

**WRITTEN QUESTION TO THE MINISTER FOR TREASURY AND RESOURCES
BY DEPUTY G.P. SOUTHERN OF ST. HELIER**

ANSWER TO BE TABLED ON TUESDAY 26th FEBRUARY 2008

Question

1. Will the Minister inform members what budget limit he proposes to set as Annual Business Plan targets for public sector pay awards for 2009?

Answer

The Annual Business Plan has not yet been finalised by Ministers, and in any case I cannot reveal the exact provision for pay awards as this would prejudice negotiations, but I can confirm that it does not allow for the effect of GST on the RPI.

Question

2. Given that the full impact of GST will be reflected in the March 2009 figures, are the proposed limits to be based on RPI, RPI(X) or the new index CPI and, if there is a proposed change from current practice, will he state why?

Answer

The purpose of GST is to raise additional tax revenues to meet the shortfall caused by the move to the 0/10% corporate tax rate.

If the States raises the money through GST and then pays it back to staff through increased pay awards, the money will have gone full circle and the States will still have a shortfall to meet which will require a further rise in taxes. Worse still, if the cost of GST is then added to private sector pay awards, following a lead given by the States, this will result in private sector employers having to increase their prices, leading in turn to claims for higher pay awards and hence risking an inflationary spiral, which would only be broken by the Island becoming uncompetitive and entering a recession. Clearly this can not be allowed to happen so public and private sector employers must strenuously resist claims for pay awards that include GST. The new RPI (Y) index enables a more precise measure of the underlying change in consumer prices, in a way that excludes the effects of mortgage interest payments and of indirect taxes such as impots and GST. Accordingly RPI (Y) should be the basis for pay awards in 2009 and thereafter.

Question

3. Does the setting of a target constitute a policy of wage restraint which has not received specific approval from the Assembly and, if so, will he bring the matter to the States for debate?

Answer

The 2009 Business Plan expenditure proposals will include the provision for pay awards excluding any allowance for GST, which the States can either approve or amend as it sees fit.