

6. Questions to Ministers without notice - The Minister for Treasury and Resources

The Bailiff:

Very well. That brings questions to the Minister for Economic Development to an end, although I know there are a number of other Members who wanted to ask questions. We come to the second period, which is to the Minister for Treasury and Resources.

6.1 Deputy P.V.F. Le Claire:

Will the Minister for Treasury and Resources update Members as to the position of the E.U. (European Union) code of conduct in looking at Zero/Ten? I understand Guernsey has got off of the investigation that is likely to be coming our way in the autumn and it is going the Isle of Man's way as well, given that we were assured that it was acceptable.

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

Yes, I can confirm that an assessment of Zero/Ten has been signalled by the code group. This is not unexpected. The Isle of Man and Jersey are both to be assessed. Guernsey is not, following their statements that they would be moving to a normalised 10 per cent corporate tax rate. I think that I can say that we look forward to this assessment. We will, of course, be making our own recommendations. We want to understand what the concern is with Zero/Ten. We believe that Zero/Ten complies with the code and I should also say that there is nothing new in this particular development, which happened last week. We, I think, had expected there to be a review, and, as far as our position on Zero/Ten is concerned, the position continues to be that we are not ruling anything in or out about the future of Zero/Ten. We are open to change Zero/Ten but we need to understand the issues concerning Zero/Ten. Jersey will demand a level playing field. While we accept that there are some disadvantages with Zero/Ten, we remain of the view that Zero/Ten - not knowing anything else or any other developments - we think that Zero/Ten remains the right option for Jersey but we want to hear exactly what the opposition for Zero/Ten is and we will be making representations. I will also be publishing on 21st June a series of option papers of potential alternatives to Zero/Ten in order to get public and industry feedback.

6.2 The Deputy of St. Mary:

Does the Minister agree that the debate we are having as we go along on the C.S.R. by asking questions here, there and everywhere of different Ministers, is totally unsatisfactory, and will the Minister, via the Council of Ministers, allow for a proper debate before the recess of the C.S.R. before all this is set in stone and there is really nothing left to debate?

Senator P.F.C. Ozouf:

There are many discussions to be had on the Comprehensive Spending Review in the following weeks and months. Certainly, I have described the first step last week of announcing the proposals from individual Ministers. I would remind the Deputy that it is this Assembly that will make decisions about the C.S.R. in the Business Plan debate. We have published, I think, in almost quite unprecedented transparency, exactly what individual proposals are, to get feedback from Scrutiny, to get feedback from the public in order that the Council of Ministers can make final decisions.

[15:15]

I will say that nothing has given me any reason to doubt the need to deliver the savings over the 3-year period, 2 per cent next year, 3 per cent the year after and 5 per cent the year after that.

6.2.1 The Deputy of St. Mary:

May I ask a supplementary after that? In April we were promised the names, even, just of reviewers who would do the in-depth reviews which would look at the deep issues. We were also promised in April the tax proposals, to be published in May. We do not have either. Yet we

are discussing cuts in an apparent vacuum. I do ask again the Minister: how can we discuss these things and get to grips with these serious issues in this manner?

Senator P.F.C. Ozouf:

Ultimately the cuts will be a matter for this Assembly. We have weeks of work, we have detailed examination of cuts to make in the next few weeks. I will say that I in the last week have been confirming with the individuals that have come forward and offered their services leading the review to the 4 major reviews and I am hopeful to be in a position next week of announcing exactly who will be chairing those reviews, the Ministers who are involved in the terms of reference, *et cetera*. They are going to be vital to doing a line-by-line analysis of all of the individual services. We need a constructive debate, a positive debate about how we change our public services and meeting our expenditure with available resources. The tax proposals: I can confirm that the F.S.R. (Fiscal Strategy Review) on fiscal strategy is being published on 21st June. That has been delayed because of the Senatorial election. It would be inappropriate for a major public initiative in relation to tax to be published in the middle of a Senatorial election. It will be published on 21st June; that is the business tax review and the personal tax review.

6.3 Deputy A.E. Jeune:

Would the Minister please advise when he is going to go public with the fiscal strategy review, how much he wants to raise and whether he can indicate what the options might be?

Senator P.F.C. Ozouf:

I think I answered the first part of that question in the previous one. The fiscal strategy review will put forward options - and I hesitate to say they are "options" - to raise between £50 million and £60 million within a 2 to 3-year period. We want the community's, we want businesses' reaction to what if we did raise different forms of taxation? We have worked on 4 different options. I do not think it is entirely appropriate for me to say what those options are because that is going to be announced on 21st June. There will be a detailed paper examining all the different options for taxes also published. There will be 2 documents, a thick document and a slim-line version of the proposals, and we look forward to getting feedback on the detail of those proposals. The community has to recognise that we are dealing with a situation... that we have to deliver cuts as well as tax increases in order to safeguard and fund public services in the future.

6.3.1 Deputy A.E. Jeune:

Would that include a higher rate of tax?

Senator P.F.C. Ozouf:

The Deputy is pressing me. I can say that under consideration are all revenue-raisers of the States of Jersey, looking at the way Social Security works, of course looking at G.S.T and, yes, income tax and property taxes, and, yes, a higher rate of tax - not something that I agree with, I have to say - but certainly all options of tax should be consulted upon and feedback from the community and competitiveness of Jersey, *et cetera*. But Members are going to have to wait for the detail until 21st June.

6.4 Deputy S. Pitman:

I know the Minister does not like Deputy Jeune pressing him but if I could pump him a little harder. Progressive taxation: could he at least indicate how much he is willing to commit to that as a likely reality, a necessity? Could he also explain the logic of why these proposals should be put on hold just because there is an election because, I am sorry, I just do not really understand that reasoning?

Senator P.F.C. Ozouf:

Certainly, I want genuine feedback from the community in relation to potential tax changes and we will be engaging in Parish meetings, we will be engaging in a widespread consultation, genuinely to listen to the community and businesses' reaction to 'what ifs' in relation to tax. I think there is a view in this Assembly that progressive tax should be an important component of the future fiscal strategy of the Island. I agree with that but I am very concerned that we remain competitive as an Island and we do need to look at the effect of changing tax rates in terms of our competitiveness in the longer term. We are in a global market in terms of the ability of finance industries and others to move and I am determined to maintain that competitive position. But I am also committed to having a fair taxation system. There will be many debates in the next few months about exactly how we achieve that.

6.5 Deputy R.G. Le Hérissier:

Can we assume, with the good start made in publishing salaries, that this will be continued in terms of contract details and benefit details? Can we further assume that this represents the Minister's first commitment and continuing commitment to bringing in freedom of information legislation?

Senator P.F.C. Ozouf:

The Chief Minister was asked earlier whether or not he agreed with the recent U.K. announcements in relation to publishing of C.O.I.N.s, which is putting into the public domain a massive amount of information: local councils - up to £500 for each additional spend. I think that the more information that is out into the public domain about how taxpayers' money is spent, the better. In that regard, that means that everybody thinking about spending money in the public sector needs to think: what if that ended up on the front page of the *J.E.P.* test, which is a useful test. There is fierce scrutiny of public expenditure in Jersey. I will be looking at what the U.K. disclosures have been and to see whether or not we can put more information in. As far as that sort of freedom of information, I am absolutely committed to it. I cannot really comment on the other issues as I am not really briefed on them. As far as salaries are concerned, the previous Minister for Treasury and Resources committed - against the standards of financial reporting - to publish higher salaries, and that is what has been done. It is a result of his decision that was made some 18 months ago.

6.5.1 Deputy R.G. Le Hérissier:

Could the Minister, given his deep knowledge, now confirm that he is in total support of an extension of freedom of information and will be pushing for that with all his considerable energies?

Senator P.F.C. Ozouf:

I agree with freedom of information. I am always worried about the cost of it and as far as financial information, the more information that there is out in the public domain about what the States of Jersey spends, the high level of public scrutiny ... I dare to say that the U.K. is following Jersey's example, but much of what I have been seeing about scrutiny by the new coalition government, about spending, putting information in the public domain, we have already been doing. But where we can do more I am committed to do so.

6.6. Senator J.L. Perchard:

Assuming that P.73/2010 - the most recent proposition for the formation of the Jersey Development Company - is approved by the States, will the Minister confirm that it would be him or his successor who will be ultimately responsible for and can be held directly accountable for the levels of remuneration paid to the executive and non-executive members of the board of the Jersey Development Company?

Senator P.F.C. Ozouf:

I think that this may not be well known but as far as the discharging of the shareholder function of wholly-owned entities which are under the direction of the Treasury, we already, at the annual general meeting, sign-off on the remuneration of all executives, of all non-executive and directors. That is a procedure which will be mirrored for W.E.B. (Waterfront Enterprise Board) and indeed the new proposition for S.o.J.D.C. (States of Jersey Development Company), which strengthens the old W.E.B., puts in a huge amount of changes, will require remuneration for all the board of directors to be approved at the A.G.M. (Annual General Meeting).

6.6.1 Senator J.L. Perchard:

The position at W.E.B. is not as described by the Minister and he knows it. Will he confirm that he, as the Minister for Treasury and Resources, or his successor, will be ultimately responsible for the levels of remuneration paid to the executives of the Jersey Property Company, should the States adopt P.73/2010?

Senator P.F.C. Ozouf:

It is quite correct to say that W.E.B. do not currently operate under the guidelines of the other owned entities run by Treasury. If it comes to Treasury and it is within the report and proposition, as I believe the Mem. and Arts. (Memorandum and Articles of Association) are also being amended to reflect that, it will also be in the Memorandum of Understanding between the Treasury and the company. Yes, they will be signed-off. Does that mean that we will be accountable for them to the extent that an approval at the A.G.M. is accountability? Then, yes. But it will be up to the board to recommend remuneration within appropriate structure of a remuneration committee.

6.7 Senator S.C. Ferguson:

Economists recommend an 80:20 ratio of public expenditure cuts to tax increases, following the Canadian and Swedish models. Has the Minister consulted the F.P.P. (Fiscal Policy Panel) on this and what ratio has he got in mind?

Senator P.F.C. Ozouf:

I am working on the basis that this year we need to find, effectively, between £80 million and £100 million worth of revenue to deal with the structural deficit of £50 million and what I expect to be necessary investment in services, particularly in health, in the future. So I am working on the basis of needing to find a total of £80 million to £100 million. I have said, and I have just said in an answer to Deputy Pitman, that the fiscal strategy review will put forward suggestions of raising around £50 million to £60 million in terms of tax, I hope that is not going to be necessary but that is what I am working on in order to inform this Assembly to deal with all of our public finance issues, which are small compared to various other places. We do not have the hangover of debt but we have got a track record of predicting issues and dealing with them before they happen and being honest with the public about it. I will consult the F.P.P. on that balance and I look forward to their comments on it.

Senator S.C. Ferguson:

Is the Minister ...

The Bailiff:

I am sorry, Senator. I know that you and others wish to ask questions still but it appears the time has still run out. Very well. Before we move on to other matters, there are 3 lodgings I should inform Members of. The first one is Projet 75 - Jersey Heritage Trust: service level agreement and funding requirements - lodged by the Minister for Education, Sport and Culture. I think that is on Members' desks. The other 2 are in the pigeonholes: Projet 76 - Vote of No Confidence: Chief Minister - lodged by Deputy Southern; and Projet 77 - Draft Income Support (Amendment

No. 5) (Jersey) Regulations - lodged by the Minister for Social Security. There are no matters under "J" or "K" so we come to Public Business.