

2.9 Deputy G.P. Southern of the Minister for Treasury and Resources regarding a review of the uses for the Strategic Reserve:

Given the failure of successive Assemblies to put funding aside to allow for the depreciation of assets leading to the enormous sums required for capital expenditure on essential infrastructure such as hospitals, roads, sewage and so on, while building up a large strategic reserve - more than £560 million - does the Minister not consider it is time to review the uses to which the Strategic Reserve can be put?

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

Firstly, I do not agree that successive Assemblies have failed on capital expenditure as negatively portrayed in a local newspaper. We have built fantastic schools, we have an energy from waste plant, we have improving roads and we have invested in sea defences, funded entirely from cash, with no debt, an almost unique position of any Government in the world. £20 million has been allocated over 5 years for property backlog maintenance. T.T.S. (Transport and Technical Services) infrastructure maintenance was increased by nearly £2 million in 2012. While new capital expenditure had been temporarily reduced in recent years, this was bolstered significantly by the use of the fiscal stimulus funding, which was a real boost, particularly in the area of social housing. I am aware of course that there are significant future capital needs, particularly for a new hospital and our liquid waste system needs investment and we need to improve the lot of office accommodation in the States. But we do have valuable investments and some surplus profits, particularly for example in the ownership of S.o.J.D.C. (States of Jersey Development Company) and Esplanade Square that we can exploit to offset some of these costs. So I can say that I am in active discussions with Ministerial colleagues on the funding options of the future investment on the hospital. I am looking at using existing resources to fund some capital expenditure schemes and indeed bringing forward some capital expenditure for this year. On the issue of the Strategic Reserve, the Deputy has I think asked this Assembly on 4 occasions in 2006, 2008 and 2010 and again in 2010 to spend the Strategic Reserve. Successive Assemblies in several previous debates and votes have sent a clear message that the Strategic Reserve is a permanent reserve only to be used in exceptional circumstances to insulate the Island's economy from serial structural decline. I see no reason to change that.

2.9.1 Deputy G.P. Southern:

I see from answers elsewhere that the Minister for Treasury and Resources has not ruled out the idea of borrowing to fund capital expenditure. Before we resort to borrowing, paying somebody else's interest rate, why do we not use our own funds saved over years first.

Senator P.F.C. Ozouf:

I agree with the Deputy in some respects and, for example, that is why we have - and he will be alert to - the revised investment strategy that I laid before the States some months ago, for example, of using the Currency Fund, which is £90 million which can be used in some certain circumstances for investment. I am very happy for States resources to be used, for example, to help Parish funding schemes. I had a very constructive meeting with the Constable of Trinity last week. I look forward to working with the Constable of St. Saviour on her Parish scheme and other departments. I look forward to working with the Minister for Housing on, yes, borrowing - perhaps some internal borrowing, some external borrowing. Where there is an asset that a return can be provided for, like an investment in social housing, then that is perfectly acceptable for borrowing. Other infrastructure that would have a return is where we can certainly consider borrowings. What I do not agree with is using the Strategic Reserve to effectively have one-off expenditure that would mean that there was not a return. We can find solutions and we must not be negative. I think we have very good infrastructure.

2.9.2 Deputy M. Tadier:

It is unfortunate that the Minister for Treasury and Resources tries to downplay the lack of maintenance throughout our whole infrastructure. We know that only last week we read about the Housing Department having to sell properties simply to pay for maintenance when they already have a lack of properties anyway. We know that the General Hospital, in the words of the Hospital Director when we did our tour, was saying that he sees facilities there which are worse than in third world countries. The Chief Minister will know that because he was present. But my question, acknowledging that Jersey has consistently under-invested in its infrastructure, will the Minister for Treasury and Resources accept this simple analogy, that for years and years we have been robbing Peter to pay Paul, Paul being the Strategic Reserve? Is it not time that we give some money back to Peter to level the playing field?

Senator P.F.C. Ozouf:

I agree that the hospital needs investment and I agree that there has been 10 years of lack of focus and lack of political drive which the current Minister for Health and Social Services and, indeed, her immediate predecessor started. We need to invest in the hospital, in the services, and it is, in fact, one of the biggest issues that this Assembly has to deal with. We are going to solve it. We have resources at our disposal. We need to think creatively and we need to find that solution. But it is not right to say, is it, that our infrastructure is crumbling? We have fantastic schools. We have roads that are improving and we have made significant improvement in social housing. Things are improving. We can do better and by working together we can do that. Yes, we can be more confident in our future now we have solved some of the difficult issues of our public finances, as this Assembly did last year.

2.9.3 The Connétable of St. John:

I have heard some comments in my time but I think the Minister must have got up on the wrong side of bed this morning. Our infrastructure is crumbling around our ears, whether it is the roads - the state of our roads right across the Island - our drainage systems, or our sea defences. I could take him to a dozen and one places around the Island and prove what I have just said is correct. I have spent 18 years in this House, apart from a short gap when I was out, trying to get our infrastructure improved and that has not been happening. The Minister spoke of putting £20 million on our roads. When I came into the House it was not uncommon for £14 million annually to be put in to repair our roads. He is talking about a one-off injection. Will the Minister please explain if he is going to put an annual injection of up to £20 million into our roads until all our infrastructure, i.e. roads and what is below it, is put into good fettle? Please explain.

Senator P.F.C. Ozouf:

The Connétable is quite correct, there is a need in some areas for improvement. I am sure that he does not only drive from St. John to St. Helier, but we are seeing, for example, the airport road, a significant investment in that road. We are seeing other roads improve.

[10:30]

There is investment going in and this Assembly is the place that we vote money. We are going to decide in October the medium-term financial plan. That is going to set out the capital requirements. I certainly agree with the Connétable that in order to maintain our infrastructure there is a need on average for at least £50 million or £60 million to be put into maintenance and infrastructure repair and that is what we are budgeting to do. We have plans and that was at the heart of the comprehensive spending review to put in place proper arrangements for contingency and capital. I now am working on the 25-year capital programme, and this Assembly will be presented with that and will decide it. I hope it has his full support.

2.9.4 Deputy R.G. Le Hérissier:

Given the Minister for Treasury and Resource's much appreciated enthusiasm and application to the regeneration of Fort Regent, can he identify the source of funding for that regeneration and when it will start?

Senator P.F.C. Ozouf:

I am delighted that Members share... and indeed the Chief Minister and I have spoken with the Minister for Education, Sport and Culture, and we agree that Fort Regent should be one of our top priorities for resolution. The Deputy did some good work in relation to the steering group that he was on. He set out a number of requirements in that report and we need to work on that report. The source of funding is, of course, to be found. Where there is an investment that could have a return, I am willing to find creative ways in order to find it. Where it is a one-off sum cost it is going to have to be set alongside other one-off costs, such as hospitals, *et cetera*. But we need to find a solution for Fort Regent. We need to be positive about it. I think it is a jewel in our crown. It is a great place. It needs investment and it needs political emphasis and political work, and I look forward to working with all Members to find a solution for it.

2.9.5 Deputy J.A. Martin:

It is really an overall question. The Minister says we will keep finding money. Is the Minister for Treasury and Resources absolutely satisfied that we are not going to get any more rabbits pulled out of the hat? Have all his departments put the list together for the next 15 to 20 years? Because it does not seem to me ... because the first I read about most things is on the front of the *J.E.P. (Jersey Evening Post)*. I am not saying we need to raid our reserve. I am saying is it, in fact, that the list is - because we have not done it for so long, including capital depreciation - so big that even the Minister for Treasury and Resources is frightened to tell us what we are looking at?

Senator P.F.C. Ozouf:

I agree with the Deputy that, first of all, it is important not to learn things from the *J.E.P.* because often it is quite negative, and I think disproportionately negative, if I may say. **[Approbation]** Secondly, I am trying to inform Members more about plans and I have invited all Members to breakfast briefings individually on proposals and Members have had before them at those meetings the detailed analysis of our capital requirements. No, I am not frightened about it. There are capital requirements that all departments have set out and I thank the finance directors and the Ministers and the chief officers for giving information for now 25 years ahead of what capital spending we think is required. We are now only dealing with the Health Department in terms of an unresolved issue. All decisions will be before this Assembly and I look forward to working with Members to solve the remaining issues that we need to do on our capital infrastructure. We can do it. We come from a position of strength and, no, we do not need to break and throw caution to the wind of our sound fiscal rules which have got us into the good place that we have at the moment.

2.9.6 Deputy J.A. Martin:

Just a one-off supplementary, then. Do we already have a depreciation fund for the incinerator because it should have started the day it opened?

The Deputy Bailiff:

It is quite a long way from the Strategic Reserve.

Senator P.F.C. Ozouf:

Yes. It is quite an important point because the incinerator - the energy from waste plant - was paid for in cash. Now, not many places do that. It would be some years before we would need to start putting some money aside, and I look forward to working with Guernsey to see whether we can get

some revenue from that. Maybe that is the money that should be put aside for its depreciation or for environmental considerations. There are options that we have. We are in a very strong position. Let us not talk ourselves down. Let us tackle the issues that we have to deal with and look to the future with a positive sense instead of this constant Jersey-bashing which says that everything is wrong where I do not believe it is.

Deputy J.A. Martin:

Thank you for the no answer.

2.9.7 Deputy T.M. Pitman:

Jersey banging? I just have to correct the Minister. I know it is an easy mistake to make, Deputy Le Hérisier and myself both being moderate, quietly spoken, centre-based politicians, but it was actually I who initiated Fort Regent getting back on the political agenda as a Scrutiny review and the steering committee. My question to the Minister is how can he say that we have a commitment to our infrastructure when we have just seen that a massive amount of our housing is not fit for public habitation? Until the Minister now holding office got involved, we had about £100 million worth of absolutely essential maintenance. That backlog had just been allowed by the previous incumbents to just run and run and run. How can he say we have a commitment and a good infrastructure?

Senator P.F.C. Ozouf:

He is right. First of all, I congratulate him for helping us in relation to Fort Regent. We need to work together on that issue. Secondly, it was the correct statement to say that our investment in social housing had not been adequate. We had not made appropriate arrangements. The difficulty was the Minister for Housing was asking for money, lumpy expenditure set alongside other expenditure for infrastructure which you never get a return from. I am very happy, working with the Minister for Housing, that we do borrow some money. When you build a social house it gets a return over 20 years and you can borrow against it, just as the Homes Trust has done. We have made significant improvement in the social housing stock. I am delighted to drive past Clos Gosset, Pomme d'Or Farm, all the other areas of improvement. There is a lot more to be done. The Council of Ministers are considering a paper next week on further bringing forward. We are making real progress on this issue. So, yes, he is right to say it was wrong in the past, but we have done a great deal to improve and there is more to be done. I am sure the Deputy will agree with that.

2.9.8 Deputy G.P. Southern:

Never before in the history of mankind have I heard so much cock-eyed optimism. I was reminded of Mitzi Gaynor in *South Pacific*. That has got us where we are today with an underspend on our infrastructure. Does the Minister accept that our major industry is in structural downturn and, if not, will he define what a structural downturn looks like?

The Deputy Bailiff:

Does that arise out of the question, Deputy? The question is about depreciation of assets and the Strategic Reserve.

Deputy G.P. Southern:

As part of his answer, he said the Strategic Reserve should be used when there is a structural downturn in our major industry. So I am referring to his own answer.

The Deputy Bailiff:

Very well.

Senator P.F.C. Ozouf:

I do not believe that that our major industry is in structural decline. We have seen a very severe difficulty ...

Deputy G.P. Southern:

Structural downturn I believe you said.

Senator P.F.C. Ozouf:

A structural downturn or decline, which is the circumstances as set out in the Strategic Reserve policy approved by this Assembly. Our finance industry is not in structural decline. It is working well. We are going to be doing more awareness-raising and we are going to be bringing investment into Jersey and we are going to create a new industry in Jersey called the I.C.T. (information and communication technology) business, which is going to bring jobs and prosperity for another generation. Let us be positive about Jersey instead of the Deputy bringing propositions to this Assembly to spend the Strategic Reserve. Let us build economic growth and invest the proceeds of economic growth in our infrastructure and improving services.