

## **2.9 Deputy M.R. Higgins to the Minister for Treasury and Resources regarding a move away from reliance on finance and greater support of industries such as tourism:**

Does the Minister consider that the views expressed by the retiring Guernsey Minister for Treasury that Guernsey urgently needs to reposition itself as a different kind of economy, move away from its reliance on tax loopholes and support the more traditional industries such as tourism, should be extended to Jersey, given that we share the same world economic and political climate and, if so, what action does he plan to take?

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

I have spoken and exchanged messages with both my former colleague in Guernsey and spoken to the former Chief Minister in Guernsey to understand the context of his remarks. Not everything that is written in a newspaper, of course, is accurately positioning and can completely position remarks. So Jersey and indeed Guernsey have, in the past, always evolved and changed to the international situation. Our success is based upon continuing to reposition ourselves to this changing global environment, and that is what we need to continue to do in subsequent and future years. What we can say is that the new economic growth and diversification strategy, which will be brought forward by the Minister for Economic Development, will set out our role and what we think we in the States can do to help create that environment for constant change for businesses to adapt to this ever-changing world. The focus on encouraging innovation and improving our Jersey international competitiveness, growing the financial services sector, its capacity, its performance, its profitability in terms of geographic diversification, creating new businesses and employment in new high value sectors, raising the productivity across the whole of the economy and reducing reliance on inward migration. I, for my part, am going to ensure that the medium-term financial plan does its best job to ensure that funding initiatives, for these objectives, are appropriately taken part in that plan. Tourism has a key role to play and it will continue to be supported with resources linked to delivering growth and creating employment for local people and if we are to continue to fund public services to the standard that people expect, we have to develop. We have to increase productivity, we have to encourage the development of high value industries and we have to continue to nurture and improve our financial services industry.

### **2.9.1 Deputy M.R. Higgins:**

I wish I could have the same confidence of the Minister in their ability to generate the growth and the prosperity he is talking about, especially bearing in mind the written answer that I received today from the Chief Minister, which shows that on the C.S.R. (Comprehensive Spending Review) policy, which has been lauded by the Minister for Treasury and Resources, a total of 104 jobs were cut as part of the C.S.R. process and yet in the same department, 128 jobs have been created. So if you are going to have that sort of success with our economic policy, I think we are in dire straits. Does not the Minister for Treasury and Resources accept that we are facing some serious challenges and the announcement of HSBC is only one of a number of banks that are cutting back and that therefore we need to take positive action, not just spin.

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

I think the Deputy and I should go and have a chat on how to be more positive and optimistic, because I think we should be. The C.S.R. was a decision of this Assembly and the C.S.R. made cuts in terms of back office inefficiencies and the talk of the increase in jobs is about nurses and education. He cares for the social fabric of the Island. We are investing in the front line services in Education and Health. I would say it is a good thing that we have taken back office functions and improved the efficiency of the States. I do not agree that there is a pessimistic future for our economy. I do not believe that the history books will say that the last 10 years have been a failure. In fact, we have not wasted this crisis. We have ensured that our public sector becomes more efficient. We have positioned Jersey to be a quality financial services industry player in

the world. We are succeeding in places like the Gulf. We are going to succeed in the growing areas of the world in Latin America, in Asia and the rest of the growing areas of the world and we are going to have a positive future if we work together.

**The Deputy Bailiff:**

Perhaps when you go off and have your discussion, you can also discuss how to ask and how to answer a question crisply. [Laughter] [Approbation]

**2.9.2 Deputy T.A. Vallois:**

Would the Minister not agree that changes in our tax system over the last 6 years has contributed to the economic downturn and further restricted our ability to grow the economy?

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

I will try and be crisp, Sir. Yes, of course, taking money out of the economy has reduced spending power, but of course we also needed to ensure that we balance our public finances. One of the reasons the world is in such difficulties is Governments have spent too much, they have stored-up debt, they have not dealt with the deficit. We have and that is why we are in a stronger position. But I understand the Deputy's point, of course that has had an effect on Islanders and that is why we must be vigilant to the decisions that we make in this Assembly and carefully balance them.

**2.9.3 Deputy T.A. Vallois:**

Could the Minister for Treasury and Resources confirm whether he will be looking at reducing any of the tax areas over the next 3 years?

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

I would align my politics to Boris Johnson. I would like to cut taxes but I believe that one has to be responsible in finding the appropriate level of spending for areas such as Education and Health. Health is in a big difficulty, we know that. It was a department that did not have the investment that was required over a long period of time. We are correcting that but of course we have to collect the taxes to pay for it.

**The Deputy Bailiff:**

Deputy Vallois, you were too quick for me. That particular question was certainly out of order in the sense that it does not arise out of this question. Can I say to the 7 Members who want to ask questions on this subject that the question is about industries, other than, in shorthand, the tax loopholes industry. There are tax questions that come up later on.

**2.9.4 Deputy T.M. Pitman:**

I am sure I will get a crisp answer to this one. Does the Minister for Treasury and Resources not agree that really, this situation could have been foreseen with the Oxera report back in 2002 and the reality of why we and Guernsey are in this situation is the fact that we are in the death throes of the disease called free market capitalism.

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

No.

**2.9.5 Deputy G.P. Southern.**

I am sorry, Sir, I did not hear you. I quote from Deputy Parkinson in Guernsey who says that he believes that: "Facilitating aggressive tax avoidance, as George Osborne put it, could be applied to Guernsey." Does the Minister think it could be applied to Jersey?

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

I have said previously that I agreed with the Chancellor of the Exchequer, who I have met on a number of occasions, that the future for the Islands is not exploiting kinks in the tax curve. That is what he said and I think that that is an interesting statement, which we need to take account of. There is a vigorous debate internationally about tax avoidance, what is appropriate and what is not appropriate. Clearly there are aggressive forms of tax avoidance and I would remind the Deputy that we ourselves take action for domestic tax avoidance. The stamp duty arrangements that the U.K. put in place in the last budget, we did so in Jersey 2 years before. This is a continuing debate, there is going to be a continuing evolution of international debate on tax avoidance and we need to align our financial services with quality, well-regulated business which we are increasingly doing.

[10:45]

#### **2.9.6 Senator L.J. Farnham:**

In the event that the Minister for Treasury and Resources suddenly saw the light, possibly on the advice from the Economic Adviser, and decided that it would be wise to double or treble or even quadruple the contribution to G.V.A. from tourism, how would he go about achieving that?

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

I think I am a realist. Tourism is important, but of course it is, relatively speaking to some other high value industries, not as economically generative as some others. It is important in terms of what it produces for Jersey. It is important in jobs and it makes the Island the great place that it is, but I think we have to be realistic. If we are going to grow the economy, we need to be focusing on looking after our historic industries, but also looking to the high value areas of the economy such as the digital economy and I think we can do both with carefully judged decisions.

#### **2.9.7 Deputy R.G. Le Hérissier:**

The Minister referred to the conversations he had had with the former Guernsey politicians in order that he might familiarise himself with the context and then he launched into a list of his own achievements. Could the Minister announce what conclusions he drew from these conversations he had and why they should force us to look at these comments in a different light, as he was implying?

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

My comment with the former Chief Minister of Guernsey, and I have had many conversations of course over the last years about the whole zero-tax issue, is that we both agree that tax neutrality is absolutely vital to the fundamentals of our financial services industry and that is different. We expect people to pay tax on the way in and we expect them to regularise their tax on the way out. We deliver tax neutrality; there is an alternative approach of dealing with tax neutrality by having a network of double-tax treaties. We are doing that too. That is what former Deputy Parkinson believed and that is a different way but, we agree, and I do not believe there is virtually any difference in the conclusions of where we both think we should be ending up in terms of our financial services industry in the Islands.

#### **2.9.8 Deputy M. Tadier:**

Boris Johnson is often described as a rich Tory who is disconnected from the everyday struggles of ordinary people, so it is interesting that the Minister for Treasury and Resources seeks to ally himself with that particular Tory politician in the U.K. and before I ask the question, can I ask that I do not have any nonsense about pessimism of Jersey's economy? I am pessimistic about this current Administration's ability to act in a sustainable way when it comes to the economy but the Minister for Treasury and Resources seems to put too much emphasis on high values and he mentioned that twice, at least, in his previous answer. Does he not think that it is important, as I believe the outgoing Guernsey Chief Minister recognised, that we need to invest energy and

finance in low and medium-value sectors such as tourism, such as agriculture, which simply cannot compete on their own with such high value sectors, which do have problems such as being inflationary and often not being sustainable.

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

We will see what the electors of London have got to say about their choice of London mayoral candidates. The issue about investment in low and medium economic contributed industries such as tourism and agriculture, well, that is happening, of course, because the allocations that the Minister for Economic Development makes to those sectors are greatly bigger than the areas of financial services and I think we are going to have to step-up our activities across the board if we are to take our unemployment numbers down. We need to encourage people to work in all sectors of the economy, including tourism and agriculture. I met, together with other Ministers, last night, some young people. A young person, who has now been recruited by one of our leading hospitality sectors, talking about setting up his own restaurant - fantastic. That is the kind of message that we need to do and we are going to be working with Education to ensure that there are appropriate jobs for people who do not want to be part of financial services and we need to give them every encouragement to do so.

**2.9.9 Deputy J.H. Young of St. Brelade**

The Minister said that in our quest for diversification of our economy we have not wasted this crisis. What I would like to ask the Minister is whether he agrees that we have been talking about the opportunities for making Jersey a centre of high tech industries, including media, communications, film and I.T. (information technology) itself. But for many, many years, in fact for 2 decades, will you not agree, we have been talking about it? Can you be confident now that we are going to convert this into some reality?

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

I think it is very true to say that in the boom years it was more difficult to deliver diversification. It was more difficult and before the financial services crash, where basically all attention was on financial services. I remain optimistic of financial services, but it must geographically diversify. I do believe that there is a strong opportunity in I.C.T. I was struck by my visit to Malta, to see how that has developed and how they have developed their I.C.T. businesses. Gigabit Jersey, which I am grateful for Members' support of that, is going to drive that. The setting up of Digital Jersey is going to do more and we are going to put also an emphasis on e-government to centre ourselves, because we have got to practice what we preach. I am optimistic that the time has come for the digital era and it has got cross-Council of Ministers and I believe cross-Assembly support for doing so and we are going to make the best of the opportunity.

**2.9.10 Deputy M.R. Higgins:**

After listening to the Minister, I would like to know how he is going to achieve some of this diversification and encouragement for young people who want to set up businesses when we know that one of the biggest drawbacks to anyone starting up in business is getting finance from the banks. Is the Minister prepared to come up with some form of States funding or support to ensure that they can set up these new businesses which may employ many of our unemployed?

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

I am sure that my friend the Minister for Economic Development is bristling because these are questions that are rightly addressed to him; but it is difficult, there is a joint responsibility for this. The Deputy asked whether I will. I will not do anything, it is a team that is doing it. It is the Chief Minister with his Back to Work initiatives, it is Education, it is Economic Development working together. It is "we" with cross-bench support from the rest of this Assembly. That is how we are going to do it and, yes, the economic growth plan and the medium-term financial plan is going to be bold in terms of giving every Islander the opportunity

to get a good job and to create a good business, if they want to do so. We are going to align the skills and the opportunity and we are going to work hard on this together over the next few months.