Bailiff:

So how do you wish to propose the Articles, Minister?

Senator A.J.H. Maclean:

Articles 1 to 6, *en bloc* if I may.

The Deputy Bailiff:

Are those Articles seconded? **[Seconded]** Does any Member wish to speak on Articles 1 to 6? Then I ask all Members in favour of adopting Articles 1 to 6 kindly show. Those against. Articles 1 to 6 are adopted. Do you wish to propose the matter in Third Reading, Minister?

Senator A.J.H. Maclean:

Yes.

The Deputy Bailiff:

Are they seconded? **[Seconded]** Does any Member wish to speak on the law in Third Reading? If no Member wishes to speak then I would ask Members in favour of adopting the law kindly show. Those against? It is adopted in Third Reading. We now ...

Deputy J.A.N. Le Fondré:

Sorry. May I just ask for some guidance or perhaps even some guidance from the Assembly? We have got, as I understand it, about half an hour left for today and obviously we have had the whole Budget debate. The next item on the agenda I believe is P.46 which is transfer of functions to which there is an amendment which, in my view, has the potential to be slightly complicated. I am just wondering what the mood of the Assembly would be to take some of the easier items, such as P.143, 144, 145, *et cetera*, now and then perhaps start on P.46 fresh in the morning. I know the chair of P.P.C. (Privileges and Procedures Committee) is not here but obviously the Constable of St. Lawrence, I believe, is the vice-chair and we did have an exchange earlier but she suggested I put that to the Assembly. I wondered what the mood would be.

The Deputy Bailiff:

Well, if we were to move straight ahead to P.143 that would be the appointment of Chairman to the Social Security Tribunal and their other 2 matters are a number of appointments. It is a matter for the Assembly of course.

Senator I.J. Gorst:

I am in the hands of the Assembly. There is obviously an amendment to Article 6 of the transfer of functions which will take, hopefully longer than the preceding Articles which the Scrutiny Report supports. So it really is entirely up to the Assembly.

The Deputy Bailiff:

As I detect the mood of the Assembly it is to take the later items now and to defer the transfer of functions cessation until the sitting tomorrow morning.

6. Social Security Tribunal: appointment of chairman (P.143/2015)

The Deputy Bailiff:

Very well, we will move on to P.143, which is the Social Security Tribunal: appointment of chairman lodged by the Minister for Social Security and I would ask the Greffier to read the proposition.

The Greffier of the States:

The States are asked to decide whether they are of opinion to appoint, in accordance with Article 33A of the Social Security (Jersey) Law 1974, and further to a process overseen by the Jersey Appointments Commission Advocate Sarah Elizabeth Fitz as chairman of the Social Security Tribunal for a period of 5 years

6.1 Deputy S.J. Pinel of St. Clement (The Minister for Social Security):

I hope I have the right papers in from me. I am pleased to propose the appointment of a new chair, Advocate Sarah Fitz, to the Social Security Tribunal. The Tribunal deals with appeals regarding contributory benefits under the Social Security Law, such as the old age pension or maternity allowance, benefits paid under the Health Insurance Law and decisions and awards of long-term care or income support that are not medical in nature.

[18:00]

A tribunal panel consists of a legally qualified chair or a deputy chair and 2 lay people. The previous chair, Advocate Charles Thacker's term of office ended in November 2015. Advocate Thacker has been associated with the Tribunal for many years and was appointed by the States as chair in July 2008. In April of this year Advocate Thacker was also appointed as interim chair to the Social Security Medical Appeal Tribunal and the Income Support Medical Appeal Tribunal. This has allowed time to undergo an independent recruitment process to the role of chair across all 3 tribunals. It was recognised that the chair is required to provide a more encompassing role providing advice on process and standards across all 3 tribunals and assisting the Judicial Greffe in the establishment of a broader tribunal service. It is so important to have a robust tribunal process which goes towards ensuring fair and reasonable decision making. I am very grateful to Advocate Thacker and would like to take this opportunity to extend my thanks to him for taking on this role and supporting the tribunal process. He leaves all 3 tribunals in a very good position. The recruitment process to find his successor was overseen by the Appointments Commission. I am satisfied that Advocate Fitz, the proposed chair, has the appropriate professional qualifications and experience to take on this role and further develop the tribunal's service. I ask Members to agree that the proposed candidate is appointed to the Social Security Tribunal for a 5-year term of office, starting from 15th December 2015. I ask Members to support the proposition.

The Deputy Bailiff:

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

6.1.1 Deputy G.P. Southern:

I wondered whether the Minister would take the opportunity of a new chair being inducted into that position to ask that chair to lay out the criteria on which the tribunal operates because it seems to me, as a sometime user of the appeal system, that I am left there without clear definition of what it is we are trying to prove or disprove in a particular case. It is very straightforward: when you go to a complaints board you have got 5 criteria that you can attempt to meet, and that is very clear. If you can prove one of those you are probably winning your case. Whereas there is no such guidance, there is no such criteria anywhere I can find in the material attached to these tribunals. So a bit of clarification on what it is that individuals from the community are trying to prove with or without help from their humble Deputy might be very instructive and make a better process overall.

The Deputy Bailiff:

Does any other Member wish to speak on the proposition? No other Member wishes to speak. I call on the Minister to reply.

6.1.2 Deputy S.J. Pinel:

Yes, I will get that information to the Deputy. I maintain the proposition. Thank you.

The Deputy Bailiff:

Those Members in favour of adopting the proposition kindly show. Those against? The proposition is adopted.

7. Social Security Medical Appeal Tribunal: appointment of chairman (P.144/2015)

The Deputy Bailiff:

The next item is the Social Security Medical Appeal Tribunal: appointment of chairman lodged by the Minister for Social Security and I ask the Greffier to read that proposition.

The Greffier of the States:

The States are asked to decide whether they are of opinion - to appoint in accordance with Article 34 of the Social Security (Jersey) Law 1974 and further to a process overseen by the Jersey Appointments Commission, Advocate Sarah Elizabeth Fitz as chairman of the Social Security Medical Appeal Tribunal for a period of 5 years.

7.1 Deputy S.J. Pinel (The Minister for Social Security):

I am pleased to propose the appointment of a new chair, Advocate Sarah Fitz, to the Social Security Medical Appeal Tribunal. The tribunal deals with appeals regarding the award of long-term incapacity allowance. A tribunal panel consists of a legally qualified chair or deputy chair and 2 medical practitioners. The previous chair, Advocate Charles Thacker's term of office ended in November 2015. Advocate Thacker was appointed as chair on an interim basis on 30th April 2015 to this tribunal to allow time to recruit someone to take a more encompassing role across the tribunals. Advocate Fitz's appointment has the support of the Appointments Commission and I am satisfied that she has the appropriate professional qualifications and will bring considerable knowledge and experience to this role. I ask Members to agree that the proposed candidate is appointed to the Social Security Medical Appeal Tribunal for a 5-year term of office starting from 15th December 2015. I ask Members to support the proposition.

The Deputy Bailiff:

Is the proposition seconded? **[Seconded]** Does any Member wish to speak on the proposition? If no Member wishes to speak on the proposition I would ask those Members who are in favour of adopting the proposition kindly to show. Those against? The proposition is adopted.

8. Income Support Medical Appeal Tribunal: appointment of chairman (P.145/2015)

The Deputy Bailiff:

The next item is the Income Support Medical Appeal Tribunal: appointment of chairman, lodged by the Minister for Social Security and I would asked the Greffier to read that proposition.

The Greffier of the States:

The States are asked to decide whether they are of opinion - to appoint, in accordance with Article 9 of the Income Support (Jersey) Law 2007 and further to a process overseen by the Jersey Appointments Commission, Advocate Sarah Elizabeth Fitz as Chairman of the Income Support Medical Appeal Tribunal for a period of 5 years.

8.1 Deputy S.J. Pinel (The Minister for Social Security):

At the risk of being a little repetitive. I am pleased to propose the appointment of a new chair, Advocate Sarah Fitz, to the Income Support Medical Appeal Tribunal. The tribunal deals with appeals regarding medical grounds affecting a claim to income support, the level of care being provided affecting the award of home carer's allowance and care levels affecting the award of long-term care. A tribunal panel consists of a legally qualified chair or a deputy chair, a medical practitioner and a lay person, being an individual who has an understanding of the impact of disability through their own experience. The previous chair, Advocate Charles Thacker's term of office ended in November 2015. Advocate Thacker was appointed as chair on an interim basis on 30th April 2015 to this tribunal to allow time to recruit someone to take a more encompassing role across the tribunals. Advocate Fitz's appointment has the support of the Appointments Commission and I am satisfied that she has the appropriate professional qualifications and will bring considerable knowledge and experience to this role. I ask Members to agree that the proposed candidate is appointed to the Social Security Medical Appeal Tribunal for a 5-year term of office starting from 15th December 2015. I ask Members to approve the proposition

The Deputy Bailiff:

Is the proposition seconded? **[Seconded]** Does any Member wish to speak on the proposition? No Member wishes to speak on the proposition. Those in favour of adopting the proposition kindly show. Those against? The proposition is adopted.

9. Draft Double Taxation Relief (Arrangement with the United Kingdom) (Jersey) Act 201- (P.147/2015)

The Deputy Bailiff:

The next item is the Draft Double Taxation Relief (Arrangement with the United Kingdom) (Jersey) Act lodged by the Minister for External Relations and I ask the Greffier to read the proposition.

The Greffier of the States:

The Draft Double Taxation Relief (Arrangement with the United Kingdom) (Jersey) Act 201-. The States in pursuance of Article 111 of the Income Tax (Jersey) Law 1961 have made the following Act.

9.1 Senator P.M. Bailhache (The Minister for External Relations):

This proposition is succinctly explained in the report which is attached to the draft Act. The Double Taxation Agreement with the United Kingdom was first approved in 1952 and very recently the United Kingdom Government drew the attention of Ministers to the fact that the definition of United Kingdom was regarded as inadequate for their purposes and that there was no definition of Jersey. The proposed changes have no adverse effect upon the Island of Jersey and it was therefore agreed between the Chief Minister and H.M. Treasury that there should be an exchange of letters to give effect to the revised definitions in the 1952 agreement. The revised agreement, of course, needs the approval of the Assembly before it can come into effect and that approval will be achieved by the adoption of the Act which is now before the Assembly. I might perhaps add that the 1952 agreement is an aged agreement and the Government of Jersey has

sought the agreement of the United Kingdom Government for a revision of the 1952 agreement. That has been accepted by the United Kingdom and we are hopeful that negotiations on a revised agreement can be started in the not too distant future. I move the draft Act.

The Deputy Bailiff:

Is the Act seconded? **[Seconded]** Does any Member wish to speak on the draft Act? If no Member wishes to speak then I would ask all Members in favour of adopting the proposition kindly to show. Those against? The proposition is adopted. The next item of business is the Public Employees Contributory Retirement Scheme Committee of management ...

Senator I.J. Gorst:

That cannot be debated until tomorrow, as I understand.

Senator L.J. Farnham:

Could the Assembly agree?

The Deputy Bailiff:

There is another matter that we can take. We could take P.136 which is the Draft Social Security (Amendment of Law No. 10) (Jersey) Regulations.

Senator I.J. Gorst:

I am happy to take the P.E.C.R.S. (Public Employees Contributory Retirement Scheme) issue. I am just not sure I can make the case to raise the Standing Order but if you are happy for it to be taken then I will stand by that ruling.

The Deputy Bailiff:

Well, it is not for me to rule. I think it is for the States to decide on a proposition that it can be justified.

Senator L.J. Farnham:

Could I propose we take it now, if the State agree?

Male Speaker:

I would second that.

The Deputy Bailiff:

The test to be applied in whether or not the matter can be taken in a day is whether it is in the public interest to do so. Senator, are you proposing that we take the P.E.C.R.S.'s matter now? Is that proposition seconded? **[Seconded]** Does any Member wish to speak on whether or not we should take the matter now?

The Connétable of St. Mary:

I just believe that we have to weigh the public interest test carefully and we should be thinking now, is this in the public interest or in Members' own interests.

The Deputy Bailiff:

Does any other Member wish to speak on whether or not we should deal with P.E.C.R.S. now?

The Connétable of St. Martin:

I just think there might be some Members that have left, seeing the note that it could not be debated until tomorrow, and they would not be aware that we were going to bring it forward.

Senator I.J. Gorst:

I think given the mood I withdraw my proposition.

Deputy R. Labey:

Could I propose the adjournment?

The Deputy Bailiff:

Well, firstly, do Members agree that the Senator can withdraw his proposition to deal with P.E.C.R.S.?

10. Draft Social Security (Amendment of Law No. 10) (Jersey) Regulations 201-(P.136/2015)

The Deputy Bailiff:

We are able to deal with another matter which is not time barred if Members would wish to do so, that is the Draft Social Security (Amendment of Law No. 10) (Jersey) Regulations lodged by the Minister for Social Security and I will ask the Greffier to read the citation.

The Greffier of the States:

The Draft Social Security (Amendment of Law No. 10) (Jersey) Regulations. The States in pursuance of Articles 50 and 51 of the Social Security (Jersey) Law 1974 have made the following Regulations.

10.1 Deputy S.J. Pinel (The Minister for Social Security):

Once again I hope I have got the right papers in front of me. Members will be aware that the new long-term care scheme has been running since July 2014. This is a major new scheme which supports adults with their long-term care costs. We now have over 1,200 people on the scheme which has established consistent income and care assessment rules across all types of long-term care. To help pay for the new scheme a long-term care contribution is being collected from everyone who pays income tax. I am very grateful to the Minister for Treasury and Resources and to the team at the Taxes Office who are now collecting these contributions on our behalf. This has been a very good example of departments working together with the new contribution being set up with minimal disruption and no unnecessary bureaucracy. Liability for the long-term care contribution is established under the Social Security Law and the Comptroller of Income Tax is then authorised to collect these payments on our behalf. Roughly £8 million worth of contributions will be collected during 2015. However, as is almost inevitable with the introduction of a major new law, a minor glitch has been identified. In this case in the technical description of the collection process. These Regulations address these issues and now provide a much more detailed description of the calculation underlying each stage of the collection process. I will explain the Regulations in more detail but at this stage it is worth noting that the Regulations seek to achieve 3 main aims.

[18:15]

(1) They explain that an assessment notice can refer to an estimate of a long-term care liability or the final long-term care liability. (2) They confirm that all the assessment notices issued in 2015 refer to estimates of long-term care liability and (3) they introduced a more detailed explanation of the calculations of the long-term care part of the combined effective rate used in the I.T.I.S. (Income Tax Instalment System) process. Importantly, all these changes relate to the manner in

which the liability is collected. They do not affect in any way the total liability of a taxpayer to pay the long-term care contribution. I propose the principles.

The Deputy Bailiff:

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

10.1.1 The Deputy of St. Ouen:

In reading the proposition I have one concern in relation to the explanation given on page 4 of the proposition under the section headed "Assessment notices", the second paragraph of which speaks about: "Adapting existing income tax assessment notices to include the additional long-term care contribution has resulted in final notices being sent for both long-term care contributions and income tax liability." "Final notices", and yet I understand one of the provisions of the proposed law is to make those final notices estimates and I wonder if that is trying to impose a degree of retrospective legislation. Is that fair, in that if a final notice has been sent to a taxpayer we then decide to say: "It was not really final, it was just an estimate." I would like some clarity on that, if my understanding of that is correct, but at the moment that is how I read the provision. I do not think that is a proper way to proceed, having our officers collecting tax on our behalf telling our citizens: "Yes, you have paid your dues for the year" we then pass a law to say: "We did not quite mean that, we now want to call it just an estimate and we will recover the balance from you the next time round." There is also another sentence at the end of that same paragraph that talks about: "A lack of clarity in that the long-term care contribution liability referred to in these 2014 assessment notices is in respect of an estimate of that final liability." There is no previous reference to a 2014 assessment notice and I do not find any clarity in that sentence. Again, I would hope that I can receive some assistance in that respect.

The Deputy Bailiff:

We have asked for the Attorney General to come back over in case he is able to offer any assistance, as this may well be a legal issue.

The Deputy of St. Ouen:

I am grateful, Sir.

10.1.2 Deputy J.A.N. Le Fondré:

Sorry, perhaps I will also ask while we are waiting for the Attorney General to come across. Not necessarily for now but perhaps the Minister could just take note and report back at some point, could she determine whether there have been any significant delays in paying out to providers of long-term care, given that it is a new system and just give us an indication as to how well the system is operating?

The Deputy Bailiff:

Does any other Member wish to speak on the principles? It is a matter for Members, obviously, at this point. We could wait for the Attorney General. We have sent a message to him but it is not certain at this point whether he is coming. We could adjourn until tomorrow and continue with this tomorrow if it is an issue to be ...

Deputy M.R. Higgins:

Sir, can I propose then that we adjourn until tomorrow and then carry on with the Attorney General's advice?

Deputy S. Pinel:

Sir, I could probably attempt to answer both the queries, if that is any help to the Assembly. [Approval] The question of the Deputy's ...

The Deputy Bailiff:

I am so sorry, the adjournment has been proposed, I have to take that as a first question. The proposal is to adjourn, is that seconded? No, no one seconds it. Could you second it? The Attorney has arrived. Do you withdraw your proposal to adjourn, Deputy?

Deputy M.R. Higgins:

Yes, Sir, now that he has arrived. Yes, I was just wondering when he would arrive, sorry.

The Deputy Bailiff:

Attorney, I do not know if you were listening from your office as to the question that has been raised by the Deputy of St. Ouen in connection with the Social Security Amendment Regulations. It might be helpful if the Deputy could again raise those questions, so that you will have the opportunity, if you are in a position to do so, to advise the Assembly.

The Deputy of St. Ouen:

I was referring to the explanation in the reports attached to the proposition and on page 4 the section headed "Assessment notices" the second paragraph of which reads: "Adapting existing income tax assessment notices to include the additional long-term care contribution has resulted in final notices being sent for both long-term care contributions and income tax liability." Yet, it appears to me that in Article 1 of the proposed amendment that introduces a new section, section 54D, which says: "Any notice issued by the Comptroller in 2015 in respect of a person's long-term care contributions for that year shall be taken to be a notice of the estimate of that amount." My concern is that this is operating retrospectively so that taxpayers who have received a final notice and they have paid final notice of their assessment are now being told that in fact it was only an estimate and they might be expected to pay a further balance at a later date. I hope that summarises my query.

Mr R.J. MacRae Q.C., H.M. Attorney General:

I will do my best to answer this question. The position is, as a matter of law, the notices are valid, notwithstanding the underlying uncertainty that arose in consequence of the description of the estimated tax liability for the year and the tax is due and payable. It is right, as the Minister has observed, that the amounts to be collected are unaffected by this change. I am not sure that I can go further than that today but I can give a fuller answer first thing tomorrow, particularly in relation to the 2014 assessment notice point that you raised, which I heard live, as it were, in my room a few minutes ago. But I cannot go further than that today but I can first thing tomorrow, if that assists.

The Deputy of St. Ouen:

With that in mind, Sir, could I propose the adjournment so that the Attorney General can have time to address this point?

The Deputy Bailiff:

Is the adjournment seconded? [Seconded] Do the States agree to adjourn?

Senator L.J. Farnham:

The Minister has said she will attempt to answer the question but I think the Assembly should give her that opportunity.

The Deputy Bailiff:

At this stage it is possible for a Member to propose the adjournment. The proposal has been seconded. It is for all Members to vote as to whether they wish to adjourn. You could argue against the adjournment, which you have just done there, Senator. All those in favour of the proposal to adjourn, kindly show. Those against? Very well. Before we adjourn the following documents have been presented: the Draft Dogs (Amendment No. 4) (Jersey) Law, the Draft Children's Property and Tuteurs (Jersey) Law, Transcripts of 'in camera' debates: release to the Jersey Independent Care Inquiry, the States of Jersey Law 2005: delegation of functions - Economic Development - Harbour Authority Agreement, Compensation awards in respect of written terms of employment, payslips and rest days: Employment Forum's recommendation and the Minister's response, and Unfair dismissal qualifying period of employers working under short fixed-term contracts: Employment Forum's recommendation and the Minister's response, and Land Transactions under Standing Order 168(3) - former J.C.G. (Jersey College for Girls) site. Very well, the States stand adjourned until 9.30 a.m. tomorrow morning.

ADJOURNMENT

[18:25]