

# STATES OF JERSEY

## Corporate Services Scrutiny Panel Hearing with Treasury and Resources

WEDNESDAY, 8th APRIL 2009

**Panel:**

Senator S.C. Ferguson (Chairman)  
Deputy C.H. Egré of St. Peter  
Connetable D.J. Murphy of Grouville  
Deputy T.A. Vallois of St. Saviour

**Witnesses:**

Senator P.F.C. Ozouf (Minister for Treasury and Resources)  
Deputy E.J. Noel of St. Lawrence (Assistant Minister for Treasury and Resources)  
Mr. I. Black (Treasurer)

**Senator S.C. Ferguson (Chairman):**

Good morning, Minister, and welcome to our quarterly meeting, the quarterly discussions with the Corporate Affairs Scrutiny Panel. We would like to welcome your Assistant Minister and the Treasurer. I think we all know everybody. It will, as usual, be a public meeting and we will be recording and transcribing so that everybody can make sure that they have been recorded properly. You have been quite busy for the last couple of months. The fiscal stimulus package, which we have just received from you, that is going to be launched in public when?

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

I very much hope ... it is subject to some discussions with yourselves this morning, if I may, on some of the involvement of the Corporate Affairs Scrutiny Panel, but it is our intention ... we have just finalised a media briefing tomorrow morning at 9.00-9.30 a.m. so we want to lodge the formal proposition on the fiscal stimulus package tomorrow morning. There is, I think, now some urgency in lodging the fiscal stimulus package and our inviting the States to approve it. I have set

out a timetable that is set out in the document that you have had. Effectively we have been through a process of asking for F.P.P. (Fiscal Policy Panel) advice on their assessment of the economy, what their recommendations are for the use of the stabilisation fund. In a nutshell, we will tomorrow propose that we should invest £44 million for discretionary fiscal stimulus. The rest of the stabilisation fund, some £112 million, will be earmarked to cover our latest and best estimate of the amount required for automatic stabilisers, additional investment in income support and effectively offsetting the downturn in income tax revenue, which we expect to follow in 2010 as a result of the economic downturn. I think you have obviously seen advice, and I am going to republish in our form tomorrow the advice of the F.P.P., and I am sure that all panel members have seen the report and proposition which will be ...

**Senator S.C. Ferguson:**

Can I just hold you a minute? Would you prefer that this is not reported in the paper tonight but ...

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

I am not going to go into the details of the policies, I am happy for the overall numbers to be put in, the detail of which will be published tomorrow. What is important is, of course, the process that the States agree in agreeing exactly what the make-up of the fiscal stimulus package will be. I would very much welcome the involvement of the Corporate Affairs Scrutiny Panel. You have already indicated that you wish to have an involvement in scrutinising ...

**Senator S.C. Ferguson:**

Definitely, yes.

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

... the fiscal stimulus and I would very much welcome scrutiny of the overall assessment of the economy. In other words, the overall quantum of proposed investment in the areas that we are proposing in the report. But also your involvement in almost scrutinising the decisions that will

flow from the detail of the £44 million. Obviously it is up to the States to decide whether or not the £44 million is the right and appropriate amount to invest in the economy during the period of the downturn, there then follows the requirement of what involvement Corporate Affairs would like in the actual decision or prior to the decision of pulling the trigger on the shovel-ready projects that we would want to get on with in very early course.

**Senator S.C. Ferguson:**

Yes, obviously we are starting to get ideas as to the way the money is being divvied up and the actual sort of spread of the targeting that you are using - and I think there will be some fairly lively discussions on that - because obviously if we do not agree with you we shall bring amendments to your fiscal stimulus package. Unless we can reach agreement.

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

Yes. There is 2 elements of scrutiny. Clearly you are open to amend the proposition, what I am also doing is inviting scrutiny for an involvement in second phase, which is the determination of the individual projects that the £44 million will be used for. That is the discussion that I would welcome an engagement with the Corporate Affairs Scrutiny Panel. I fully understand that you are not, and you would not wish to be, part of the Executive in terms of decision-making, however I need to, I think, create a structure that States Members can have comfort in and that there are appropriate controls and checks and balances in the way that we draw down. Clearly it is not going to be possible for the States to determine every single element of fiscal stimulus because the time that it is going to take is not ...

**Deputy C.H. Egré of St. Peter:**

So, in effect you are looking for our report which we should be able to hopefully get to you and then, based on that report, have a discussion?

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

I think it is a 2-phase involvement. First of all to scrutinise the actual report and proposition that will be lodged tomorrow, and your observations as to whether or not you agree with the economic assessment that we have made, and the total allocation of the one per cent of G.V.A. (Gross Value Added) totalling approximately £44 million, whether or not we are in agreement with the overall headline numbers and then an involvement after the States has agreed that in the actual ... I am capable of making the decision myself but I think that there should be some involvement of Scrutiny in the actual detail of the draw down of the £44 million, which the States clearly as a whole is not going to be able to do.

**Connetable D.J. Murphy of Grouville:**

Chairman, can I ask exactly how much, to the nearest million, have we got in the stabilisation fund at the moment? If that is not a secret.

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

No, it is not a secret at all. Ian, do you want to ...

**Mr. I. Black (Treasurer):**

We are doing one further transfer from the dwelling house loan fund, which is where the money came from originally, and with that it is going to be £156 million. That is the estimate at the moment.

**The Connetablé of Grouville:**

If I can just carry on from there; £44 million going to the discretionary package, so we are left with over £100 million.

**Mr. I. Black:**

£112 million.

**The Connetablé of Grouville:**

Do I assume that that £112 million is going to be in place to replace lost income over the next few years?

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

Yes, the next 10 years.

**The Connetablé of Grouville:**

Yes, so it is a non-earner in other words, it is just keeping us up with what we should have spent or should have earned in the first place?

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

That is right.

**The Connetablé of Grouville:**

Okay.

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

Jersey, of course, sets itself apart from other jurisdictions, other countries are having to effectively borrow in order to deal with the shortfall in revenue that is falling. We propose to earmark the money that is in the cash balance in the stabilisation fund.

**The Connetablé of Grouville:**

I quite understand. Okay, so we are replacing lost income with £100 million of it and we are using £40-odd million to regenerate. Now, is that regeneration going to be mainly aimed towards the construction sector or is it going to be out to learning, out to skills?

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

That is in the detail of the report and proposition tomorrow.

**The Connetablé of Grouville:**

I am just talking generally.

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

No, no, absolutely. We have effectively set out 3 areas which we would recommend injection in order to boost economic activity. The first area is in maintenance and infrastructure spending and the comment concerning the dwelling house loan fund, we think that investment in housing and bringing forward social housing projects that have already been earmarked, bringing those forward would have a very beneficial effect in terms of employment, in terms of infrastructure.

**The Connetablé of Grouville:**

So you are not creating new units of accommodation, you are keeping the others up to standard, is that what you are doing?

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

It is mainly refurbishment of existing sites. There is one project in the Housing Department which is a very big project. There are 3 refurbishment schemes which they have suggested, totalling an investment of £9 million. But that is effectively bringing our housing stock up to standard. We have not brought forward any additional units, Constable, because following the States decision to support over 55 projects, there are a number of new housing projects which we are aware are underway, which - providing the developers and the involvement of the, as appropriate, Housing Association can get funding for it - will also provide welcome boost in spending in terms of maintenance and infrastructure. Certainly as far as the economic outlook for construction firms and that particular area of the economy, that is one area that is affected quite badly as a result of the downturn and particularly the tightening of credit, which we think - as far as local employment

is concerned - can make a real difference. But that is not the only area that we want to focus the fiscal stimulus on. We also want to focus the general area of skills and training and we also want to ... I am very pleased with the way that E.D. (Economic Development) has reacted and Jersey Enterprise has done work in recent weeks. We have identified a number of projects for investment in skills and investment in business support. Also one of the other projects - and this is not the finalisation, this just to give States Members and to you an idea of what the £44 million would be used for. We have also identified, for example, working with the Health Department, an injection of resources to further put in place an apprenticeship scheme for nurses where there are going to be people looking for employment opportunities. We all are aware of the requirement of increasing our health service and bringing local individuals into nursing. There was an opportunity to improve their skills and get them into working for health.

**Senator S.C. Ferguson:**

Yes, but they did that a couple of years ago, 2 or 3 years ago.

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

It has been extremely successful. The nursing cadet scheme ...

**Senator S.C. Ferguson:**

So they are building on that?

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

Absolutely.

**The Connetablé of Grouville:**

Are we going to arrive at the situation that Ian had, remember he told us some time ago, where they were training these people up within the Treasury and as soon as they were qualified they

were off out into the private sector. If you have got the same thing with nurses I would have thought. You are going to have that problem as well.

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

What I would say in terms of the salary comparison for nurses as opposed to some of the administrative functions in the States, I know there is a debate about nurses' pay but we have made a significant investment in nurses' pay over the last few years with the re-grading, and certainly we have had some discussions with the States Employment Board about recruitment levels, and all the information that I have seen indicates to me that we have got the salary levels for nurses in our health services, I think, fairly well calibrated for international competitiveness. We are not seeing, for example, some of the vacancies levels that they are seeing in Guernsey. We have, I think, got fairly good package for nurses. But what we want to see is it is an increasing area, it is an increasing employment area, where we can encourage local people to get into nursing. We will give them the tools and the skills in order to get into that profession, which is a good and well paid profession.

**The Connetablé of Grouville:**

Okay, providing you are happy with that, yes.

**Senator S.C. Ferguson:**

Okay, super. I am sure we shall be returning to that and we will be asking for a hearing with you when we get the review well underway. Can I ask your P.A. (personal assistant) to liaise with our officers to set up a date?

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

Of course, this has clearly got to now be one of the top priorities of the Treasury, working with other Council of Ministers colleagues. We are positive about the future of the Jersey's economy. We are extremely pleased with the outcome of the G20 discussions and the inclusion of Jersey on

the White List, and there is key opportunity to enhance Jersey's financial services sector over the next few months on the back of that. However, the short term outlook for the economy is clearly less positive than we thought a number of months ago. I am not afraid of using the word "recession" in Jersey. I think that all of the indications are that the economy is going to contract. We have done a lot of careful analysis to see and to try estimate what the impact of the global slowdown is going to be and now is time for the States to act and the States to act in a positive way in drawing down some of the savings that we have put away for precisely this economic difficult time. Your involvement in that process over the next few weeks literally ... the advice from the F.P.P. is clear, it is that we are now clear of the outlook and the time must be to act. I hope that the States is going to respond positively to that and we are not going to end up in a ... the risk in the fiscal stimulus debate is that we need up with a discussion where States Members are wanting to use resources that should be available to boosting the economy for their own - and I am sure nobody around the table is in this situation - pet projects that almost increase States spending in the longer term. We want a quick boost to economy literally within the next few months which will make a real impact to people's job opportunities, to businesses ability to survive in more difficult times. That is our aim and so top priority.

**Senator S.C. Ferguson:**

Yes, and we are very much aware of the time scale which is why I mention the fact that we would like a hearing and knowing how busy you are.

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

No, this takes top priority. We are now signalling this for a States debate. I am going to ask for a slightly contracted lodging period from the standard 6 weeks because of the urgency of it. So lodging hopefully tomorrow and seeking a States debate on the principles on 19th May and then an involvement with yourselves in the weeks which will follow the States debate once the States have agreed the principle of it so I am then in a position to sign off on individual projects pretty quickly after that.

**Senator S.C. Ferguson:**

In the documents I have we are talking about the beginning of June.

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

Yes, but there is not much time between the States debate of 19th May and then starting with some projects literally within, I hope, 3 or 4 weeks after then.

**Senator S.C. Ferguson:**

Right, in that case we will be ...

**The Connetablé of Grouville:**

A meeting is important very quickly.

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

Yes, and we can start that work straight away.

**Senator S.C. Ferguson:**

Okay, fine. Collin.

**The Deputy of St. Peter:**

We have got the draft strategic plan now, how confident are you that that plan can be delivered and is sustainable, especially in the financial perspective in the current situation that we are in.

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

I have been part of the whole strategic plan and there is complete support from all Ministers about the strategic plan. So I am, I think, pleased with the outcome that we have got a very realistic resource framework set out in the strategic plan in a way that perhaps is an improvement from

last time. There are, of course, significant pressures on public spending going forward and the strategic plan identifies, I think quite openly and honestly, all of those pressures. The long term costs of the ageing population, the real problem of the rising cost of healthcare that we are having to deal with, quite apart from the problems of the reciprocal health Williamson funding, et cetera. There is an underlying need to address the long-term funding of our health service. Clearly from Treasury and Resources and the Chief Minister's Department it is clear that we have underfunded ... now we have responsibility for property across the States of Jersey, there was an underfunding of property maintenance in departments that now, centralised, we can deal with and we have got to deal with it. Also the strategic plan is very clear that there is a solution that needs to be found to put our sewage network system on a sustainable footing in the longer term. Jersey has had a great track record of being an advanced nation in water treatment but we need to make an investment going forward to keep us in the vanguard of keeping clean beaches.

**The Deputy of St. Peter:**

How are you planning to finance that investment?

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

Well, the strategic plan makes very clear that we are not going to be making any additional spend, or additional spend from Treasury is not going to be supported unless it is ...

**The Deputy of St. Peter:**

Indeed the question, how is it going to be financed?

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

... it is funded by making saving in States expenditure or increasing income. The States has got to deal with that very real trade off. The Treasury does not have a money tree in its garden which funds projects for free. There is a consequence to increase in spending.

**The Deputy of St. Peter:**

There is a perception that the strategic plan is by nature very woolly. That is a general comment that has come from various areas. To hone it down and define it against how monies are going to be generated to spend, to cover those strategic issues, the strategic plan, you just said it is either going to be by savings or by increase in income. Now, in the current climate where we have been looking at trying to create savings and gain income, how is that going to come about when we have a downturn in the economy, you know, a recession?

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

First of all, I think we should recognise that our public finances are in very good shape. We entered the economic downturn, unlike other countries, with sound public finances and running surpluses. Yes, unpopular decisions about tax have been taken but they were the right decisions and so we start from a position of strength. Yes, there are challenges in terms of public spending. Not unlike any other nation, we have issues with the ageing population and we have the never-ending issues of needing to invest in health care. What the strategic plan is saying is that we need to plan for some of these necessary investments that have to be made now. What I am saying from a Treasury perspective is I am not going to be increasing taxes, I am not going to be increasing charges, during the position of a downturn. What we are doing is we are preparing for what the world of charges will need to be when economic conditions are restored and, yes, there are going to be some debates that are needed in terms of putting healthcare on a long-term footing. Health are very keen to support a proposal to look at the way in which we fund health care and looking at the health insurance scheme under social security. I am open for that debate and we need to share with the public exactly what the options are.

**The Deputy of St. Peter:**

So in terms of deliverability we have problems because of the way the economy is downturned?

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

Not in the short term, and the boldness of the fiscal stimulus package that is going to be presented tomorrow and the fact that we can weather the economic downturn without any resorting to borrowing, without any resorting to breaking of any of the golden fiscal rules that we have in Jersey, means that we are in a position of enormous strength. What we are signalling in the strategic plan is that we need to repeat the good behaviour of the past and that is prepare for long-term challenges early. There are a number of small incremental changes to the way in which we fund pensions, the retirement age, that if we take them early we will not be faced with a shock in the future. The same thing is the case in terms of the sewage treatment plant. It is not at the end of its life now but it will be ...

**The Deputy of St. Peter:**

We have been caught before, let us plan ahead.

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

Absolutely. Plan ahead and I would imagine that that would be supported. I know you, Chairman, have commented on the importance of needing to fund maintenance properly on a long-term basis in terms of properly maintaining States property. That is the kind of thing that we are wanting to do, we are wanting to put these changes. If we act early we will not be faced with a problem in the longer term, we will not be faced with a shock going forward with a health care system which is completely under resourced in 10 years' time. So, the strategic plan is to prepare the options for these necessary changes but only to implement them when economic situations allow us to do so.

**Senator S.C. Ferguson:**

There will be, in fact, following up - as required in the business plan - recommendations of the savings review, the emerging issues by the Auditor General?

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

We will come on to the savings and I know that you have got some questions later on which may be ... if you want to address some of those issues now in terms of savings?

**Senator S.C. Ferguson:**

Well, I was just obviously ... in the strategic plan, for instance, you talk about: "Review the terms and conditions of employment for public sector staff." Now that was a fairly big amendment to the business plan and I take it that does cover the work that your department and the Chief Minister's Department are going to do together, regarding those savings?

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

There was an action in the strategic plan to report on the individual Comptroller and Auditor General's recommendations and clearly the Comptroller and Auditor General has signalled some work in relation to pay. There are some short-term decisions over the next few months to take on pay and there are some longer term ones in terms of the pay and conditions, in terms of pensions, et cetera. What is clear is that the economic downturn is having a very significant effect on wage settlements. The private sector, I think we are all aware, is populated with companies that are effectively imposing pay freezes, and that is understandable when R.P.I. (Retail Price Index) and inflation rates have fallen very significantly. I think it is important that the States also is realistic in terms of its wage settlements. I am on the States Employment Board, the Comptroller and Auditor General made I think it was 4 recommendations: there needs to be more flexibility in terms of pay structures; pay structures in some cases need to be more market sensitive; the States significantly overpay in relation to the market at the bottom end of the pay structure. It is a very difficult message to get across but that is the clear independent advice. On the other hand, and mindful of the comment that was made earlier, the States underpays in some other areas, which may well indicate some of the difficulties we have got in recruitment in areas such as the Treasury. I will make some comments about that maybe later on. So there is work going on with the Chief Minister's Department and the S.E.B. (States Employment Board) in relation to all of

those issues. There are going to be some tough choices the States are going to have to make but I think we need to lead and I think the public sector being one of the biggest employers in the Island has to show appropriate restraint in the economic difficulty that we find ourselves in. Just as the clear advice was that - not getting into the debate about G.S.T. (Goods and Services Tax) but if we factor G.S.T. in pay rates, in pay settlements, ultimately we would be running faster to stand still.

**The Connetablé of Grouville:**

I did have a question and I have forgotten what it was. You have spoken of being very keen to see the utility companies more actively managed, you expect a possible board of experts could be appointed in connection with the accountability process and a review of arrangements for utilities companies was imminent. Would this, for instance, be taking them singly or grouping them together into one homogenous zone in order to have a management board over the top the whole of utility grouping?

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

Just to put the utility issue into question, what I have said is it is going to be important for the States to maximise the value and the revenues that it has in terms of its investments. We have got to deliver on reviewing the appropriate level of return that we get from what are investments that the public has, which are literally hundreds of millions of pounds. There is absolutely no criticism of the Treasury here. I want to see a greater investment in oversight and maximising the public interests and the value from that. What we have done, and we have not had significant resource devoted to this, so what we have done is I am shortly to sign off, I hope today, the final list of carry forward requests which is underspent balances from last year which are allocated to different departments. Within the Treasury we have allocated an amount of money, it will be published, £200,000 to conduct the review that you have me about. We are also going to make an investment in an additional individual to help us do that in the Treasury. That person is likely to take up their position in the early part of June. We will take the job collectively because we have

obviously Jersey Telecom, Jersey Water, Jersey Post - who have I missed out - Electricity, I will make a comment about that.

**The Connetablé of Grouville:**

I want to come on to that in a minute.

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

Yes, absolutely. That work will now start in earnest in June in terms of reviewing what arrangements and structures we have for the utilities.

**The Connetablé of Grouville:**

Now, I understand the J.E.C. (Jersey Electric Company) of course has outside shareholders so you have problem there with the minority shareholders in dealing with the J.E.C. Would it be in your interests to buy out the existing minority shareholders so you have got 100 per cent control of J.E.C.? I am thinking further along the line as well with regard to something else but ...

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

I have had some detailed discussions with Senator Maclean about Senator Breckon's proposition, which I cannot not address in answering your question. I have been concerned for some time that the 1937 Electricity law is really no longer appropriate for the world in which we find ourselves in. I think that it is clearly urgent now that we review that 1937 law. A world in which politicians and a committee of the States makes pricing decisions, I think, is very curious and potentially problematic - I am using my adjectives carefully - but I think it is potentially pretty dangerous.

**The Connetablé of Grouville:**

Yes, I can see a situation where minority shareholders are going to rear up against the States and start going for us.

**Senator S.C. Ferguson:**

There is also the stock exchange requirements too.

**The Connetablé of Grouville:**

Yes, exactly, that is what I mean, the minority shareholders act in the stock exchange, they are going to rear up and have a go us because they are going to be fed up with being dictated to by the States. There is also another point coming on as well, that is that, as you know, I am involved heavily with the tidal power going to commission and we are going to have a huge problem there in dealing with J.E.C. while they are privately, well, minority owned.

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

Yes. The Council of Ministers is going to discuss the proposition that has been put forward by Senator Breckon and I have had some early discussions with the Chief Minister and Economic Development Minister, and what is clear is that we need a completely new approach in relation to the way that that we deal with the J.E.C. Our utility review is also likely to yield or shine some light in that particular area. It is clear that we have moved on from the world in which States Members can juggle the public interest, the consumer interest and the company interest, a world in which the Vice President of Finance and Economics used to be traditionally chairing board of the J.E.C. Clear advice had been given that that was not appropriate and that there should be proper segregation of duties. Clearly we have also moved on from 1937 when that law was originally crafted to a world in which price regulation is done by expert independent bodies, in our case the J.C.R.A (Jersey Competition Regulatory Authority). There is no electricity price regulation and there is a debate to be had about what the appropriate structure of price regulation is. That has been a commitment that has been given to the States a number of years ago, it was always the intention to move from Telecom independent regulation, Post Office independent price regulation and then on to electricity, gas and water. We interposed the competition authority after Jersey Post because we thought there was an urgent need to deal with the generic issue of competition in an absence of any anti-trust, anti-abusive dominant position legislation. There was

no mergers and acquisitions legislation as we recall from the purchase of Safeway that would never have been allowed if the competition law would have been in and we fast-tracked the competition law. We now need to go back to that work programme which is reviewing the electricity law, reviewing the Jersey Water law, reviewing the gas law and putting in place that proper price regulation. That is what I think our response to Senator Breckon's proposal is going to be. Yes, we need to look at that increase in price, all the information that I have about the increase in electricity price indicates to me that the J.E.C., if anything, they can be criticised only for allowing electricity prices not to increase earlier. That is the only criticism. Certainly the information that I have done myself on ... you know, you can look at moneysupermarket.com and you can get a couple of postcodes and you can compare your electricity bill. I can see that electricity bills in Jersey are only slightly above those of an equivalent in the U.K. (United Kingdom). I do not think we have informed our Island community of that. Clearly we are all concerned and we are all feeling the effect of the increase in J.E.C. prices but we must look at the reference comparison. I am also looking at Guernsey and I note that Guernsey electricity prices, as agreed by the independent price regulator, are now higher than they are in Jersey and the government does not get a dividend from that company.

**The Connetablé of Grouville:**

But Guernsey, of course, own 100 per cent of their electricity company so that is different. But I think what got people up in arms about the price increase was the intention to increase the dividend to outside shareholders.

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

The dividend is very ...

**The Connetablé of Grouville:**

Well, to all shareholders, sorry, I mean the States and the other shareholders, and we have an increased dividend that is a 25 per cent increase, which however it may look and however sensible it may be, it is not good politics.

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

From a Treasury perspective we have got to ensure that there is a sufficient and justifiable return on the public's investment on that business. Just as we have had good discussions with ... well, my predecessor had good discussions, and I did, with the Economic Affairs Scrutiny Panel about the future of J.T. (Jersey Telecoms), it is of course right that the public gets some return on its investment because clearly, from a Treasury point of view, you can either hold shares in certain utility companies or you can hold it in other investments. We have to get a reasonable investment.

**The Connetablé of Grouville:**

But the money going outside of the Island, to the outside shareholders, the 37 per cent of shareholders who are not the States, in J.E.C. will be receiving increased dividends.

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

The dividend, I think, needs to be put into context in the Senator Breckon proposition. I think that the 20 per cent decrease in prices would cost the J.E.C. something of the order of £15 million. We are looking at it in terms of a dividend for the States last year of approximately £1.8 million. I will need to check that for you but we are talking in order of magnitude. In response to Senator Breckon's proposition, I, working with Economic Development, will propose that we review the whole of the electricity law. We ask the J.C.R.A. to revalidate the 24 per cent increase in electricity prices and we also set out a new structure for an appropriate arrangement for the J.E.C. to operate in future. I think that the blend of private ownership and public ownership in the J.E.C. has actually worked quite well. There is a requirement for the J.E.C. to operate commercially and

that keeps them efficient, it means that there is a minority shareholder which is asking questions about investment decisions, et cetera, but the States has overall control. I think that blend is a very positive thing.

**The Connetablé of Grouville:**

One day your minority shareholders are going to turn around to you and say: "Hold on a minute, you are putting the interest of Jersey States ahead of us" and that is where you are going to have a problem, in my opinion.

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

We are dealing with a public listed company so I have to be very careful.

**The Connetablé of Grouville:**

But I am saying that you would probably be better off owning 100 per cent of it.

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

Well, I would suggest that the blend of private and public sector ... we have ongoing issues that 100 per cent owned entities do by their nature ... we ask commercial organisations to be commercial and once you have 100 per cent ownership of them you effectively make them political vehicles. I am not sure that that serves the best interests, the long-term interests, of consumers.

**The Connetablé of Grouville:**

Yes, but it is a political vehicle at the moment without having absolute control anyway.

**Senator S.C. Ferguson:**

Yes, but I think we need to see what the results of the report.

**The Deputy of St. Peter:**

The point you made that worries me slightly is that you admit there was a possible error of judgment in the way Jersey Electricity hiked their prices up by 24 per cent because they had not maintained a steady rise. Now, the fact that that has happened in a time of economic downturn has multiplied the concern that is throughout the Island at the moment when people are suddenly receiving bills that are massive.

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

I do not want to associate myself with the words "admit" or anything like that because what we should be doing ...

**The Deputy of St. Peter:**

No, I do not want to down play the relevance of it.

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

... is that we should be ... as a result of what you have just explained, Deputy, consumers are better off. Consumers have had a good deal from their electricity providers. I think that there is a high level, and had been a high level, of trust in the Jersey Electric Company in the way that they have looked after their customers. They have made some very sound decisions which have benefited Jersey enormously. Their prophetic decision to invest in fibre optic cables meant that Jersey opened up its telecommunications market.

**The Deputy of St. Peter:**

Absolutely, but timing is everything. As I say, it is regrettable that at a time of economic downturn that there should be a 24 per cent hike in what is a major requirement for every householder in Jersey. That does have a political effect on the way people think out there.

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

I accept that and that is why I think that we, or those of us that are involved by our positions, have to be involved in looking and overseeing the J.E.C. Through my previous position and now with having the shareholder function, I am confident in the J.E.C. but I accept that we need to put in place appropriate new structures that also allow the public to have confidence too and the key to that is some sort of independent oversight. I will go no stronger than that at the moment. We need to make a very strong case for detailed price regulation. If you impose price regulation in its detailed form you need up having almost a competitive position between the regulator and the regulated which ultimately costs money and ultimately costs consumers money. So we need to find the appropriate level of oversight, independent oversight, no doubt involving the J.C.R.A. and maybe involving Guernsey. It may be that we do have an opportunity here for creating a pan Channel Island regulator. I find it difficult, we are going to go on to talk about Guernsey, it is a crazy state of affairs when we have a regulator in Jersey and a regulator in Guernsey regulating 2 identical businesses in terms of Jersey Telecoms and 2 electricity companies that are buying their power together and buying their power in a unified way. It is not sensible. Can we find a Channel Island solution which gives consumer confidence and also allows the companies themselves the opportunity and the space to do what they are best at doing, which is being commercial, and providing good levels and efficient levels of energy in telecom services.

**The Connetablé of Grouville:**

Can I just say that at the end of the whole thing we are saying, without the nitty gritty involvement of shareholdings and who owns what and everything else, what you are looking at is an overarching price regulator over all utilities, at the end of the day?

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

That must be the case.

**The Connetablé of Grouville:**

Or oversight.

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

There are debates to be had, as you will be aware, on the future of energy in Jersey and there are strong representations that are given by Jersey Gas and there are real concerns about the price of gas in Jersey too. While there is a relative competitive position on energy you do need oversight in terms of price regulation.

**The Connetablé of Grouville:**

What is our position ... I am sorry, I would just slightly stress the point if I may, Chairman, what is our position with Jersey Gas? We do not own now, do we?

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

The States has never had an equity involvement in Jersey Gas but Jersey Gas is unique in Jersey in having its memorandum and articles incorporated in a law and they are incorporated in the Jersey Gas law. Within that Jersey Gas law are particular stepping provisions for the States in times of difficulty or in force majeure in other ways. So there is an involvement, there is not an involvement in terms of an equity position but there are a number of articles which give the States special powers of intervention or acquisition or buying particular assets in terms of that. That is also something that we have got to review. I think the Chairman is aware of some of the reasons why that has got to be reviewed too.

**Senator S.C. Ferguson:**

Tracy, if you would like to follow up the Guernsey.

**Deputy T.A. Vallois of St. Saviour:**

With regards to the achievements of delivering savings and ensuring the public and States Members are fully aware of alternatives of achieving your objectives in the long-term, where are you with this at the moment in going forward?

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

Well, we have got, I would say, 3 things. The appointment of the new Deputy Chief Executive within the Chief Minister's Department is something that we are very closely involved in. The new Deputy Chief Executive is somebody that is well known to all of us, he is going to be taking the lead on the whole savings initiatives on behalf of the Treasury and the Chief Minister's Department. There are 2 top objectives of the Treasury which is maximising our revenue from income streams and also focusing on real savings and efficiencies. The Deputy Chief Executive, working with the Treasury, is going to lead on that. We have already spoken about the need to follow up formally pursuant to the States request on the Comptroller and Auditor General's targets. We have also put as a very high priority in the States strategic plan, the need to now focus on reforming the public sector and there is whole chapter in the strategic plan on that. I hope the States is going to give us the mandate to do that, give us the mandate in respect to the strategic plan to make that focus on efficiencies and savings, and we have got to have a real debate. The early savings opportunities, the early low hanging fruit, has been harvested. I have already said about the Treasury that I have come back to after 3 years and seen a much leaner operation in terms of providing administrative services, in terms of I.T. (information technology). The next wave of savings, which has got to be made, is going to be tougher and States Members have got to be realistic about what the consequence of some of those savings are. But I think the public wants to have that debate. I think they want to have the debate about what the focuses of public spending should be on. They are not going to be easy and some of them are not going to be popular but they are necessary.

**Senator S.C. Ferguson:**

I suppose you could say really that it is a question of philosophy and what should a government be providing.

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

That is the fundamental debate that must now happen. We do have a percentage of government spending in Jersey which is lower than most other places in the world, and it has been falling because we have grown the economy boldly in the last few years and while there have been increases in public spending, the share of the economy that is taken by spending in Jersey is lower. But I think the public wants to keep it at that level. I think the public want us to continue to restrain spending and there are some hard decisions and there are some difficult debates to be had about getting out of some areas of providing services. But it is all about, at the end of the day ...

**Senator S.C. Ferguson:**

I am not so sure, the percentage of G.V.A. has been creeping up too.

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

With an economic growth figure ...

**Senator S.C. Ferguson:**

To about 15 per cent I think, is it not?

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

But with the economy having grown by 7 per cent real in 2007 - we do not know what the figure is for 2008 but it certainly will be bold - I think you will find that we are still one of the lowest nations in the world as far as G.D.P (Gross Domestic Product) spend. That is fine. I am not saying ...

**Senator S.C. Ferguson:**

Yes, because we do not have any armed forces and things like that.

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

We have high levels of G.D.P. per capita and we need to keep them there.

**Senator S.C. Ferguson:**

Yes. Dan.

**The Connetablé of Grouville:**

What work has been undertaken in achieving the objectives, not only of delivering savings ...

**Senator S.C. Ferguson:**

No, we have done that one.

**The Connetablé of Grouville:**

Sorry, beg your pardon. I was just miles away. Consideration of work being undertaken on identifying savings, in this regard we need to be working with Guernsey ...

**Senator S.C. Ferguson:**

No, I am sorry ...

**The Connetablé of Grouville:**

No, with Guernsey.

**Senator S.C. Ferguson:**

Yes, go on.

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

Talking about Guernsey, right.

**The Connetablé of Grouville:**

Can I just tell you something before we start on this one?

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

Happily.

**The Connetablé of Grouville:**

On the tidal power initiative, Louise Mavery(?) and I went over to Guernsey, we had an appointment with the Minister, Carla McNulty Bauer, this was back in September, October. We were welcomed, we were given very nice sandwiches and we left literally saying to ourselves: "Why on earth did we bother?" The feedback we then got was: "That Jersey lot are coming over here to try and pinch our power sources, blah, blah, blah." So we dropped it for the time being. They have now set up a commission which I think we will just have to go back and swallow our pride and try again. But the reception that we got was absolutely paranoid. If that could please stay off the record.

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

Everything is on the record here, Constable. First of all, let me say that I want to be strongly associated with a joint and co-operative friendly relationship with Guernsey. I have done a lot of ...

**The Connetablé of Grouville:**

It is 2-sided, Philip, we have tried it.

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

I think you need to be careful, Constable, about some of the things you said because I do not see those in the relationships that I have had. I have enjoyed relationships with many Guernsey politicians and States Members and I have nothing but an open door, honesty, and a real desire to see what we can do in order to improve our Jersey/Guernsey relations. I believe one plus one equals 3, I believe that we can work together and we can secure ... I was as delighted as anybody to see Guernsey also on the White List in terms of the publication of the O.E.C.D. (Organisation for Economic Co-operating and Development). I am disappointed to hear that you ... and I think you are wrong, if I may say, I know Carla McNulty Bauer well and I think that all of the discussions that I have had with her, as one of my opposite numbers in Economic Development formerly, has been nothing but co-operative. I also know that she ...

**The Connetablé of Grouville:**

Perhaps we approached her in the wrong way, I do not know, but we certainly got an unwelcoming ...

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

Maybe. Well, I think that it is a 2-way street and it is about give and take and in terms of the area that you make some comments on, the *Energy Policy Review* that Guernsey has published has a remarkable resemblance to ours which we started on. They have taken some of the work that we have done on energy policy and they have incorporated it in there. Have they got a lead advantage in terms of tidal power and investment in alternative technologies? Yes, they have. They have made an investment in terms of tidal power through Alderney, I understand they are also looking at their legislation in terms of how they can harness the sea bed in terms of the future. You know far more about this than I do. We certainly can benefit from them. What I will say about Guernsey is that I have met with Charles Parkinson, I have had some very constructive positive discussions, I am going over with the Chief Minister to Guernsey a week on Tuesday and I am hopeful at that meeting to agree that we are going to go forward with a joint review of

opportunities for savings and efficiencies across the Channel Islands. I have invited the Comptroller and Auditor General to see whether or not that is something he can incorporate in his work programme and we are happy to make available to him the additional resources that he would need to do that. Following on from his emerging issues report in Jersey, we would like him to do an emerging issues report for the whole of the Channel Islands to identify and to give us, as States Members, a real menu of opportunities of what we could be doing more collaboratively together. Top of my agenda will be looking at the way that we, as I have already said, look at regulation, looking at the way we operate our competition authority but are there other areas where we can be looking at harnessing a joint Channel Island approach. Whether that be in health care ...

**The Connetablé of Grouville:**

Could you put us third on your list then, please, when you are discussing it? If they could please contact us, we have been contacting them all the time and getting no help at all.

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

Fine, more than happy to do that. I think something ...

**The Connetablé of Grouville:**

I am disappointed to say the least because I have championed all the way through more and more co-operation with Guernsey. We tried it and we just ...

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

I think something is getting lost in translation because all the comments that I have had from them is nothing but a co-operative approach. As we move into much more difficult economic territory going forward with out financial services industry, the need for Jersey and Guernsey to work very closely together on the international stage is also something which must ... and I know that Senator Le Sueur and Deputy Trott have some discussions about that. There is an unshakeable

destiny in Jersey and Guernsey working more closely together. We need the tools and we need the information on which to base some policy decisions to do that. Looking at the opportunities of a single market for the Channel Islands in terms of the very foundations on which Europe was made. The *Chicheny Report*(?) which identified if you take down your barriers between European nations you will improve the employment possibilities and you will improve your economy. The same on a micro level must be true of the Channel Island and Charles Parkinson and I are very keen to identify these, properly research them and invite both the States Assemblies in order to make some positive moves in that direction. So hopefully we are going to make some progress.

**The Connetablé of Grouville:**

I could not agree with you more, we have to work together a lot more but we need some co-operation from the other side.

**Senator S.C. Ferguson:**

Right, yes, I think we have covered the expenditure reductions arising from the C.A.G. (Comptroller and Auditor General) report, unless you can think of anything else you have not said.

**Mr. I. Black:**

I think the only thing to say is that the Corporate Management Board has considered the report in some depth. They produced a formal response and I believe that has gone to the Public Accounts Committee. Many of the things on there are - and the C.A.G. did say - of a politically contentious nature, so it is intended that those items which have been flagged up as so are going to be considered by the Council of Ministers within the next month or so.

**Senator S.C. Ferguson:**

Yes, and the cost cutting issues?

**Mr. I. Black:**

Everything on there has been picked up and has been accepted and put into plans, such as the one we have talked about earlier on, the pay. So responses have been produced. They have gone off and the Council of Ministers are looking at the political aspects.

**Senator S.C. Ferguson:**

That will be looking at the sort of public sector pay prospects and things like that?

**Mr. I. Black:**

Those elements but there are other elements in there such as looking at provision of primary schools within the C.A.G.'s report, looking at the youth service. There are a number of things that are of a political nature.

**Senator S.C. Ferguson:**

Yes, I think there was something like the reduction of 250K in the youth service, things like that where ... yes, we shall look forward to seeing the report when it finally surfaces.

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

I think that while we are not going to ultimately agree on some of the line items that the Comptroller and Auditor General has made, I think that he has definitely made a very positive contribution of starting the debate. For example, in the area of Treasury and Resources there were 3 identified savings that he wanted to make. He suggested that we could increase our revenue or decrease costs by £300,000 in terms of utilities. The thing we were talking before. That has helped us catalyse and firm up our thoughts about what we can do about maximising the revenue we get from States utilities. Also the area of income tax. If anything, we need to be investing more in our collection services and income tax potentially going forward in order to ensure that we are collecting all the amount of tax and we have got the right amount of staff. Deputy Noel and I had a very interesting discussion yesterday with the Income Tax Department,

very pleased with what we saw, very, very positive in what we saw in terms of our Income Tax Department, well motivated, efficient organisation but there is a debate to be had about whether or not we allocate them more resources to increase their effectiveness.

**Senator S.C. Ferguson:**

Yes, that was one of the problems that they need the people to pursue the cases where people have not paid their tax. The prosecutorial side, perhaps.

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

We are acutely aware of the economic downturn in terms of some companies failing and there are some issues that we are dealing with in terms of the necessity to put our income tax law into the same level as the U.K. to make it a preferred creditor to ensure that the public gets the money in the event of a firm collapse. There are issues we are looking at in that regard.

**Senator S.C. Ferguson:**

Yes, I was going to say there is also space, I think, in the insolvency law for dealing with Phoenix companies. But that is something I will perhaps bring up with you, I am not sure that it is here at this point in time.

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

That is something we are looking at. I am not suggesting there is any inappropriate behaviour going on but we need to make sure that the appropriate arrangements are in place.

**Senator S.C. Ferguson:**

Absolutely. But the big savings according to the Auditor General were in procurement, H.R. (human resources), I.T., and property, particularly procurement. If you have seen the comments in the *Washington Post* this week about Mr. Gates and the procurement process for the American military, it seems everybody has the same problem.

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

The head of procurement is doing a very effective job and there were - and I think it was genuine misunderstanding - some comments made about the procurement cards that are around the States of Jersey. We have kind of not got the message out that the fact that we have got procurement cards out is allowing the Treasury and the head of procurement to have data on what is being spent, which means that going forward there is going to be a much more clear policy in place for procuring of regular procured items. Departments must align themselves with States procurement policies and the value of the procurement cards gives the head of procurement going forward a huge amount of data in which to negotiate better contracts, better value for money contracts going forward. That kind of got lost in the whole debate when one media organisation made some revelations about the amount of procurement cards. Procurement cards cut transaction costs and they gain information for the head of procurement in order to negotiate better value for money, contracts for the States going forward. There is a lot going on in relation to that. Do you want to say anything about that? It is the Chief Minister's Department that is involved in some of that.

**Senator S.C. Ferguson:**

Yes, and H.R. as well. Collin.

**The Deputy of St. Peter:**

Have we covered sufficient on public sector pay at the moment in what we said earlier? I leave that open to the rest of the panel.

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

The only thing I would say is obviously now having settled the outstanding pay claims for 2008, the attention has now been turned to discussions with the pay groups for 2009 and 2010. I make the comments that I made about that. My sense is that people's expectations have now eased

and that people are mindful of the difficult economic situation that we find ourselves in and the very real prospect that nothing more than a pay freeze is going to be possible.

**The Deputy of St. Peter:**

Shall we go on to the next element as well? Which goes on, can we confirm that G.A.A.P. (Generally Accepted Accounting Principles) accounting which was due for implementation is on the move? Over to the man on my left.

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

He has been very quiet all morning.

**Deputy E.J. Noel of St. Lawrence (The Assistant Minister for Treasury and Resources)**

The short answer is yes. Work in progress on the project is currently on track, it is going to deliver its main objectives by the end of 2009 where financial statement will be produced under the G.A.A.P. standards but excluding comparators and the infrastructure assets, et cetera. The asset register is complete, it is now in place, it is G.A.A.P'd and it is in operation across the whole of the States of Jersey at the moment. A set of G.A.A.P. financial reporting standards have been drafted and they have either just come out or about to come out for public consultation in their final form. Other areas, with regards training, a substantial number of staff throughout the States have been trained in complying with G.A.A.P. and actually recording the information in the desired way. The second phase of training for budget holders is about to be implemented as well.

**Senator S.C. Ferguson:**

Well, we keep seeing transfers from capital to revenue account and so on and it is busy saying: "Yes, this is because of G.A.A.P. accounting." Would you like to run through it for the ...

**Deputy E.J. Noel:**

Exactly, under the previous system a lot of items were designated capital items and our accounting standards did not really capitalise on it on an ongoing revenue nature and it is really realigning the old system of budgets to the new system to ensure that we can comply by G.A.A.P. by the end of the year.

**Mr. I. Black:**

Shall I take over?

**Senator S.C. Ferguson:**

What sort of items are we talking about?

**Mr. I. Black:**

Basically in the past the States, and it still is, was driven by approval processes to spend. Now, an approval on a budget does not necessarily translate to accounting issues so, for instance, you could have had money allocated for a computer project that in accounting terms was actually a mix of capital but the States did not differentiate on those things, allocating money for a project. Our problem is that - and it is going to be very challenging, it is going to be very difficult for a few years and it is going to need some understanding - we are now producing accounts as in the performance of the States in accordance with best practice but we are still working on an approvals process that is not matched with that. So we have to some how or another rejig in the short-term money that the States has allocated that is a mix of capital into the proper headings and the answer to this is eventually is that States approval processes will have to be done on exactly the same basis as G.A.A.P accounting. The change is massive and has taken the U.K. Government more than 10 years to do this change and they still have not got there. We are accelerating this process, there is going to be an uncomfortable period where we are producing good accounts but we are not voting money on the same basis. What we are going to have to do is produce 2 sets of accounts, one of which is on the basis on which the money was voted to

assure people that money has been spent as approved, and the other one, which is a proper set of accounts which shows how the States has performed in terms of its expenditure.

**The Deputy of St. Peter:**

Talking of good accounting processes, where are we at the moment with J.D. Edwards because the J.D. Edwards accounting package I still keep hearing mutterings that people are still not over happy with it.

**Mr. I. Black:**

The J.D. Edwards package is the only reason that we have been able to move to G.A.A.P. accounting bluntly and so far as we are aware we are probably the first small jurisdiction in the world to be producing G.A.A.P. accounts. So it is because of that computer system and because it is implemented states-wide that we can produce G.A.A.P. accounts. We could not do it without it.

**The Deputy of St. Peter:**

But still talking to people involved in the implementation and operation of J.D. Edwards, there still have been concerns raised about its cost effectiveness and its suitability for doing the job. I know it has done the job but where are we with it?

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

I have been involved in the early decision-making of J.D. Edwards from days on Finance and Economics. J.D. Edwards has been an incredibly successful project for the States of Jersey and the way in which the Treasury team, the I.S. (Income Support) Team has J.D. Edwards, it has been, quite frankly, exemplary in the way that it is carried out and Ian is absolutely right and Eddie is absolutely right that without J.D. Edwards we would not be moving to G.A.A.P. accounting. This is issue of G.A.A.P. accounting it trips off the tongue easily, it is a huge project which has had the “beyond the call of duty” investment of a number of key senior staff in the States of

Jersey. Eddie is looking after G.A.A.P. accounting because he is a qualified accountant and just to give the panel some comfort, all of those big transfers of money from capital to revenue are signed off by either Eddie or myself after suitable questions, it is a massive project which has stretched resources and stretched an otherwise already stretched Treasury team and I am delighted by the fact that we are making this progress. The public is going to be better informed as a result of the work that is carried out and States Members are going to be better informed.

**Mr. I. Black:**

Just to repeat, we do have an opening G.A.A.P. balance sheet, the first one we have done, and this year we are using G.A.A.P. compliant accounts and are on target to do so.

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

It is an investment of thousands of hours.

**Senator S.C. Ferguson:**

Which is sticking to the original ...

**Mr. I. Black:**

We are sticking to the timetable. With hindsight, the timetable was probably ambitious because the resource impact of it has been enormous but we have delivered.

**Senator S.C. Ferguson:**

Excellent. Finally, what about the deemed rent proposals? Have you been ...

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

I am going to answer that the Blampied proposal has been withdrawn following your report, and what we propose to do is to bring back half of the Blampied report proposals and that is the 115 pension fund arrangements. We propose to bring that. I do think we should now agree that there should be some orderly process of budget amendments during the year. We seem to have

moved to a situation whereby budget and expenditure decisions are being made out with 2 decisions that we make in the States. I want to reimpose some orderliness in the way in which we make budget spending decisions and tax decisions. So I am signalling that we will bring back 115 and it is going to be controversial, we know that, but that should be brought and approved as part of the 2009 budget process. As far as the deemed rental is concerned, I want to see how 115 beds in, I want to see the revenue that accrues from that and we will then look at deemed rental as soon as possible after the budget this year. There is more work to be done. I remain concerned, and I think E.D. shares this concern, it is curious, on the one side 115 was bringing everybody on to one level playing field, on the other side deemed rental was creating an unlevel playing field that was going to have some competitive issues for some businesses and I am also concerned about the fact that people could arrange their affairs under the previous draft in such a way that it would be avoided and we would not collect the tax. This is a real concern. I know that there is a political desire to do that, I would remind, very respectfully, this Corporate Services Panel that this was something that was requested by the previous panel, the previous Treasury Minister brought it forward because the panel wanted it and the panel then said that they wanted some more time to discuss it. So it is something that the previous Treasury Minister has responded to, and having now got that problem I am certainly not going to be proposing something to the States that is not absolutely watertight in terms of its defendability from an economic assessment and also non avoidable. So it is a green light for 115, it is an amber light for deemed rental charge, but within the context of an orderly process for budget decisions. We cannot have the States making decisions about tax and spending every week of the year, there must be some order and some discipline in the way the States makes decisions. So we discuss budgets and tax once a year in the budget unless there is an exceptional urgent reason to do so.

**Senator S.C. Ferguson:**

Yes, in actual fact this is something you may wish to discuss with Charles Parkinson because I have had some sort of brief discussions with him about the same problem they have in Guernsey

about local and non local businesses and they have addressed it through having a different level of property tax for companies owned by overseas ...

**Mr. I. Black:**

My understanding is they have increased rates across the board for domestic householders and ...

**Senator S.C. Ferguson:**

So in effect it is a property tax?

**Mr. I. Black:**

... all businesses, local and non local.

**Senator S.C. Ferguson:**

But I understand that the foreign owned companies have a higher rate than the locals, but because it is a property tax ...

**Mr. I. Black:**

I am not aware of that but I do know in their fiscal strategy, unlike ours, they sought to fill part of their gap by increasing rates for everyone; domestic and local and non local business.

**Senator S.C. Ferguson:**

You might like to check it out because I understood that the foreign ones had paid at a higher rate.

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

We will look at that. Tax is something that is on my agenda for ongoing discussion with Deputy Parkinson. It is clearly in Guernsey and Jersey's interest to learn from each other in terms of the

experience of tax and I found a very receptive Charles Parkinson in discussing some of those issues. Of course you would not expect the Treasury Minister to announce budget proposals in advance of the budget.

**Senator S.C. Ferguson:**

Oh, go on.

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

So I am not going to say anything but taxation changes need to be announced and debated by the States at budget time and I would respectfully ask States Members to respect that convention that parliaments and assemblies across the world do, which is they debate and decide tax in the budget not outside the budget process.

**Senator S.C. Ferguson:**

Yes, as I say, it is a level playing field and on the level playing field I think it does need attending to at whatever time. We look forward to seeing something about it in the budget proposals.

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

Certainly 115 is signalled to be included in that.

**Senator S.C. Ferguson:**

Anything else from anybody?

**The Connetablé of Grouville:**

Yes, sorry, can I just go back to our first question - and I am sorry I missed one at the end - the £112 million, okay we do not know how long the recession is going to last but how long do you expect that to last as a support for the loss of income?

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

If I would know how long the global recession is going to last I would not be doing the job as Jersey Treasury Minister.

**The Connetable of Grouville:**

But you must know roughly how much of this support will be used per annum?

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

Our latest estimate is that we have identified what the requirement will be to fund the shortfall in revenue for 2010 and 2011. So it is 2 years. All the indications are - and I do not know probably any better than any of us do in the terms of the length of the recession in the U.K. All respected commentators seem to indicate that the U.K. will emerge from the downturn at some point in early 2011. There always is a lag in Jersey. We are not feeling it yet, which is why we are making the decision tomorrow to put the fiscal stimulus in place, there is always a lag in Jersey and there will always be a lag coming out of the recession. But what we are saying is that we are prepared to make available all of the resources available in the stabilisation fund for a period of 2 years. If it is longer than that then we would operate consideration to looking at the strategic reserve and other areas potentially. But we are not expecting that to happen, as I said in the forecast.

**The Connetable of Grouville:**

So potentially there is going to be about £50 million a year to support the loss of income?

**Mr. I. Black:**

Yes. Just to explain 2 things on that. The Minister said 2010, 2011, that is because we have a one year time lag on our tax revenue so it is the stated economy 2009 and 2010 impacts on our revenues in 2010 and 2011. The other thing is that as a result - we are not saying the recession will last a long time - of the recession we have a step down in our tax revenues and it is going to take a long time for them to recover.

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

Yes, one down and 2 up.

**The Deputy of St. Peter:**

We know that V.R.D. (Vehicle Registration Duty) has been removed, what effect has that had?

Has it had a serious effect?

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

I am going to be careful in what I say about V.R.D. I remain concerned that the States removed V.R.D. but at the same time approved expenditure which I fully support and Senator Cohen announced the detail of the very good policy of providing insulation grants for low income families and to senior citizens which has been announced today. I remain concerned that the States needs to address the ongoing funding for effectively environmental spend. Deputy Noel and I met with people from the car sector. I know that they are particularly unhappy with comments that have been made - I think unfairly made - by the Consumer Council in relation to some of their activities. I think that is wrong and I look forward to receiving - if that is right - an apology from the Consumer Council to the motor industry. They can be accused of some things but I think that that was a step too far. The States needs to consider what they are going to do to replace V.R.D. in the longer term when economic conditions allow us to do so, if the States wants to continue to make the investment in environmental projects such as energy ...

**The Deputy of St. Peter:**

So what considerations are being given?

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

I refer you to my earlier comment that it is not appropriate for Treasury Ministers to make budget announcements on the hoof. I have got no intention of doing that. What is clear is that in the

longer term when economic conditions allow us, we will need to replace that revenue from V.R.D. which is needed to (a) change behaviour in terms of ... because that what environment taxes are supposed to do, they are supposed to change behaviour and I want to fully sign up to the school of thought that we should have a green fiscal recovery that the economic growth of the future needs to be focused on green initiatives and a green way of working and they fully support the arguments in favour of a green Jersey economy and using the taxation system to achieve that. We certainly need to send signals to people about their purchasing behaviours in terms of cars and in terms of carbon intensive and polluting vehicles, et cetera. There is a debate that the States has got to have about that. But when economic conditions allow us to do so.

**Senator S.C. Ferguson:**

But should we be having ... this is a whole deep philosophical discussion. Should we be using taxes as a means for imposing lifestyles and changing society? Is that the proper place for taxes?

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

I am certainly no moral crusader but what I am saying is that we need to be alert to the consequences to the environment of certain decisions and where there is the option of encouraging people to purchase a low carbon electric vehicle versus a 4X4 Chelsea tractor then I think the government has a role in sending the signal to do that. That is an entirely appropriate role for government to take, particularly when there are additional costs to society and to the environment of more polluting, more damaging environmental vehicles. I am very supportive of seeing a world in which we are leader in terms of electric cars, low carbon efficiency, I heard this morning on the radio that the U.K. was also announcing some policies to have electrical points put in car parks and on some kerbsides and pavements. That is a world that I would like to see in Jersey; a world where we are seen as being a leader in terms of low environmental impact transportation. What we can do from the Treasury point of view to assist that and to assist people's decision-making?

**Mr. I. Black:**

Just to clarify, we may have covered it but I am not in a philosophical debate about green taxes, the States decision, you will recall, was that they agreed to spend it in 2009 on environment projects. Three. There were recycling, there were insulation grants and there was the transport initiative, particularly buses and cycle routes. The States decision was that unless they agree to some environmental taxes in this year's budget that spending would cease, in other words, you would have to roll back our insulation grants and cut expenditure on recycling and reduce expenditure on transport initiatives. So that is a decision the States has to make at this point.

**Senator S.C. Ferguson:**

Yes. No, no, I was just putting a point of view that at some point we are going to have to surely stand back and say: "What is the point of taxes?" You know, there is a big philosophical decision; are we going to have big government or little government?

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

Certainly we want little efficient government but we also, I think, are all affected by the previous spike in energy costs and we can all do more in order to reduce our energy consumption. You might subscribe to the environmental view of why we should do that, I certainly do but we can also subscribe to the efficiency and savings reasons for doing so. As Sir David King very clearly said to the States of Jersey, the early wins for environmental benefit also mean that you save money. That is encouraging businesses to reduce their energy consumption. I agree completely with the Deputy of St. John that we can do more in the States in reducing energy consumption in the States of Jersey, turning out lights in offices, improving the efficiency of any mechanical or vehicles or other things in the States of Jersey, we can do more and it is also good for the taxpayer because we save money.

**Senator S.C. Ferguson:**

Well, that makes good ...

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

We can help pensioners by providing insulation.

**Senator S.C. Ferguson:**

... economic sense.

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

Then we will agree on that. If you want to go the extra mile of saying you want to do it for good environmental reasons, then that keeps environmental people, which I certainly subscribe to, happy too. I think we should do it for both reasons.

**Senator S.C. Ferguson:**

I think we may well be agreeing to differ on that.

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

Okay, I am conscious of the comments - yet again I think unfair comments - made by the Chairman of the Senior Citizens' Association, made again yesterday in the *J.E.P (Jersey Evening Post)*. I think we are doing a lot for pensioners. We have invested significantly in providing better services which we can explain. I think we can do more in terms of helping pensioner households reduce their energy consumption. I do not want to see pensioners living in homes and having the choice between heating and eating, which is now apparently something that was put into the public domain. Can we help people to reduce their energy costs? Yes, we can and we need that environmental tax in order to make that investment.

**Senator S.C. Ferguson:**

A lot of the pensioners who are having particular problems with heating in actual fact are having them because their landlords, whether Housing or private, have installed gas heating and gas has always been an incredibly expensive source of energy for the Island.

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

There is a real issue there.

**Senator S.C. Ferguson:**

There is quite an issue.

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

Which is why I think it is important, reference the earlier comments that we made, that there is appropriate price regulatory oversight because people need to be fully informed of the total costs of providing, and I am concerned for example that there has been potentially subsidies given to install the equipment and then the ongoing cost of running the heating operation is very expensive, which people cannot get out of. But we also can do the basics of lagging people's water tanks, insulating people's lofts, Planning I know are sympathetic to issues of importance of double glazing, and, yes, you can get wooden double glazing windows at affordable costs and there are other areas that you can do to decrease energy consumption.

**The Connetablé of Grouville:**

Can I also bring up, while you are thinking about that, that in many multi let properties where you have shops or perhaps a bar, things like that, the landlord gets one bill in and then divides it up as he wishes to his tenants without any recourse to the actual amount they have used. I have had complaints about that. I have taken it up with Chris Amber but he is not able to do anything about it.

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

That sounds something that we need a strong consumer voice in Jersey, we need an effective consumer voice which is engaging that kind of attention. We did away a number of years ago with the price premium that some landlords did in terms of charging a higher cost per unit of electricity ...

**The Connetablé of Grouville:**

That is exactly what has happened. They are not doing it that way, they are not even bothering with that. There is no excuse to it. The landlord gets a bill for £1,000 and ups it to £1,500 and I know for a fact that has happened to a shopkeeper in Grouville and I have not been able to help him.

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

You need electricity meters where you consume and you need water meters at the point because gone also are the days where we should be having water on rateable values. We need meters in everybody's homes ...

**The Deputy of St. Peter:**

You have to have the facility to make sure that happens.

**The Connetablé of Grouville:**

You have to make sure that it is the company sending the bill that is installing the meter and setting the meter.

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

Not Treasury matters, I have to say.

**The Connetablé of Grouville:**

No, no, it is all-encompassing, it is all: "Please chuck that into it."

**Senator S.C. Ferguson:**

But they come into your review of the utilities. Thank you very much indeed for your time, Minister, Assistant Minister and Treasurer. I trust you are not too overwrought at the end of the session. We have appreciated your discussions with us.

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

We are obviously going to adjourn this. Could I just have a private discussion about the lodging of the fiscal stimulus stuff tomorrow? Can I just do that because obviously this is not public yet?