



OFFICIAL REPORT

OF THE

STATES OF DELIBERATION

OF THE

ISLAND OF GUERNSEY

HANSARD

Royal Court House, Guernsey, Tuesday, 27th June 2017

*All published Official Reports can be found on the
official States of Guernsey website www.gov.gg*

Volume 17, No. 1

ISSN 2049-8284

Present:

Richard J. McMahon, Esq., Deputy Bailiff and Deputy Presiding Officer

Law Officers

Miss M. M. E. Pullum, Q.C. (H.M. Procureur),

People's Deputies

St Peter Port South

Deputies P. T. R. Ferbrache, J. Kuttelwascher, D. A. Tindall,
B. L. Brehaut, R. H. Tooley

St Peter Port North

Deputies, J. A. B. Gollop, C. N. K. Parkinson, L. C. Queripel, M. K. Le Clerc,
M. P. Leadbeater, J. I. Mooney

St Sampson

Deputies L. S. Trott, J. S. Merrett, G. A. St Pier,
T. J. Stephens, C. P. Meerveld

The Vale

Deputies M. J. Fallaize, N. R. Inder, M. M. Lowe, L. B. Queripel,
J. C. S. F. Smithies, S. T. Hansmann Rouxel

The Castel

Deputies R. Graham L.V.O, M. B. E, C. J. Green, B. J. E. Paint,
M. H. Dorey, J. P. Le Tocq

The West

Deputies A. H. Brouard, A. C. Dudley-Owen, E. A. Yerby,
D. de G. De Lisle, S. L. Langlois

The South-East

Deputies H. J. R. Soulsby, H. L. de Sausmarez, P. J. Roffey,
R. G. Prow, V. S. Oliver

The Clerk to the States of Deliberation

A. J. Nicolle Esq. (H.M. Deputy Greffier) (morning);
S. M. D. Ross, Esq. (H.M. Senior Deputy Greffier) (afternoon)

Absent at the Evocation

R. M. Titterington, Q.C. (H.M. Comptroller)
Deputy P. R. Le Pelley (*absent de l'île*);
Alderney Representatives L. E. Jean and S. D. G. McKinley, O. B. E. (*relevés à 11h 17*)

Business transacted

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States of Deliberation

*The States met at 9.30 a.m. in the presence of
His Excellency Vice-Admiral Sir Ian Corder, K.B.E., C.B.
Lieutenant-Governor and Commander-in-Chief of the Bailiwick of Guernsey*

[THE DEPUTY BAILIFF *in the Chair*]

PRAYERS

The Deputy Greffier

EVOCATION

The Deputy Bailiff: I am aware, Members of the States, from the Alderney Representatives that they are delayed because of transportation difficulties. They will be arriving soon.

5 **The Deputy Greffier:** To the Members of the States of the Island of Guernsey, I hereby give notice that a meeting of the States of Deliberation will be held at the Royal Court House, on Tuesday 27th June 2017 at 9.30 a.m. to consider the item listed in this Billet d'État which has been submitted for debate.

10

In Memoriam – Former Alderney Representative Eileen Sheila Sykes

The Deputy Bailiff: Members of the States, you will have been very sorry to learn of the death on 22nd June 2017 of former Alderney Representative Eileen Sheila Sykes.

15 Eileen was born in Alderney at Les Venelles on 10th February 1927, the daughter of John Burke and Lilian Burland. Her childhood was spent in Alderney but at the age of 13 she was evacuated to England on board a Royal Navy ship, just days before the start of the German Occupation of the Channel Islands. She spent the war years in Glasgow, and she forged strong and lasting links with many people in Scotland.

20 She returned to Alderney in May 1946, just five months after the first group of Islanders had returned. The annual commemoration on 15th December of Homecoming Day always meant a great deal to her.

25 Eileen was just a few months younger than H.M. The Queen, and recalled with joy the first visit to Alderney in 1949 of the Princess Elizabeth, as she then was, and the Prince Philip. At that time she was employed as secretary to the owner of a business called Island Gardens. Later she was employed as a civil servant by the States of Alderney.

She served as a Member of the States of Alderney from 1981 to 1995, during which time she held office as Vice-President of the States and Chairman of the Finance Committee. Her portfolio also included health and welfare matters.

30 In 1989 she was elected as one of Alderney's Representatives in the States of Deliberation and she continued in that role until 1995. At that time it was not expected that Alderney Representatives would serve on Guernsey States' Committees; however, Eileen was elected as a member of the Committee to investigate the provision of a ceremonial sword or mace. Eileen was

a leading member of the working party set up to review the financial relationship between Guernsey and Alderney. It was following the publication of that report that Alderney Representatives were encouraged to speak, and vote, on all matters before the States of Deliberation. Prior to that report, by tradition, they only spoke and voted on matters considered to be of direct relevance to Alderney.

She was also a Member of the States of Election for the election of Conseillers until universal suffrage was introduced for that office in 1994.

In 1948 Eileen was chosen as Miss Alderney. Her passion was for the Island of Alderney, and throughout her life she always sought to do her best for the Island and its people whether as an elected politician, public servant or lifelong resident.

She is survived by a daughter, Alison, to whom we extend our sincere condolences.

Will you now please join me in rising to honour the memory of Eileen Sheila Sykes.

Members stood in silence.

The Deputy Bailiff: Thank you all very much.

Billet d'État XII

POLICY & RESOURCES COMMITTEE

I. Policy & Resource Plan – Phase Two – Debate commenced

Article 1.

The States are asked to decide:

Whether, after consideration of the Policy Letter of the Policy & Resources Committee entitled 'Policy & Resource Plan - Phase Two', dated 22nd May 2017, they are of the opinion:

1. To approve the approach detailed in the Medium Term Financial Plan (appendix 1) for achieving a return to an underlying financial surplus by 2019 through a combination of savings targets and income measures totalling approximately £40 million and to direct the Policy & Resources Committee to take account of the Medium Term Financial Plan when formulating proposals for inclusion in annual Budget Reports.

2. To approve that the General Revenue Appropriation to the Capital Reserve should be the lower of that which achieves an overall annual investment of 3% of GDP or an amount that results in a balanced budget position.

3. To direct the Policy & Resources Committee, when the General Revenue Appropriation to the Capital Reserve achieves an overall annual investment of 3% of GDP, to include proposals in the annual Budget Report for use of any surpluses, to replenish other States' Reserves (having regard to the policies set out in propositions 4 and 5) such as the General Revenue Account Reserve or the Core Investment Reserve, or to invest in service developments, the Future Guernsey Economic Fund, the Transformation and Transition Fund or new services.

4. To approve a policy for the target balance of the General Revenue Account Reserve of 5% of annual General Revenue Income.

5. To approve a policy for the target balance of the Core Investment Reserve of 100% of General Revenue Income.

6. To approve the Capital Portfolio as per the projects listed in tables 26, 27 and 28 of appendix 1, classified as small; medium; and large projects.

7. To approve that the process contained within paragraphs 8.6 to 8.15 of appendix 1 is adopted as the approval process for capital projects.

8. To delegate authority to the Policy & Resources Committee to approve opening capital votes for any project with a value not exceeding £2 million, funded from the Capital Reserve.

9. To delegate authority to the States' Trading Supervisory Board to approve opening capital votes for any project with a value not exceeding £2 million, funded from the Ports Holding Account.

10. To approve the projects listed in paragraph 8.23 of appendix 1 as pipeline projects.

11. To direct the Policy & Resources Committee to work with Principal Committees to refine their policy plans to the extent needed to enable the prioritisation of resources to take place and report back to the States of Deliberation as part of the 2017 Budget Report.

12. To reaffirm that staff resources will be deployed across the organisation as necessary in accordance with the priorities of the States.

13. To approve the policy plan of the Policy & Resources Committee as set out in appendix 2.

14. To approve the policy plan of the Committee for Economic Development as set out in appendix 3.

15. To approve the policy plan of the Committee for Education, Sport & Culture as set out in appendix 4.

16. To approve the policy plan of the Committee for Employment & Social Security as set out in appendix 5.

17. To approve the policy plan of the Committee for the Environment & Infrastructure as set out in appendix 6.

18. To approve the policy plan of the Committee for Health & Social Care as set out in appendix 7.

19. To approve the policy plan of the Committee for Home Affairs as set out in appendix 8.

20. To rescind the extant States' resolutions set out in appendix 9.

The above Propositions have been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications in accordance with Rule 4(1) of the Rules of Procedure of the States of Deliberation and their Committees.

The Deputy Greffier: Article I, the Policy & Resource Plan – Phase Two.

50 **The Deputy Bailiff:** Members of the States, before I invite the President of the Policy & Resources Committee to open debate on the only item of business for this meeting, can I make a few preliminary observations.

Because it is summer, each day once the roll call has been completed, but not before, Members may remove jackets, and other outer apparel, to make themselves more comfortable if they wish.

55 On your desks you should have a pack of amendments, 30 in total have been submitted, which comply with Rule 24. Now it is fair to say if you flick through them that they are not all uniformly formatted etc. I have exercised some latitude here, because none of them will be ruled out of order for non-compliance, but I take this opportunity to remind you of H.M. Greffier's directive, which was issued on 20th May last year, setting out the formatting font etc. and use of line spaces, 60 in respect of Propositions, and that by virtue of Rule 3 paragraph 23, those terms of the directive must be complied with. This is a warning that in future strict adherence will be expected.

Following representations and having taken advice, you have been circulated with a list in which I propose to take the amendments, that list currently remains unchanged.

65 The sitting hours for the States are set out, as you know, in Rule 6. Naturally, I intend to follow them, certainly for today, but I do plan to take stock as the days pass, depending on how debate is going. You are simply being given advance notice that there might be some Propositions to change sitting hours as the need arises.

With that as an introduction, I invite Deputy St Pier, the President of the Policy & Resources Committee, to open debate.

70 Deputy St Pier.

Deputy St Pier: Thank you, sir.

Mr Deputy Bailiff, one of the most important historical statements of government intent is the Gettysburg Address delivered by President Abraham Lincoln on 19th November 1863. In that
75 address he set out the values that still provide the DNA of US politics and government to this day, over 150 years later. His speech took him two minutes to deliver. Brevity, vision and clarity of purpose can be compatible. What is, however, often overlooked is that for the two hours before Lincoln's address Edward Everett gave the Gettysburg Oration; it was no less important at that time, but it was, of course, much, much longer. Without the longer introduction, Lincoln, despite
80 his many gifts as a leader and speaker, may not have been able to make quite such a compelling case in quite such a direct and concise way.

The Policy & Resource Plan, all 357 pages of it, on which we will start debate today, clearly owes much more to Edward Everett than to Abraham Lincoln. (*Laughter*) It sets out the policy priorities of the Principal Committees, as well as those of the Policy & Resources Committee. It
85 sets out the Medium Term Financial Plan, which is the financial and public spending framework within which those priorities need to be met, and it sets out the Capital Portfolio which, as it progresses, needs to support the priorities that this States' Assembly agrees. It is a considerable amount of detail. In many places there is too much detail, but let's be positive, it shows we can work together to address these objectives that in November we agreed as an Assembly, by an
90 overwhelming majority. It shows how we are committed to, and will ensure, the future financial and fiscal stability of our community. It shows how we will make decisions to invest in our community, in our infrastructure, and in our economy. It sets out our plan to improve our community and to strengthen our economy. Guernsey is great today, and the Plan is how we can make it even better tomorrow.

95 The Policy & Resource Plan process was set out in the recommendations of the States' Review Committee in 2016, which the States' Assembly approved. The process and timings have been embedded into our Rules of Procedure. This then is the Assembly's process carried out to the Assembly's timings.

The Policy & Resource Plan is our collective Government-wide response to the challenge we
100 have been given, to maintain a consensus form of Government, and to build stable prudent and joined up Government policy, which is supported by requisite resources. How have we achieved that? Well, we probably have not yet. But, I firmly believe we are heading in the right direction. Yes, at present there is too much detail. Moreover in some places the resourcing has not been made clear, and cannot be made clear, at this stage. The Committees have proposed over 200
105 different initiatives, and, of these, only around 80 have clearly identified resource to support them. That will give the Assembly an indication of why further prioritisation work is proposed in the policy letter.

It is fair to say that it has been collectively a challenge to remain focussed on the bigger picture, but what we also have too is the basis of a short clear and prioritised plan, where progress
110 against it can be measured and reported on. As the policy letter states, following this debate the Policy & Resources Committee will refine the Plan and assess the allocation of resources and bring it back to the States.

I know too that some Committees are continuing to refine their own plans, further to that which will be debated this week, and I know, for example, the Committee for Economic
115 Development is completing a further prioritisation of its plan, a move which Policy & Resources supports and welcomes.

The States have agreed a clear vision, a happy and healthy community, a safe, stable and inclusive community, with strong economy and sustainable public finances. We have chosen collectively to set that out in the equivalent of Everett's Gettysburg Oration. After this debate and

120 after a short period of further work we will come back with the equivalent of Lincoln's Gettysburg Address in November with the Budget Report. It may not guide us for 150 years, but it will for the next four.

Sir, I think this will be a complicated debate, even by our standards. While I would, of course, never be so presumptuous as to put words in your mouth, sir, I presume you will agree with me
125 that what we are looking for in terms of contributions is more Abraham Lincoln than Edward Everett. Two minutes if we can and definitely nowhere near two hours.

Before moving to the Medium Term Financial Plan, a reminder: many of the elements of the Committee's plans will come back to the States' Assembly for further consideration in due course, so, please, let's try not to get too bogged down in the minutiae.

130 Sir, I am going to turn now to introduce the Medium Term Financial Plan, it is based in reality and deals with evidence-based forecasts. Income growth underpins public service provision, but is particularly challenging to forecast. We have deliberately taken a prudent approach to growth in this plan, in order to ensure the forecasts are realistic and deliverable. We could have assumed a level of growth of say 2%, which does not sound unrealistic, and this would have halved the gap
135 to close and therefore the need for revenue raising and savings in the cost of public services. It would have looked good on paper and also probably made this debate a little shorter. However, we could have been accused of being overly optimistic about the ability to grow our way out of the deficit. Had economic growth, in fact, delivered the increased revenues forecast at the time of the introduction of Zero-10, the deficit would not have persisted beyond three or four years, and
140 we would not find ourselves with a structural deficit today. Not planning for substantial growth in our economy and tax receipts certainly does not mean that it would not be welcome.

As set out on page 94, we have recognised that any upside growth will help remove the deficit earlier than forecast and could lead to reform dividends being available to fund prioritised initiatives earlier rather than contributing to recovering a balanced base line.

145 The Policy & Resources Committee has sought to create the right environment for growth through, amongst other things, making funds for investment in infrastructure, ensuring an environment of financial stability, and providing funding through the Future Guernsey Economic Fund, along with a means for replenishing that fund. The policy plan for the Committee for Economic Development must now give the blueprint for delivering that growth through the
150 diversification of the economy, the development of infrastructure links, the attraction of new business to Guernsey and supporting industry specific policy development. Nothing would give me greater satisfaction than to report back to the States in an annual progress report that we need to amend the plan because we have experienced greater growth than planned. My Committee has no appetite for raising taxes any more than is strictly necessary. **(A Member: Hear, hear.)** However, to assume such growth now would not be prudent, and it certainly would not be
155 realistic.

It has previously been recognised that there are long term pressures on the structure of our tax base, as a result of changes to the make-up of our population. The Personal Tax and Benefits Review that was brought to the States just over two years ago, considered these long-term
160 pressures in detail, and resulted in some of the fiscal policies now being delivered and underpinning this plan. People are living longer, and as a result demand for health and social care services will, without intervention, increase. This will place pressure on our financial, physical and human resources. This plan begins to make allowance for these changes, but the effects will be much longer term in nature, and stretch beyond its period.

165 Likewise the working age population, which staffs our services and provides the majority of the tax revenues that pay for them, is becoming smaller. There remains every indication that it will continue to shrink in the longer term. This means that our dependency ratio, the number of non-working people each member of the working population is supporting, is rising. This combination of pressures still has significant implications for our long-term fiscal stability. Initiatives such as the
170 transformation of health and social care services, or the Supported Living and Ageing Well Strategy, will be critical in helping to manage the demand for public services.

There may well also be a need for longer-term structural changes to the tax base in order to improve its sustainability for our Island economy. Those are not challenges that are being ignored. This plan allows the States, for the first time, to consider a medium-term view of the fiscal position. This should enable Members to focus on the higher level strategic challenges and opportunities in a way that is not possible in considering a one-year budget, the focus of which is inevitably more tactical operational and in much greater detail.

Although this is the first time that a robust medium-term financial plan has been put together, it is not the first time that the States has been asked to consider longer-term financial challenges, which is why the recommendations arising from it are not radical. There is simply no evidence to support the need to be more radical in this period, or to change the trajectory the States are now on.

Members have suggested to me that we should be raising more money, and we will come to the amendments in that regard in due course. However, my Committee has no desire to take any more revenues out of the Guernsey economy than are absolutely necessary to run the public services that we have come to expect. (**A Member:** Hear, hear.) We also recognise the need to ensure that those public services are run as efficiently as possible, are structured in a way that is sustainable for the future, and that minimises the drain on taxpayers' pockets.

That is why my Committee is recommending that the burden of closing the financial gap and returning to a balanced position is shared between a reduction in the cost of public services and an increase in the revenues raised from the Island community.

Sir, we do not underestimate the challenges that delivering on this plan will present, both raising the additional revenues which amount to a further 3p on every £1 raised, or in reducing the cost of public services by approximately 7p in every £1 currently spent. These are not easy tasks.

This Assembly has signed up to raising additional revenues as far as possible from individuals and entities most able to bear the burden, and the plan sets out some of the measures the Committee is progressing in order to do so. However, defining those most able to bear the burden will inevitably be subjective and result in differences of opinion. When it comes to reducing public sector expenditure, we must all be bold and brave, prepared to think differently about how, where and by whom public services are delivered. If we are not prepared to change the model of delivery then I accept we will fail. If we are not prepared to focus on the outcomes of the services we deliver rather than the way that the inputs are managed, we will fail.

Responsibility for making the reform of public services a success is not Policy & Resources' problem, it is not simply a challenge for the Chief Executive.; it lies with each and every Member of this Assembly. The policies that we put in place will have a powerful influence over the costs, effectiveness and delivery of public services.

One of the concepts set out in the framework for public service reform was that of a reform dividend, achieved when a strong underlying financial performance allows savings to be reinvested in the services where they are needed the most.

As set out in the Medium Term Financial Plan, given the scale of the funding gap, it is necessary to accelerate the delivery of savings through the transformation of public services, and to use those to close the underlying deficit in the first instance. The need for savings to be delivered swiftly should absolutely not be at the expense of their sustainability. We are interested in savings generated through changing our public services, by how or by whom services are delivered, or through embracing new technology where that has benefits.

Counterintuitively, this may also require us to invest in our services for the longer term. In health and social care, for example, it may be necessary to invest in social community care, in order to reduce the burden on the secondary health care system.

Not only does the Policy & Resources Committee support this type of upfront investment to deliver sustainable services, it also supports the need to reinvest savings, and we have signalled this through the plan, delivery of which will ensure there is an additional £7 million available for reinvestment, by 2021 – £7 million a year by 2021.

What we have not yet done is consider the most appropriate mechanism for reinvestment, or whether such decisions should be made at Committee or States' level, or a combination of the two. We now intend to work with the Principal Committees to agree a mechanism which will maximise the savings released, and ensure that funds are reinvested where they are most needed. Having listened to some Members' concerns, we recognise that we need to both involve and incentivise Principal Committees when building and prioritising their budgets, particularly when those savings opportunities have not yet been identified, and we will report back to the States with firm proposals in the 2018 Budget Report.

Sir, another important element of this medium-term plan is about investment in our capital infrastructure. The Committee sees delivering on the requirement to fund capital expenditure at the fiscal framework rate of 3% of GDP per annum as a priority. This plan enables delivery of that objective through a combination of investment returns, property sales, returns from our trading assets, and transfers from general revenue.

The reruns from our trading assets have been estimated at some £30 million over the period. That sum, while untested, reflects the opportunity to remodel the capital structures of those assets, in order to return funding to the States, the owner, over this period. It is our expectation that a more commercial mind-set provided through the States' Trading Supervisory Board, under Deputy Parkinson's leadership, should also result in longer-term sustainable revenue streams, but we cannot yet estimate these. The STSB has already commenced work to verify the numbers, and the Policy & Resources Committee stand ready to support this work in any way that would be of help.

Making funding available for capital investment is only part of the equation, the Capital Reserve has been built up so that assets can be built or bought. There has been criticism over recent years that the process for the development of capital projects has been too cumbersome and time consuming. We still believe that there is a need to ensure that projects are well planned and will deliver not only on time and on budget, but also deliver a value for money asset. However, we are seeking to address the criticism levelled with a proposal to scale the approvals process in order to get things moving. Lower value, lower risk projects should, in our opinion, be able to progress more quickly and with a lighter touch, once this Assembly have approved their inclusion in the portfolio. In contrast we believe that the States must be more involved in guiding the scope and direction of the larger projects in order that they deliver what this Assembly wants.

Following last year's Budget debate, the States resolved to consider our Capital Portfolio in three categories: maintain, transform and grow. Funding was allocated to these according to the scale of the projects, but also their relative priority. For that reason, significant sums were allocated to the transform and grow categories. The transform category remains oversubscribed, indicating the range of projects seeking to underpin the transformation and the delivery of public services. However, there remains a significant under subscription in projects within the grow category. We believe it is inevitable that a focus on the need to develop growth in the economy will result in projects emerging in this category, which could then be admitted to the Portfolio. For example, during the capital prioritisation process a new project has already emerged around the development of the Seafront in St Peter Port, and I hope that more will follow.

Over time we should aim for the majority of our investment being either about growth or transformation. Although it is vital we maintain our infrastructure, the need to replace can often present an opportunity for change which should be embraced. This capital plan should allow States' Members to focus on the big stuff. We need to invest our time and attention on strategic decisions that will affect future generations and allow the smaller more tactical decisions to be taken at the lowest appropriate level.

Sir, concluding my remarks on the Medium Term Financial Plan, I will say this, the plan has been put together on the basis of returning to financial balance in the short term, and surplus after that, whilst complying with the fiscal policy framework. It is not radical, but only because it does not need to be, in order to achieve our objectives. It is underpinned by prudent economic assumptions, given global uncertainties, so hopefully allowing us to be pleasantly surprised on the

upside, but despite that prudence it is achievable. We are planning for success through raising revenues where necessary, and reducing the cost of public services delivered today. This will allow us to invest where we need to, in capital assets, the reform of welfare benefits, the rising pressures in health and social care, and the development of public services for the future. All of that will give us the platform required for the long-term future.

Sir, turning now, in the home straight, to the Policy Plans. It is clear that Committees have looked to Phase One, Future Guernsey, in order to come up with their policy priorities over the next four years. In this sense the approach we have taken has been a success, because it has ensured that we are all working towards the same outcomes – ones that we have agreed collectively and will now work together to deliver. However, in some respects we are perhaps at risk of becoming the victims of our own success, we are all so keen to turn our aspirations into reality that we have, collectively, set out a programme that will require more resources than we have, certainly in the time scale we are looking at. But, rather than seeing this as a problem I think we should celebrate the fact that we now have a clear direction of travel, we are working together towards shared goals – two significant positive factors that, I would suggest, were not evident in the recent past.

Building on this positive start, our next task must be to look more closely at what is realistically achievable over the next four years. Just as the capital prioritisation process took several years to develop and mature, we must all recognise that the policy prioritisation process will also need to be refined.

Over the next couple of months Policy & Resources Committee will lead the process of that refinement. We will be asking you all to take another look at your priorities and consider whether any could be curtailed or rescheduled, and will be providing support and assistance to drill down into the areas we need to look at, such as benefits, risk and impact. The first pass will give us enough information to include an update with the Budget Report in November setting out with more clarity and certainty the priorities on which we should be focussing.

Of course, activity will not stop there: the Policy & Resources Committee will be reporting on progress against the Plan annually, starting in June next year. This will provide the States' Assembly with regular progress updates on the Plan, and ensure that we are all held to account for its delivery. It will also provide regular opportunities to sense check the Plan, and reaffirm our priorities, and to inform us when we need to make difficult decisions.

As to P&R's own Plan, clearly one of the most significant priorities for us over the coming years will be developing the response to threats and opportunities coming from Brexit. This will be based on the priorities and objectives approved by the States in June 2016, immediately after the referendum, but with a need to be flexible in response to the, no doubt, very rapidly changing landscape as the Brexit negotiations progress.

Another priority will be implementing the Medium Term Financial Plan, which I outlined earlier. The responsibility to develop new policy in these areas will need to sit alongside the primary role of our Committee: to support and co-ordinate policy development across the States, providing the leadership needed to successfully deliver the outcomes of the Policy & Resource Plan. As such, it is logical that our Plan includes priorities focussed on support of other Committees in delivering and implementing policy. For example, the Committees included in our priorities need to support the development of social and health strategies such as the Children & Young People's Plan, and the Supported Living & Ageing Well Strategy.

We think that our Policy Plan is deliverable, within its existing resources. However, this is based on supporting the overarching priorities as set out in the Policy & Resource Plan. Any significant changes that would require additional support to the Principal Committees may result in resources being spread too thin, and this is why we are seeking to reaffirm this Assembly's commitment to the principle that appropriate staff resources can be deployed across the States as needed to achieve the priorities of the States as a whole, and this would, of course, need to recognise the needs of all service areas involved.

As we are all too aware we, as a Government, and our community are facing complex challenges. In order to thrive as an Island and move towards achieving our vision of being better tomorrow, we really need to do things differently, and collectively. This is a Plan for the whole of Government, not a collection of separate Committee plans, and we need to continue to approach it in that way.

Sir, this opening has been neither Lincoln nor Everett, but I hope it has appropriately set the scene for the next few important days' debate on this Government's programme for the next four years.

The Deputy Bailiff: Members of the States, we will now turn to the first of the amendments, and it is going to be amendment numbered 26, and I invite Deputy St Pier as the Member who wishes to lay that amendment, to speak to it complying with Rule 24(3).

Deputy Greffier, if you will read it please.

Amendment 26.

Between Propositions 1 and 2, to insert a new Proposition as follows:

'1A. To direct the Policy & Resources Committee, in developing its proposals for income measures from 2018 onwards, to consider the merits and disadvantages of any new forms of taxation, with the exception of taxes on capital; this recognises that there will be a clear presumption that over this period (in light of the island's changing demographics) the tax base will broaden and diversify consistent with the principles of seeking a greater contribution from those individuals and entities most able to bear the burden.'

The Deputy Greffier read the amendment.

The Deputy Bailiff: Deputy St Pier.

Deputy St Pier: Sir, this amendment seeks to address concerns underpinning the amendments numbered 6 and 18. It picks up the language in those amendments with which P&R is very comfortable, in particular a presumption that we will diversify our tax base, and the burden should be borne by those with the greatest ability to do so, and leaves out the parts that we find wholly unacceptable.

Although we were, in fact, happy to support amendment 18 as drafted, we hope that Members will now support this amendment in place of both amendments 6 and 18, if they are laid.

Amendment 6, in essence, would reopen the Personal Tax Pensions and Benefits Review that concluded in April 2015 – this document here. The States had the opportunity during the debate of several amendments, including one laid by Deputy Soulsby, from memory, to consider tiered and higher rates of Income Tax. The debate concluded with a decisive rejection by the States of increased rates of personal tax and a consumption tax. Does this States wish to signal that it can show no discipline in adhering to prior decisions for even a reasonable period of time? Having made those decisions only two years ago, just like last week on Island-wide voting, (**Several Members:** Hear, hear.) the States needs to stick to them. To do otherwise risks bringing the States of Deliberation and the jurisdiction into disrepute, impacting on our community's confidence, and business confidence. Neither of which we can risk, especially with so much uncertainty around, not least in the UK – our major trading partner.

Now is not the time to put a baseball bat to our competitive advantage. While our economy has improved, growth remains weak and is sensitive to heightened risk of Brexit and UK political uncertainty. The future productive capacity of the economy would be better served by Government addressing the strategic challenge of improving transport connectivity, about which we have another amendment, than creating negative headlines and social media comments consumed well beyond the Island suggesting we are becoming less business-friendly. It is not about putting business interests first, it is about recognising that without a business friendly

environment new business does not come, and established business does not stay, and if they do not stay they do not grow. The negative impact of that lands squarely on hard working people on their job security, their salaries and their ability to save. It impacts on public finances as revenues start to fall short of expectation.

Focussing on headline rates of Income Tax is naïve; focus instead on effective rates. Nobody currently pays 20% – their effective rate is lower because of personal allowances and tax deductions. A single person earning median earnings with an average mortgage will have an effective tax rate on earnings of 10.4%. A couple with median household income and an average mortgage will have an effective tax rate on their earnings of 9.5%. The States has, and can, target an increase in the effective rate of taxation on those with the broadest shoulders, by revising or withdrawing allowances and other deductions. That is the smart way to develop a new more progressive system. We do not need to touch the headline rate of 20%.

This amendment expressly excludes the taxation of capital from our tax system. We have never done so, and do not believe that we should start now. The taxation of capital assets, not just capital gains but assets, would fundamentally change the fiscal and economic business model on which this Island has been built in the last 50 years. International norms increasingly mean we are expected to treat residents and non-residents equally. So if we tax residents' capital assets we could be expected to tax non-residents' capital assets – in other words, the assets of the clients of the financial services industry – this would be unprecedented for a financial services centre. We may as well put a sign that says, 'Closed for business'. So the reason for this amendment is that we think it would be very sensible for this Assembly to take this opportunity to reaffirm its intention, through the amendment, to not tax capital assets. (**A Member:** Hear, hear.) To do so would not only be devastating for our major industry – financial services – it would also be very bad for ordinary hard working Guernsey families right across our community who do the right thing and save for their family's security in the future. What do they want or deserve? I suggest they want the States of Guernsey to transform its cost base and focus on priorities, not taxing their capital. Should they strive harder for their futures or should we?

Please support this amendment.

The Deputy Bailiff: Deputy Stephens, do you formally second the amendment?

Deputy Stephens: I do, sir, and I would like to take my opportunity to speak.

The Deputy Bailiff: Well, let's see if anyone else rises first?

Is anyone invoking any Rules?

Deputy Stephens then, to be followed by Deputy Roffey.

Deputy Stephens: Thank you, sir.

I remember in a debate some years ago now, when Deputy Trott said that he never could, with any confidence, predict how I might vote on any matter at all. Members may of course interpret that comment in a variety of ways. I accepted it as a compliment. But later, Deputy Trott added that he thought that I liked to make up my own mind. I would make a further addition to that, I like to make up my own mind having reviewed what evidence I can find to help me. In supporting and seconding this amendment, my approach has been exactly that. So, while my view on the other potential tax raising amendments to the Medium Term Financial Plan, identified by Deputy St Pier, is the same as my colleagues on Policy & Resources Committee, the way I have come to that view is, as always, to test the evidence for myself. To comfort Deputy Trott at this point, for him to be clear, my position is to second the amendment because it gives me the opportunity to underline how it underpins the Medium Term Financial Plan rather than detract from it.

I wanted to speak early in the debate, because my reasons for taking this view might be a little different to one or two of the rest of my Committee. I never forget that I hold a very privileged position, in that, as well as P&R Committee, the work I do gives me access to, and insight even,

into the working of at least four Committees who provide benefits and pensions, and health and care, and justice, and rescue, and education and training services, to mention a fraction of what they do. Because I have the P&R lead on social policy, I meet many of the States' service users – people who have worked hard, people who have saved hard, in order to be secure or to improve the lot of their families. This is equally the case in my other principal role, when I go out into the community and work with the third sector.

Now, I know that there are many things the people I meet want the States of Guernsey to do, but one thing I am absolutely sure of is that they do not want us to raise their taxes, they do not want to pay more Income Tax, they do not want a capital tax or an inheritance tax that unfairly penalises them or their families for doing the right thing, which is saving and standing on their own feet.

Now, as a Member of P&R I am very willing to seek opportunities to broaden and diversify the tax base, and I believe that the greatest contribution should be from those who are most able to contribute, but any move to make broad brush strokes across the tax base canvas are not needed at this time. What the people I meet do want from the States is consistently good public services, and I agree with them.

Although I am at arm's length from the social policy Committees, I very much respect and value the work they do to provide appropriate services. I agree with the aspirations of many Members in this Assembly to deliver the best service we can through an orderly, costed and funded delivery mechanism. I do not think that the desire for consistently good services is incompatible with the principles of the Medium Term Financial Plan – in fact quite the opposite. This Plan commits the States of Guernsey to transform and change the way it does things to achieve £26 million of recurring savings, but that is not at the expense of the services.

So, let me repeat, this is not about cuts to services, it is about changing the way the public sector works and cuttings its cost base. That is not incompatible with improving our social policy and our service to the public.

Sir, I would like to give the Assembly four reasons, evidenced in the Medium Term Financial Plan why I say that improving social policy is not something that has been passed over. It is part of the plan.

First, Members should remember that the Medium Term Financial Plan includes provision for the implementation of the SWBIC recommendations from 1st July 2018, and this is very welcome news for many of our community who receive some support from the States.

Second, Members should remember that the Transition and Transformation Fund contains a ring fenced amount of £¾ million to support policy development. Which means it can support the further development of the Supported Living and Ageing Well Strategy, the Children & Young People's Plan, the Disability & Inclusion Strategy and others. Committees have evidenced in their Committee plans that they have not reneged on any previous promises in respect of those strategies.

Third, if Members are to turn to page 54 of the Medium Term Financial Plan and view table 2, it shows that if the States sticks to its plan, by 2020 it will have unlocked £3.5 million of additional funding for new service developments, and by 2021 a further £3.5 million. That is £7 million that the Medium Term Financial Plan will unlock to be invested in new or improved services. At this stage today I am assured by officers at Policy & Resources that there are no new service developments awaiting funding. However, it might be that important initiatives already on the horizon in this way, such as the Equality & Rights Organisation, that it is a central part of the Disability & Inclusion Strategy, may need to be progressed as a new service. So, do we need tax increases on hard working families to fund social policy development or new service developments? At this stage and given the commitment in the Policy & Resources Plan and the Medium Term Financial Plan, the answer is emphatically no. Through prioritising, transforming, and putting resources in the place where they are most needed, we can minimise the need for any new taxes.

470 If evidence had showed that the potential to deliver what we have committed to had diminished in recent times then my view would be very different.

While, this is maybe not the best of times, quite clearly in terms of that potential for targeting resources to effect transformation it is certainly not the worst of times, and it is possible to trace trends that indicate an improving positive position.

475 I ask Members to vote for this amendment as a statement of P&R's intent.

Thank you, sir.

The Deputy Bailiff: Deputy Roffey.

480 **Deputy Roffey:** Thank you, sir.

Whilst I obviously must limit myself entirely to this particular amendment, I have to respond to something that has just been said in debate on this amendment by Deputy Stephens. She said that she is convinced that in order to bring forward the programmes we need and in particular, I think, the social programmes we need, there was no need for increased taxes. I find that hard to square with the fact that her Committee, that she is serving on, is proposing exactly that in this Plan. Is she saying that we should vote against the one third contribution from extra taxes, because that is what I just heard her say – that no tax increases were necessary? I do not know if she will have a chance to clarify that during the next four days, I am sure she will.

I do certainly agree with Deputy St Pier that our taxation should be as low as it possibly can be consistent with providing good, decent public services. I think we will all agree with that. Our subjective definition of what is required may emerge, I think, as we go through the amendments.

Coming back to this one in particular, I do intend to support it, but with four caveats.

The first is I have to say, sir, I deprecate the fact that although the Rules of Procedure allow it, we have seen a suite of absolutely eleventh hour amendments from P&R (**Several Members:** Hear, hear.) to what they said. Listening to Deputy St Pier this morning, this was one of the most important documents steering our way through the next four years. It is not P&R's Plan: it is this Assembly's Plan. We have to be comfortable with what we sign off, and yet late yesterday evening I became aware of a number of amendments that will significantly change, if carried, what we are approving, and what we are signing ourselves up to for the next four years.

I think the Rules have to be that way, but those of us that want to bring amendments from outside had to do so ages and ages ago. I think they could have done any amendments that they chose to file at least two or three days in advance, so that we had time to clear our thoughts. It does strike, as somebody said to me, a little bit like the A&F of the 1980's who thought do not give them time to think about things, put it on them at the last minute. So that is my first caveat, although I am going to support this amendment.

My second caveat is: I have to agree that we are, as a Government and as a community, far too dependent upon Income Tax for safety's sake. I think it is not sound to be quite so dependent on Income Tax. But, in going through this examination, I hope we do not swing too far in the opposite direction. Income Tax is to my mind, by a country mile, the fairest way this Island has of raising revenue, and I would not like to see us – although it would be nice and attractive from having the resilience of the tax base – go a long way in the opposite direction. I think we would risk being less fair.

My third caveat relates to taxes on property, because I am sure that that will be something that will be considered in depth. I do worry about putting too much in the way, certainly of TRP, on family homes. I know I have heard Members of this Assembly, senior Members of this Assembly, dismissively say, 'Oh, it is only about £200 for an average house.' That is about the weekly pension if people are living on it, and there is a huge tranche of people in this Island – I see some people smirking because they have heard this from me before, there are a tranche of people in this Island – who are asset rich in the form of the family home, and only the family home, and yet cash poor, and for whom that family home is an integral part of who they are. It really is. They have raised their children there, their grandchildren have visited there; in some cases the home has been in

the same family for generations. If we tax the family home too highly what will they do? They will not do what Members of this States think they should do – downsize, release their equity, go and live on a decent income in a much smaller unit of accommodation – they will pay that tax and just be even poorer than they were before, because that house is so important to them. Telling them, 'If you cannot afford it, sell it,' is a bit like saying if you cannot afford your kids put them up for adoption. Okay not quite that far, but it is a spiritual part of who many people are.

'Oh that is the week's pension gone in moments,' seem to be increasing. Electricity always was one of those, 'Oh that is this week's pension gone in moments'. Water bill never was, because it was supported, waste water was supported by general revenue, Income Tax - largely paid on the basis of people's ability to pay. We have now put that on the user. That is another for the pensioner in a family home. That is my week's pension gone in a moment. TRP is now that is a moment's pension gone. If we double it that would mean this week's and next week's pension gone in moments. I know people think that they can just socially engineer and get people to move; I do not think they will. So that is my third caveat.

My fourth one, before sitting down and supporting this amendment wholeheartedly, was actually given rise to by Deputy St Pier's speech in favour of it. We ought to support this because we must not depart from the findings of the Personal Pensions Benefits and Taxation Review – other way round, isn't it, Personal Taxation Benefits and Pensions Review. I do. I thought it was a shabby, rotten piece of work. I have no intention of buying into it. It was obviously predicated on GST; it was the big elephant in the report. You read it- it was all built around GST. They got scared of the horses, and I am glad they did because I do not like GST, and withdrew that at the last minute. It made no logical sense; the whole thing was a lash up, and yes I will support this amendment, but do not think it is because I am buying in to that review. I do not. I 100% do not buy into that review.

Deputy St Pier: Sir, point of order.

The Deputy Bailiff: Deputy St Pier, point of order.

Deputy St Pier: For factual information given by Deputy Roffey, sir.

The Deputy Bailiff: I do not think that is going to be a point of order. It might be a point of correction.

Deputy St Pier: Point of correction then, sir.

The Deputy Bailiff: Point of correction.

Deputy St Pier: Point of correction.

Sir, Deputy Roffey said that the proposals in relation to GST were withdrawn; they were not withdrawn, they were voted down by the Assembly, 28 to 18.

The Deputy Bailiff: Deputy Fallaize, to be followed by Deputy Brehaut.

Deputy Fallaize: Thank you, sir.

I want to say it now, because I think it is going to become a theme of debate.

The Policy & Resources Committee must not be allowed to get away, in this debate, with presenting itself as the arch tax cutters, and that there are other Members of the Assembly who are trying to raise taxes, because as Deputy Roffey said, the Policy & Resources Committee itself is proposing additional taxes, of £14 million per year, recurring, every year, year on year, on year. So the issue is not whether there need to be increases in States' revenue, which can come largely through taxation, because the States have already made that decision; the issue is where does the

balance sit, between – or first of all how much additional revenue needs to be raised through a combination of increasing taxes and cutting spending? Once you have made that decision about the global amount, where should the balance sit between cuts and increases in taxation? But, P&R is on that spectrum. They are not somewhere else, divorced from the rest of the States saying we are trying to stop these other States' Members from raising taxation, but they just will not listen to us. The Policy & Resources Committee itself is proposing increases in taxation and they are not insubstantial.

I am not sure why P&R is quite so concerned about ... it is amendment 6 and then another one that is similar but just – amendment 8, amendment 6 and 8 ... (**A Member:** Eighteen.) 18, sorry. I understand they are concerned about the wording of those amendments, but I am not so sure why they are so concerned about debating them. Because if their arguments are strong then they can defeat them in the debate. This is a sort of pre-emptive strike to try and defeat the amendments without even debating them.

I am in favour, and I think it is part of the job of Policy & Resources to try and seek compromise, or consensus, between Committees and between various parts of the States, I have no problem with that, and there are times when it can be quite valuable, but I also think there are times when it can go too far, and some of these amendments that have been circulated overnight by the Policy & Resources Committee, I think, are an attempt to stifle debates that the States need to have. We cannot constantly –

I will give way to Deputy Yerby.

Deputy Yerby: For Deputy Fallaize's peace of mind, I will make it clear that I still intend to lay amendment 6, regardless of the outcome of this debate.

Deputy Fallaize: Jolly good.

But there are a lot of these amendments from P&R which, essentially, try to put back difficult awkward debates to another day. Well, let's not give any kind of preliminary consideration to whether we think there is a case for investigating the extending of our runway, let's push it back and have a review. Let's not have a consideration about whether there should be taxes on capital assets, let's push that out; let's not have a list which tells us that we might want to extend taxation into areas of land or property, or environmental taxes, let's have some generic assumption that will broaden the tax base and then kick the difficult decision into another day. I do think there is a bit of a flavour of that, about some of these amendments.

This one in particular, I am not sure I am going to support it, because the second part of it says ... I do not really have a problem with knocking out capital assets from the list, and in fact if the States were to vote for Deputy Yerby's amendment 6, they could then vote against the capital assets bit of that amendment, when we vote on the Propositions at the end of the debate. It is not so much that part of this amendment, the first bit up to semi colon, which concerns me; it is the next bit, because I keep hearing from Policy & Resources Committee there is a commitment to broadening the tax base. But the only idea they seem to have come up with is reducing personal tax allowances.

Now, actually that is not broadening the tax base at all. All that is going to mean is that more tax is collected through taxes on income than it was previously. It is possible to sell it on the basis of it being progressive and fair, but it does not broaden the tax base. If the tax base is going to be broadened, then less is going to have to be collected through taxes on income, and more is going to have to be collected through taxes on other things.

Now, Deputy Yerby comes up with a long list, which may not be exhaustive, but almost is, of other ways of collecting tax than income, and the next thing is the Policy & Resources Committee say, 'Oh no, we really would prefer that the States do not debate that sort of amendment. Let's just have another generic amendment that says there is a commitment to broaden and diversify the tax base.'

625 Now, I want to know from Policy & Resources Committee, when Deputy St Pier sums up in this debate, what ideas do they have for broadening the tax base, which is not reducing personal Income Tax allowances? I do not really think that one qualifies anyway, for the reasons I have just set out. But, even if it does, what other ideas do they have? What other things do they want to tax, other than income, which is going to fulfil this commitment they are setting out in the amendment, to broaden and diversify the tax base? I would like an answer to that question, when Deputy St Pier sums up.

630 Finally, in response to what Deputy Roffey said about property rates, yes, he makes a fair point, but is that a reason to keep property rates low, or is it a reason for saying, actually, in comparable terms our property rates are really very low, they certainly are by international standards. But, we have a problem, because if they increase there are some people who are on a fixed income who have been in their homes for a very long time who will not, they will not sell their homes and move, they will simply become poorer, and to recognise that, and to say look we will carve out some kind of exemption from the general upward direction that property rates need to take.

635 Now, I think that the Vice-President of Policy & Resources Committee may just agree with me about this. I do not think that we can keep a particular tax low simply because of the very negative effect increasing it would have on a small portion of people; what we need to do is to find ways of ensuring that there are carve outs for that portion of people, because otherwise all we are doing is unnecessarily depressing our tax base. So that is my initial response to Deputy Roffey's point.

640 But the key issue for me with this amendment is, is it any more than just another almost meaningless set of words from the Policy & Resources Committee, that we are committed to diversifying the tax base? I would like to know how.

The Deputy Bailiff: Deputy Brehaut.

650 **Deputy Brehaut:** Thank you, sir.

I think, fortunately, all my speeches are about as short as the Gettysburg Address itself, although I think people overlook the fact that both Everett's address at Gettysburg and Lincoln's ... we should not overlook the fact they were dedicating a cemetery, which is quite ominous for anyone going into a debate with that sort of context.

655 I just want to make two very simple points. We have moved to a situation where we are told to engage in the P&R Plan, engage in Phase One, move on to Phase Two, make it all consuming, contribute what you have to. Then that process becomes base strong politics, which is we have taken you to the precipice, we are prepared to leap and when we pull the cord there will be an amendment there which just may break our fall.

660 Now on this occasion I will support this amendment, and I will soften that blow. But I think there is a great deal of information that has to be assimilated in a very short timeframe that does actually take the edge off of this plan and does, I think, erode the integrity of the document to an extent.

665 The other point I want to make, which was actually made – I do not need to say very much because Deputy Fallaize pretty much said it all – was that amendment 6 by Deputy Yerby and Deputy de Sausmarez refers to land property capital assets, a banded system of Income Tax, tax luxury goods and environmental taxes. We are a mature democracy; we should be talking about these things. We have to be talking about these things rather than saying even the mention of those topics cause something of a media storm.

670 I will be supporting this amendment, and I am aware that there will be a number of pre-emptive strikes to try and stall other amendments – other amendments that have been in circulation far longer than some that have materialised this morning.

Thank you, sir.

675 **The Deputy Bailiff:** Deputy Gollop.

Deputy Gollop: Yes, sir.

I found a degree of common ground with the speeches we heard from Policy & Resources. Like Deputy St Pier, I do not want to tax people unnecessarily, because clearly there is no public purpose in that, and I too have, and always have had, concerns that introducing or even debating, the wrong kind of taxation rises could materially affect our society, business prospects, Open Market, and so on. Like Deputy Stephens, I am entirely committed to progressing as quickly as possible on the Disability & Inclusion Strategy, the Equalities Commission and, of course, SWBIC, which is very much part of the Employment & Social Security's endeavour.

Nevertheless, I will struggle to support this amendment, because I do prefer the ones that Deputy Yerby and Deputy de Sausmarez are putting out, because this amendment really takes us nowhere.

Deputy Roffey, to use his expressions, talked about the PTBR, the Personal Tax and Benefits Review, as a lash up, and as a shoddy, rotten piece of work. That is a bit harsh, because I sat in on every meeting (*Laughter*) of that, and was a key member of the 10, or 11, or 12 people, and I felt at times I was wasting my time, and it certainly meandered around a variety of directions, and it had some difficulties. I did not really know it had ended. It was news to me today, to hear that it had ended, because I thought we are still endeavouring to look at aspects of it, and also when Deputy St Pier said it ended in 2015, and therefore could not be looked at again by this Assembly, that made me think what is the point; because we have lost our Ministers, we have lost our Policy Council, we have lost Treasury & Resources and seven Members, we have had an election. Why do we have elections, if it is not to bring in new blood with new amendments and new ideas? I mean we might as well have permanently appointed Members of a government like Hong Kong has, (**Several Members:** Hear, hear.) which would be a more elitist route, in which you would have professionally qualified administrators, who would make wise judgements. Our system goes against that, and look at all the hot air we developed during the Island-wide debate last week. Therefore it is inevitable that a new generation of Members, in a more balanced Assembly, will have different ideas on both enterprise and taxation. And indeed, we have new people at the helm in Policy & Resources.

The issue we have is that we are trying to run a modern 21st century society with a very limited tax base. The amendment last night set me thinking, so I thought even of, let us say, our Republican friends across the water, that Deputy St Pier has already mentioned, of course, the great President Abraham Lincoln was a Republican, and we now have a Republican administration in the White House in Washington D.C. again.

Now, we would regard them as right-wing. Some of us have even been on a protest to question some aspects of the new regimes policies, perhaps, but actually even the Republican federal state and administration in America has estate duties; it starts at \$5½ million, which is a lot higher than the United Kingdom, or most of Europe, but it is still lower than where we are at, unless we count our ecclesiastical court rates, they also have capital gains taxes which vary from 15% to 20% depending on what category you are in, and so on.

Now, we are kind of saying we can have a lower tax base than most of the rest of the world but services that are superior or as good, and I do not think that is easy.

Of course, if we are to design any capital tax we would do it, obviously, with our finance and offshore sector in mind, in as much that you would want to exempt any critical business, you would also tread extremely carefully in an Island that benefits from an Open Market arrangement, and I personally do not see any obvious need for an inheritance tax at the present time. Although that does not mean to say that it should not be looked at. Of course, you could argue, cynically, that we are already looking at an inheritance tax through the back door, which of course is going back on our political promise of a decade ago that you would not have to sell the cherished family house in order to pay for social care costs. So, let's not get too sentimental on that one.

I would entirely agree with Deputy Roffey that you have a problem with the older generation who have inherited, or live, or paid for, large rambling houses that could, and would, get more costly under a TRP regime.

I remember in the last Assembly we had Members who spoke about liberally increasing TRP. The reality is we are considerably less for personal rates than most parts of southern England or London. So presumably elderly people there – who after all are already paying higher personal tax, in some cases – and VAT, are so much worse off than us. I do not believe that is the case. But I have often supported Deputy de Lisle, who will speak soon, I am sure, about the need to restrain TRP and, at best, perhaps gradually uplift it over the years, and maybe look for the sort of exemptions.

I know some of the elderly generation who are perhaps aged over 90 think why should they have to pay Income Tax at such a great age. So there are ways that we could look at that.

But where I am coming from really on this is if we return to the Personal Tax and Benefits Review, the elephant in the room ... that was a white elephant as it turned out, was GST, VAT. We look across to our competitive neighbours, Jersey has a GST rate of 5%; the Isle of Man has one of 20%. It is interesting that the last four Conservative governments, since 1970, have generally had a pro-business, pro-enterprise regime of lowering taxes for business and also for high achievers and aspiration people and so on, but each one increased purchase tax or VAT. Mr Heath did, Mrs Thatcher did, Sir John Major did, and Mr David Cameron did. Now we think we can go along without that kind of regime.

I am interested that several speakers have already spoken, as we have heard, about people worrying or owning large houses they cannot afford, or in Deputy St Pier's case he mentioned to us the idea that if you have a mortgage with the classic 2.4 children, you are only paying an effective tax rate of 9% or 10%. Well, actually, all that sounds a bit middle class in its presumptions to me, because it assumes that people own property or are on the mortgage ladder. The persons who do not, many of whom are guest workers, many of whom are essential to our society, even people living in rented Open Market accommodation are not getting those tax allowances. We did away with that a long time ago. They are actually paying – cross subsidising, you could argue – more than they should to help people in other circumstances and scenarios. That kind of taxation rate does not help our competitive position, nor does it help social cohesion.

If we have a society that does not have a GST, VAT, does not have estate duties, does not have capital gains tax in any way – and I personally think, capital gains tax would be a possible winner in certain scenarios; obviously not with stocks and shares and assets like that, but maybe with land ownership in Guernsey, maybe development tax – that kind of thing we could look at. But, if you have a society that deliberately does not have any sales tax, consumption taxes, to speak of, inheritance tax, estate duty, or whatever, where does the taxation come from to provide comparable services to France or the UK? It comes, really, from taxing the lower middle bracket; you cannot tax the poorest because they have not got any money; you cannot tax the wealthiest because we undermine our social cohesion and enterprise, and so the Island faces a real complicated issue, and I think we need to overcome that.

One point Deputy Stephens said that shook me was that nobody says we should increase taxation, and she used the classic expression, which I think any conservative election broadcast would be proud of, 'We will not tax hard working families.' Well, I could say 'why not tax less hard-working playboys?' (*Laughter*) [inaudible] and people like that, except that Guernsey probably does not have anybody that fits into that category, except me and I have not got any money! But, no, (*Laughter*) the real problem with this form of taxing is I have met people who have said maybe it is time to look at raising taxes instead of stealth taxes. We could have lower rates of Income Tax for certain bands, we could have much higher personal allowances, we could look at the Jersey '20 Means 20', but I think perhaps, if you are a sophisticated accountant, of course, you know you are paying more tax there, the headline figures only go so far.

I attended, as I did, an Institute of Directors conference, three or four years ago. Now, you would imagine that they would be turkeys who would not vote for Christmas, but they were not like that at all; they appeared to be more open minded than perhaps Policy & Resources, because a question was raised from the floor – 'Would you consider for a time paying 22.5% top rate in order to fund growth, enterprise and infrastructure, a transformation fund?', To my surprise, about

60% of the audience there were willing to look at it. I think we have reached the point, and I hopefully will not need to repeat this in any subsequent amendments, but we have reached the point where we need a creative debate.

785 This amendment goes so far but rules out options, and is in danger of creating another PTBR process. Because the first day we sat down to the PTBR we were told we could not look at (a), we could not look at (b), we could not look at (c), we could not look at (d). That was unsettling. So I will not be displeased if this amendment passes, but I would much prefer if we had a stronger debate on 18, and especially amendment 6, because I think that is more cutting edge.

790 You cannot bury this; it will come back at Budget time, this year, or next, because it is an undercurrent both in Guernsey and in Jersey now.

The Deputy Bailiff: Deputy Trott.

Deputy Trott: Thank you, sir.

795 I shall be brief, and because of that I have no intentions on picking up on the points made by Deputy Roffey with regards P&R's rights. He is a member of SACC; he is well aware of the Rules, or for that matter, Deputy Fallaize's quest for honesty, bearing in mind comments made regarding the Island-wide referendum not being binding on the States while SACC continue to purport that it would have been.

800 Instead, sir, I intend to confine my remarks to the most important issue of all, and it is the matter of capital taxes. Sir, the President of P&R, very sensibly, sought the permission of his Committee to speak with the Guernsey Financial Services Commission in their capacity as the leading repository of official financial sector economic expertise in the Bailiwick, with a particular focus on key industry. This is what they said, and it is not long, and I ask that Members listen to every single word:

The taxation of capital assets would penetrate the sanctity of tax neutrality and would be most likely interpreted by international clients as crossing a Rubicon. The estimated impact is based on an assessment of the expected attrition experienced by the fiduciary sector following the removal of the tax neutral product.

Listen to this:

Such an outcome could potentially lead to a loss of 3,000 jobs and between £20 million and £40 million in tax revenues depending on the basis of calculation.

If any Member still wants an investigation into capital taxes I will be staggered.

The Deputy Bailiff: Deputy Lester Queripel.

810

Deputy Lester Queripel: Thank you, sir.

Sir, I rise to support the views of Deputy Roffey and Deputy Fallaize.

815 Those who cannot really afford to pay extra property tax – and that is not just the elderly – will find the money to pay for it, and either simply cut back on essentials such as food and heating, or – and here is the irony to the whole situation – they will go to Social Security and apply, and in most cases receive, Supplementary Benefit, which will cost the community anyway. So we would be bringing in more money in one direction and paying out more money in another direction. That simply makes no sense whatsoever. I will support this amendment but I would ask that P&R please do their utmost to find a balance between bringing in money and paying out money.

820 Thank you, sir.

The Deputy Bailiff: Deputy Prow.

Deputy Prow: Thank you, sir.

825 For the avoidance of any doubt, I do not in any way support any increase in income beyond those recommended in section 6 of the Medium Term Financial Plan. The issue for me is: is amendment 26 still consistent with this, and I echo some of Deputy Fallaize's points regarding P&R's taxation policy.

830 I too, like Deputy Roffey, have concerns about any increase in revenue that places an extra burden on those who contribute to the economy, or by over-taxing middle Guernsey, who, in the main, pay for our services and help the vulnerable – as Deputy Inder graphically described in this Assembly as milking the cow from both sides. Importantly, we must not present any further burdens on the less well off. I am therefore very concerned about the lack of investment in growing our economy, which, in my view, is the only viable alternative to either cutting services or taxing in the way the MTFP recommends.

835 As the President of P&R has indicated, even the perception that there is an intention to alter our tax structure – and Deputy Trott has graphically described this – beyond what has been set out will send the wrong signals. (**A Member:** Hear, hear.)

840 I am at odds with amendments 6 and 18, which this amendment will hopefully make fall by the wayside. I will support this amendment.

Thank you, sir.

The Deputy Bailiff: Deputy de Lisle.

845 **Deputy de Lisle:** Thank you, sir.

This is all about looking for new forms of taxation and broadening and diversifying the tax base. This would add to the hurt, in my mind, of ordinary people trying to live and work in Guernsey, and under continual pressure of new taxation. Broadening and diversifying the tax base, sir, has hit the individual time and time again, with what many term stealth taxes. Many have stood up and said enough is enough, and we have had many calls of that nature.

850 We have already had a Tax & Benefits Review; surely was that enough in terms of reviewing the opportunities for broadening and diversifying the tax base?

855 We want to also keep our wealth generators, not encourage those individuals to leave us through new added tax measures. We are going to also progressively lose our competitive advantage as a community with all this talk of new taxes, broadening the tax base, and looking for new opportunities to burden the individual with more tax.

860 People seem to forget what got us into this fiscal problem, this structural deficit that we are talking about here. It was the Zero-10 tax policy – the fact that some people and some parties are not paying their fair share. So everybody has to equally support the economy and society in this Island. It is not good enough to have a corporate tax policy which is really hitting the individual to pay more while others pay much less.

865 In fact, I am very surprised when you look at page 68, to see only two paragraphs – that is in the Medium Term financial Plan – dealing with company Income Tax. What you find there is that the total actually achieved at the current time is £46 million, whereas the individuals' Income Tax is £254 million. So in other words, the corporate sector are only paying one fifth of the tax that individuals are paying.

870 Now, I have lobbied Treasury & Resources in the past to extend the scope of the corporate tax rate applicable to companies to reduce the deficit and lighten the burden on the individual, and this was implemented and has brought in £15 million in additional revenue to the Treasury. So there have been improvements, but what really disturbs me is to learn that our Zero-10 has never been the equivalent of Jersey's Zero-10. In fact, there is still more that can be done in order to equate our tax policy, our Zero-10 policy with the Jersey tax policy. Now, why hasn't that been going on for the last eight years, and why have we been left behind like this? So, already the business factor is being given a competitive advantage with the Zero rate, so I think we have to question why there was need for even more latitude with respect to our immediate competition in Jersey.

The other point I would like to make –

Deputy Trott: Point of correction.

The Deputy Bailiff: Point of correction, Deputy Trott.

Deputy Trott: Thank you, sir.

I had hoped not to have to do this too often, but I am sorry, we cannot have that, because Deputy de Lisle is, not for the first time, misleading the Assembly with regards Zero-10. There have been a number of amendments to Zero-10 over the course of the last eight years which have seen significant increases in corporate Income Tax.

It is also worth mentioning, sir, that the Jersey deficit is substantially higher than ours, and at the same time our economy has grown by 10% over the last seven years while theirs has shrunk. So let's keep the comparison reasonable.

The Deputy Bailiff: Deputy de Lisle to continue.

Deputy de Lisle: I thank that little intervention there by the architect of Zero-10. *(Laughter)* I did admit – I *did* admit – that we had implemented changes and brought in £15 million in additional revenue to the Treasury just recently through extending Zero-10 to some of the situation to Jersey, but I am just saying that there is even more to be done, and I am pleased to hear that, perhaps, we might see more of that in the forthcoming Budget.

Now, then we have got to be fair also with the corporate class, and what I do not like to see at the moment is the escalation of TRP on to the commercial side, because if we are going to level the playing field with Jersey, in terms of corporate tax, then we have to bring down, too, the TRP that has been hiked in order to, in some ways, compensate for the Zero rate. So I would like to see that.

But in terms of any escalation in TRP on individuals, I think the domestic type TRP going up at 7.5% every year – that is a phenomenal increase given the inflation rate at the current time, and I think that is very unfair on the population, because one works all one's life to try and eject ourselves from the mortgage that we have to the banks on our homes, and yet we have Government putting up a TRP mortgage around everybody's neck that is going to be there for the remainder of their lives. Very unfair. If I had the ability – and I must put in an amendment at some time – to get rid of this TRP altogether, because it is a rope around everybody's neck.

So my point generally is – *my point generally is* – here again are the States really pushing for more taxation on the individual, more taxation on the people that really are what is called in this amendment, if I can find it, individuals most able to bear the burden, who will in fact disappear if we continue to attack them.

Thank you, sir.

The Deputy Bailiff: Deputy Kuttelwascher.

Deputy Kuttelwascher: Thank you, sir.

Just a few words. At the beginning of the amendment it says in developing its proposals for Income Tax measures etc. that has already been done, all sorts of proposals were developed over the two years, what came back was debated in this Chamber and the only thing most people remember is that GST was rejected.

I completely understand the issue of capital taxes, we could debate the amendments later on being laid, but if any of those amendments get passed you can guarantee there would be no more funds or structures coming here which are invested in capital, and the rest would be looking for the emergency exits. **(A Member:** Hear, hear.) There are plenty of places they can go at the

push of a button, and what Deputy Trott said is quite true, and that is why it was omitted from our review going back to, well, 2015.

930 I have just got some issues about the drafting. It says:

... this recognises that there will be a clear presumption that over this period... the tax base will broaden and diversify ...

Now, I am not sure what broaden and diversify means, like Deputy Fallaize, because I think they mean the same thing, and that you have to tax something you are not already taxing. Now, what I find odd about the note is at the end of the note it says:

... this may involve consideration of new taxes.

Well, if that amendment is passed we can guarantee it will; there is no 'may' about it, it *will* involve introduction of new taxes. They might be what I call a selective consumption tax; we already have them, we call them duties – they are consumption taxes. One of the things that has been bandied about is a possibility of having environmental taxes; now they are consumption taxes. There are people going no, but if you want people to burn oil more efficiently in their central heating systems, and other things, where you can start doing that is tax it. I have got a boiler that is 22 years old and it works fine. Now, if oil prices were to double again I might consider changing it. So what is it that you are going to do to broaden ...? What are the new ideas that were not there during the Personal Taxation, Benefits & Pensions Review?

The other thing I find a bit odd is this amendment simply seeks to codify the intent. I am not sure I understand what the intent is, sir. Before you codify anything, you really ought to know what you are codifying. To me, it is very woolly; I am not sure it does anything, but I think the main purpose was to try and take out the issue of even discussing taxes on capital, but if we get to those amendments, I am hopeful that they could be defeated soundly anyhow. So whether this amendment passes or not, I am not sure it will make much difference at all at the end of the day.

So where am I? I do not know. I will be like Deputy Green; I will listen to the rest of the debate and make up my mind shortly.

Thank you, sir.

The Deputy Bailiff: Deputy Green.

955 **Deputy Green:** Sir, thank you very much. Thank you.

Now, I am listening to the debate on this particular amendment, and I will probably support the amendment. I am not unsympathetic to this amendment.

I do take the points that other Members, including Deputy Kuttelwascher have made, which is that I do not think it necessarily takes us any further forward, sir, and does not really give much of a clear steer, and it does seem that it is just merely more words and more rhetoric. But, I do agree with the intent, I think the intent probably is clear. Specifically the wording:

... the tax base will broaden and diversify consistent with the principles of seeking a greater contribution from those individuals and entities most able to bear the burden.

That is not specific, sir, and it does not give any examples of how we will diversify, but that is the intent, and that is an intent. I mean it is not new, I do not think it is original, but nonetheless, it is confirming what is the right direction of travel, I think.

965 I think when we talk about the diversification of the tax base, really, there are three very obvious ways of doing it. Three very obvious and serious ways of doing it, there are either consumption taxes, corporate taxes, or property taxes, in the Guernsey context.

I accept entirely the points that Deputy Trott and Deputy St Pier made about the dangers of capital taxes, and not just taxes on capital gains, but more broader consideration of kinds of capital taxes; that is not something that we should encourage. I do not have a massive problem in

debating it, necessarily, but I would not support that, in principle, for the good reasons that have been made about the impact that it would have on one of our major industries.

I definitely agree with the notion of trying to get a greater contribution from those who are most able to bear the burden, I totally accept the point that Deputy St Pier made, which is that the withdrawal of tax allowances for higher earners is the best way of doing that, but at the same time, you can keep the headline taxation rate of 20% and that makes the system more progressive. As Deputy Fallaize says, that is not a diversification method, that is a progressive method. That is about making the Income Tax system more progressive, or making the tax system generally more progressive, but it is not about diversification. So that is why I think at some point we do need to be possibly a little bit braver really about actually considering the actual measures and the actual methods whereby we will diversify the tax base, because in the end it will come down, probably, to consumption tax, corporate taxation, looking again, as Deputy de Lisle says about how the Zero-10 arrangements can be sensibly reformed, and indeed, property taxes as well.

Now, I know Deputy Roffey, Deputy de Lisle, and others, spoke about the problems with increasing TRP on property and how that affects certain people in the older demographic who perhaps are asset rich and cash poor, but there is an issue about generational equity in all of this, which is what about the younger generation; what about the many younger people in our society who cannot afford to get on the property ladder in the first place, and are renting and, perhaps, their dream is to have a mortgage one day? They face some very real difficulties. So we do have to have a tax system that actually provides that balance in terms of generational equity. I do not think we have it at the moment. So there is that.

I think in the end I will support this amendment, sir. I reserve my position on the other amendments that have been referred to in debate, but have not been laid yet. I just do not think that this particular amendment, amendment 26, necessarily takes us that much further, but I certainly would not oppose it, and will probably vote for it.

The Deputy Bailiff: Deputy Soulsby.

Deputy Soulsby: Sir, it was interesting Deputy St Pier raised my amendment of last term talking about tax banding. I remember the debate very well. It was when the former Commerce & Employment Minister said that I had gone to the dark side. *(Laughter)* He cannot say that today.

I do concur with Deputy St Pier's comments regarding tax on capital. Our very dependence on the finance industry is a no-go area, as Deputy Trott pointed out very clearly.

But it should be understood that growing wealth and equality since the Second World War have resulted from the fact capital has appreciated far more than income. Indeed, this has accelerated since 2008.

I am happy to support this amendment. I would not be willing to accept amendment 6, which I believe would be an own goal for Guernsey in these times of uncertainty.

The Deputy Bailiff: Deputy Tooley.

Deputy Tooley: Thank you, sir.

Sir, Deputy St Pier this morning spoke about what the 20% tax rate is like for the average Guernsey person with a mortgage, and he is not the only person who has made reference this morning to those kind of figures. If I had been making that speech I would probably have chosen to use those figures myself, but I think it shows a blindness to what life is actually like for the average Guernsey person on a median income.

A couple with median earnings are taking home between them just over £61,000 per annum. The average house price last November was £412,800. That is 3¾ times average median earnings for a couple. Buying a house on Guernsey this morning tells me that if I am lucky I might be able to borrow three to five times my income to be able to afford a house. The average Guernsey

family on median earnings does not have a mortgage because they cannot afford a mortgage. So I looked at what they would be able to afford. At four times salary, assuming that they have managed to save a 10% deposit from the lots of spare cash they have got at the end of the month, they could afford to be spending about £240,000. Well, that would buy them a one-bedroom flat, of which there are currently a grand total of seven available on the Island. I am not sure where in that one-bedroom flat they will put their 2.4 children, or how, when they are paying a mortgage on their £61,000 per year they will afford to pay for child care for those children so that both of them continue to work to support the mortgage that they have stretched themselves to the *n*th degree of their salaries to achieve.

I have not decided how I am voting on this amendment. I have not decided how I am voting on any of the tax amendments, but I think if we close our eyes to the fact that actually the people that lots of us think about as the 'just about managings' are the people that people on median earnings think are doing pretty darn well, and that is not fair.

I have heard it said that if we are not careful we stand to lose our high value residents, the people who pay in large amounts of tax. (*Interjection*) The rich people, thank you. I thank Deputy Roffey. The rich people, we stand to lose them. Well, frankly, if they are not paying into the pot what do we gain from them being here? So, I do not know what the answer is, and I admit – Yes, I am serious; if they are not paying into the pot at a sensible rate then what do we gain? Because lots and lots of our people – Sorry, Deputy Trott, you have not stood up. I will not give way even if you do – lots and lots of the people on the Island are not seeing the benefit of them being here.

Thank you.

The Deputy Bailiff: Deputy Parkinson.

Deputy Parkinson: Thank you, sir.

I am going to support this amendment because it would allow a review of our tax system, and Members will not be surprised to hear me say that that review should include a thorough review of our corporate tax system, with a view to replacing Zero-10 with a territorial 10 system.

Deputy Trott was earlier making comparisons with the financial situation of Jersey and the financial situation of Guernsey. Members might be interested to also consider the financial situation of Gibraltar which has a territorial 10 tax system, and which just this last week also reported an annual surplus for last year of £70 million.

There were one or two misleading statements, however. People have been opposing this amendment on the grounds that it would collapse the fund industry. Well, most funds in Guernsey are exempt, and if there was capital gains tax in Guernsey, which I am not supporting, presumably the exemption would extend to capital gains, in which case the funds would be entirely unaffected by the change.

But the reason I will not support the amendments which propose the possible introduction of capital gains tax – or inheritance tax, for that matter – is because they would have a very, very severe effect on the Open Market, and indeed the market for higher net worth individuals living in Local Market accommodation. The Open Market, of course, is currently in a very fragile state. It has been in that state for a considerable number of years and I think, probably, if we were to introduce a capital gains tax or an inheritance tax that would be pretty much the final nail in the coffin. (**A Member:** Hear, hear.)

I would also like, in passing, though to support the comments made by Deputy Green, that equity between generations is very, very important, and I do believe that property taxation, actually, has a part to play in equity between generations.

Deputy Tooley has just commented on the difficulties for young people getting on the property ladder, and we have a situation, frankly, where those of us who are lucky enough to be born in the sort of, the baby boomers, if you like, have in effect inherited a huge unearned property gain through having been lucky enough to be able to get on the property ladder in the 1970's and 1980's when you could buy houses in Guernsey relatively cheaply, and doing nothing

1075 at all, have seen those properties appreciate by seven or eight times, since we may have acquired
them, and we are sitting on a huge unearned bonus which is, effectively, at the expense of our
children and grandchildren, who now find themselves, effectively, excluded from the property
market, and in some cases feeling that they have to go elsewhere to build a home for their
families. That is ultimately very, very damaging, given the demographic situation of the Island, and
1080 although, obviously, I have some sympathy with someone who has paid property taxes with
people who do not like paying TRP on property etc. I do think it is a reasonable tool in the mix,
and I do think that encouraging people who are living in properties that are too big for them to
downsize and move into more appropriate accommodation is part of a solution, alongside, of
course, building very much more affordable housing.

1085 So I hope the reviews that will come out of this will be wide ranging. I hope that in broadening
the tax base, as Members have already said, that does not mean finding new and more ingenious
ways of taxing the people who are already paying tax; that means finding tax from people who are
not currently paying tax, or not very much, and that that review should focus on the corporate tax
sector.

1090 Thank you, sir.

The Deputy Bailiff: Alderney Representatives McKinley and Jean, welcome this morning. Do
you wish, both of you, to be relevés?

1095 **Alderney Representative Jean:** Thank you, sir.

The Deputy Bailiff: You will be relevés.
Deputy Paint, to be followed by Deputy Ferbrache.

1100 **Deputy Paint:** Sir and Members of the Assembly, before we start increasing taxes and charges
for everyone, we should be looking at how we can improve what we do.

As I have already said many times in this Assembly, there is an awful lot of wasted money by
the Government. That should be really looked into. Some Committees are very guilty of this. That
would be a way to save an awful lot of money, and not to increase taxes. I certainly believe with
1105 my whole heart that this is the direction we should be following, but I will be supporting this
amendment.

Thank you, sir.

The Deputy Bailiff: Deputy Ferbrache.

1110 **Deputy Ferbrache:** Sir, I have no hesitation in supporting this amendment, it has been
something I have been looking for, frankly, for a long time. When we come to general debate I
may have some further comments about the Medium Term Financial Strategy etc., because I do
not think it is going to work in its present form.

1115 If this Assembly recalls we have been in office now for 14 months, and the only attempt by
anybody in that 14 months to try and diversify the economy was from the
Ferbrache/Kuttelwascher amendment, which was not even put because it scared the pigeons – it
scared States' Members, most of them said it was irresponsible – and yet when it was not tabled
most of them said it should have been tabled even though they would not have voted for it.

1120 Deputy what's his name, Deputy Fallaize. I beg his pardon! (*Laughter*) Deputy Fallaize is
absolutely right when he says P&R should come up with answers to diversify the economy, but
where he is not completely correct is it is not only P&R, it is him, it is me, it is the Members of this
Assembly it is the financial sector outside that should come up with ideas how to diversify the
economy, because I agree with almost everything Deputy Tooley said. When she said median
1125 earnings couple about £61,000 per annum, mortgage three or four times, five times your earnings,
so therefore you get £240,000 to £300,000, or whatever it may be, with your 2.4 children. Well, I

have never known anybody who has had 2.4 children, you either have two children or three children, it is a bit like a batsman at cricket with an average of 36.22; he has never scored 36.22 in his life. So, if you have got two kids you cannot afford, if you are on median earnings ...

1130 Where I disagree with her is where she said let the rich go if they are not making a contribution. The rich do make a contribution; they do pay lots of wages; and pay lots of income and tax. Where she is wrong is to say, well if they went ... the implication is that this £61,000 median earnings would still exist. It would not. Those people would not have a job. They would not be earning £61 per annum, let alone £61,000 per annum.

1135 Deputy Trott, I think, understated, and I think the Financial Services Commission understated those statistics. They were not talking about funds, they were talking about the fiduciary sector. We have got an unemployment number of just over 1%. If we punctured the balloon of capital taxes, (a) there is no going back and saying in three years' time 'oh we have got it wrong', because those birds and those pigeons would have flown for ever.

1140 Secondly, our unemployment rate would go up to 10%, 12%, 15%; thirdly, most of those people that would leave would be high earners who pay lots of tax and spend lots of other money in the economy; and, fourthly, we would become an agrarian economy and the ordinary person, because the ordinary person who has not got the freedom of movement, in reality, would have nothing. **(A Member:** Hear, hear.)

1145 I am in this States not to help the rich people, not to help people like, perhaps, me; I am here to help the ordinary poor people. You do not help them by theory, you help them by practicality, and we have got to have a review into the tax system. We have got to share the burden more fully. We have got to take up the Green and Parkinson principles of looking at the equity for the young people going forward.

1150 In London, unless you are a premier league footballer, a Russian oligarch, or a Chinese baron, you have got no chances of buying property in Central London. The indigenous Londoner is getting pushed further and further out. Unless mum and dad can help you, you are now well beyond Hackney, and going forward out of London. You have got no chance. We cannot do that with Guernsey, because we have not got any Hackneys; we have got Guernsey, so therefore if we
1155 are going to allow our young people, who were not born, as Deputy Parkinson and I were, in the 1950's, and have had the golden years, if we want to help them, then we have got to come up with something radical. Not capital taxes because that will be the biggest own goal that we could ever have.

1160 What we have got to do though is come up with some thought, and sir, I say to the other 39 Members of this Assembly, that that includes those Members too, and it includes me, and it includes the financial and banking sector, who told Deputy Kuttelwascher and I, and Deputy Merrett and Deputy Mooney, in one of their offices seven months ago they were going to help us. They have not helped us. Get off their backsides and help us now!

1165 **(Several Members:** Hear, hear. *[Applause]*

The Deputy Bailiff: Deputy Graham, to be followed by Deputy Le Clerc.

Deputy Graham: Thank you, Mr Deputy Bailiff.

1170 I am going to support this amendment, not least because of the element in it that excludes capital taxation from consideration. I think the point has been well made, and it reminds me of how careless talk had an adverse effect on the Open Market situation a number of years ago, and some people maintain we still live with the difficulties that arose from that, even to this day.

1175 I do want to flag up two issues really that this amendment, in particular, raise with me. I am not going to speak in detail on them because I suspect I shall do that later in debate on other amendments and in general debate.

But, the first one really is to raise a flag, which Deputy Prow has already hinted at, and that is really the role of wealth creation in the way we look ahead. It is an interesting fact that, of the 30

1180 amendments that we are going to be dealing with over the next few days, not one – *not one* – mentions wealth creation. Indeed, some of them are almost inimical to that. Of course, this amendment is no more guilty or less guilty than any of the other 29 amendments. The reason I mention this is that I do hope it is not an indication of the Assembly's approach to future fiscal good health, because it certainly features pretty high in the way I would do things.

1185 The second point I wanted to raise – and again I am not going to address it in detail – is merely to address this business of the mantra of those with the broadest shoulders bearing the burden. Now, I know that is in the DNA of the P&R Plan Phase One, I know it is in the DNA of various other previous Resolutions of the States, but it does worry me. It is variously referred to as people with the broadest shoulders; we talk about those who can best afford to pay, and we even introduced the term progressive measures. In my view, 'progressive' is a pretty dangerous word. If
1190 you go to the doctor and he tells you your illness is progressive that is bad news, and I think there are hints of that also in the whole business of our approach to fiscal good health.

The reason I am worried about this is it has become a mantra, and yet for two reasons it is quite dangerous. First of all, I think it is meaningless as a concept really. I think Deputy Roffey has indicated, perhaps not intentionally, to the difficulties of identifying who exactly these people are,
1195 and how many of them there might be. The whole business of the value of the capital home, people being asset rich but cash poor, is merely one element of the difficulty in ascertaining who actually the target audience is, and how many of them there are. The suggestion in the mantra really is that there are thousands of individual Islanders out there, and perhaps hundreds of entities who are in the category that we see having the broadest shoulders and so on. I just think
1200 the whole concept is too vague, and potentially misleading really to be adhered to blindly.

The second reason I am uneasy about it is I think it dangerously raises expectations that cannot be fulfilled. It is almost a suggestion that there is a golden bullet out there that will solve all of our problems. We have already seen this recently in the United Kingdom in the General Election, where the promise, for example, of free university education, and the rich and business
1205 will pay was immensely attractive, but totally illusory really. We have had the same too in the adherence to the triple lock on pensions over there. Again the rich and the business community are going to pay for it. Both of those promises, in my view, from either side of the political spectrum are unsustainable. But I think it does actually highlight the danger of raising expectations that just cannot be met.

1210 I will speak, perhaps, in more details about that later on in the other amendments, but in the meantime, with those reservations, I shall support this amendment.

The Deputy Bailiff: Deputy Le Clerc.

1215 **Deputy Le Clerc:** Thank you, sir.

I have just got a few things to pick up on. Firstly, on increases in TRP, in the UK on UK council tax, we have got to remember that their council tax actually pays for a more diverse range of goods and services than we actually pay through TRP in Guernsey. But there is actually a 25% discount available for those living alone, so that could be one way that we could look at increases
1220 in TRP, and to ensure that some on low incomes are still looked after.

With regard to the capital assets, it is interesting, and I put my SLAWS hat on, and the work that we have still got outstanding, at looking at how we are going to pay for long-term care, and it is the wording, isn't it, of whether you would regard means testing your capital assets as a tax to pay for your long-term care, or whether you would include them as tax. So I will wait with interest
1225 on what comes out of SLAWS, and how we treat those capital assets. Because I know it is a huge concern from the public, and I probably get a phone call every other week regarding people telling me, 'Do I have to sell my house to pay for my long-term care?'

But, lastly, to pick up on Deputy Parkinson about the territorial tax, having just returned from the Commonwealth Conference in Gibraltar, they may have a surplus of £70 million, but they have
1230 got substantial borrowings, and a huge debt, they have got a very different economic business

model, with 12,000 people coming across the border from Spain every day to work, so paying tax in Gibraltar but not actually needing the services provided by the Gibraltar authority. Lastly, they have got an import tax. So, I think we have to be very careful when we do look at the territorial tax.

1235 Thank you, sir.

The Deputy Bailiff: Deputy Langlois.

Deputy Langlois: Thank you, sir.

1240 Just briefly, I would like Deputy St Pier to explain quite what he means by capital taxes, how he is going to define it, and to do it without inducing Armageddon, of course, because there does seem to be some confusion, between whether ... It is such a generic term they have used in this amendment, as to include capital gains, in which case I would certainly be voting against this amendment, or in his opening speech he did seem to imply that possibly it did not include capital
1245 gains in that phrase – capital taxes. So I would just like some clarification on that when he responds to the debate.

Thank you, sir.

The Deputy Bailiff: Deputy de Sausmarez.

1250

Deputy de Sausmarez: Thank you, sir.

I think there has been a lot of confusion surrounding these amendments in the run up, and even in fact during this debate. There seems to be this sort of misconception, which I think is being, perhaps passively, encouraged by P&R that the layers of the two original amendments, that
1255 this is attempting to supersede, were the people trying to increase taxes. I just want to make it completely clear that it was, of course, P&R who are suggesting that we raise taxes to the tune of £14 million annually, and not one person in this Assembly proposed an amendment to reduce that income revenue raising measure.

So I would like to just be very clear on that point, that certainly the amendment that I was
1260 laying, amendment 18, and amendment 6 did not seek to raise additional revenue beyond that which P&R already suggested. They merely sought to diversify the tax base, from which that revenue was derived. I think that is a really important point to make clear.

Deputy St Pier talked in his opening on this amendment about unfortunate media headlines, and I would like to say something on this point too, because I was very disappointed with the
1265 reaction of P&R to amendment 6, in particular, which I did think was unhelpful – really unhelpful. In fact, I would go so far as to say it was hypocritical, because if P&R genuinely believed that even the very mention of a tax on one particular element was so dangerous that it would set the hares running, then why on earth did they proactively send out a media release highlighting that one individual element in a way that did precisely that? (**Several Members:** Hear, hear.) So I would like
1270 to put on record my disappointment with that approach, and I hope that there is a little bit more clarity.

Yes, just to work through, Deputy Stephens again did suggest that knowing what the people want ... people do not want to pay any more taxes. Well, again, I refer back to the point that it is, of course, Deputy Stephen's own Committee which is proposing those tax increases.

1275 I do think diversification is important. I think another area that has not been very clear is this idea that diversification will automatically mean that there is a greater burden on individuals, and I would like to say that is explicitly not the case. Certainly in amendment 18 the wording that I had written was focussing primarily on individuals and entities with the most reasonable ability to pay. Deputy Graham will be relieved that there is no mention of shoulders in that – needless to say,
1280 broad ones. But that, of course, may well be superseded by this. I do not see much point in laying it if this is successful, but the wording in the amendment that we are discussing does pick up on

that, it does specify that we are talking about individuals and entities, and for me, personally, that is an incredibly important part of it.

1285 I do actually sympathise with Deputy de Lisle's concerns, and the reason I included the word 'entities' in my original amendment was precisely for that reason. I do think we do need to work a little bit harder to recoup the revenue that we lost with the transition to Zero-10 from that corporate sector. I would stress that is a very, very clear intention of mine.

1290 I would echo the questions that people have asked of Deputy St Pier, and seek further clarification on exactly what his Committee has in mind. I understand what he is trying to do, but my worry when I first saw the Propositions was that even though there was mention – I think it is paragraph 1.10 from the top of my head – in P&R Plan Phase Two which talks about precisely this, it talks about the need to diversify, in a way that does not unduly disadvantage those who are already paying as much tax as they can bear.

1295 I was surprised that it was not made specific, explicit in the Resolutions, which was why I decided to lay an amendment. Deputy Yerby's amendment 6 does go on to become significantly more explicit in the areas to direct P&R to investigate, and that is one of the things that has been written out of amendment 26, of course. It does not really specify; it specifies what it will not do, but even that, as Deputy Langlois pointed out, is not particularly clear. So I would seek clarification on what actual measures of diversification P&R are planning to look into, and exactly what is meant by taxes on capital. Because I am not unsympathetic to some of the argument –

1300 I am not quite sure why Deputy Trott is staring at me like that, perhaps he would like to – Oh okay, apparently that is just what he does, so I will ignore him! (*Laughter*)

1305 I would definitely welcome clarification on exactly what is meant by taxes on capital, because we need the distinction, as Deputy Langlois pointed out, of whether that includes capital gains or whether it is just capital assets. So I would like some clarification on that, please.

But I would just seek to reiterate my original intention in laying my amendment, which was 18. I think we have gone past the time of paying lip service. I think there are many people in this Assembly who are no longer satisfied with just talking about (**Several Members:** Hear, hear.) tax based on diversification, and we want to see actual measures in the next few years.

1310 Thank you.

The Deputy Bailiff: Deputy Merrett.

Deputy Merrett: Thank you, sir.

1315 I will be brief. It seems very basic to me that we have a structural deficit in the base of our taxation that is obvious, I think, to all. We need to broaden our tax base, maybe we need to look at working in conjunction with other jurisdictions to ensure we are competitive with other jurisdictions.

1320 What I see, what many see and many feel, is that the rich appear to be getting richer and the poor appear to be getting poorer. Maybe that is a generational issue, but that is my observation. Those are, in fact, my observations. What I would like to know with this amendment is, at any point does P&R even considered coming back to the Assembly with the benefits and detriments of different Propositions. If so, when? I would also like to understand what has clearly been asked by other Members in today's debate: who are these people with the wider, broader, shoulders; 1325 who are these people and which entities are P&R considering? So if P&R could, or in fact Deputy St Pier could, reply to that, that would be most appreciated.

Thank you.

The Deputy Bailiff: Deputy Meerveld.

1330

Deputy Meerveld: Sir, I would just like to address some of the issues raised by Deputy de Sausmarez. I think the issue here with this amendment is trying to wrap up some of the other

amendments and bring it forward in a very sensible way, and I will whole heartedly be supporting it.

1335 The issue with, I think, amendment 6, which is one of the amendments this is trying to address, is the idea of this States actively looking into a capital gains tax. That capital gains tax would massively erode our financial system here, and would cause significant damage if it were implemented, but just the process of discussing it, of investigating it, creates uncertainty in the market and increases uncertainty for businesses.

1340 To give a very, very clear example, in December of 2010 this Assembly decided to launch a consultation project into the Open Market, then Chief Minister Deputy Trott in January came out and said there is no proposal to abolish the Open Market, but by then, one month later, the damage was already done and we sent that market into a downward spiral.

1345 The issue with amendment 6, which as I say this amendment is trying to address, is the fact that if this Assembly starts investigating a capital gains tax, that message goes out to the market place, and to finance industries worldwide, and that in itself will do damage.

Deputy de Sausmarez: Point of correction.

1350 **The Deputy Bailiff:** Point of correction, Deputy de Sausmarez.

Deputy de Sausmarez: Thank you.

1355 I thank Deputy Meerveld for his rather patronising explanation of amendment 6, but item (c) is actually capital assets. I was trying to draw out a distinction, as Deputy Gollop referred to in his speech, as to whether P&R intend to distinguish between capital assets and capital gains, because I am sure Deputy Meerveld being a businessman will appreciate the significant difference between those two things.

The Deputy Bailiff: Deputy Meerveld to continue.

1360

Deputy Meerveld: Yes, I do appreciate the difference, but on both counts it would be damaging, whether it be capital assets or capital gains.

1365 **The Deputy Bailiff:** I do not know why you sat down, Deputy Meerveld. (**Deputy Meerveld:** Sorry?) I do not know why you sat down.

Deputy Meerveld: Sorry. I am finished, sir. (*Laughter*)

1370 **The Deputy Bailiff:** Oh, okay.
Deputy Tindall.

Deputy Tindall: Thank you, sir.

1375 I have listened intently to the debate, and I can understand the concerns with regard to our largest industry, but I do have to take issue with the fact that this is to request a review of the disadvantages and merits; and I do feel very strongly that, yes, there is uncertainty with any review, which we have heard Deputy Meerveld mention. It is not the review that I have concerns with: it is the outcome, it is the delay, it is the time it actually takes to make a decision that actually causes the uncertainty.

1380 My personal opinion, my main concern is this point about the most able, because uncertainty of any review, it continues and it ends up really that the least able will continue with the certainty that their taxes will continue to rise, and I would like to remove that certainty and give a little bit of uncertainty and look at other options.

Thank you.

1385 **The Deputy Bailiff:** Deputy Dorey, to be followed by Deputy Le Tocq.

Deputy Dorey: Thank you, Mr Deputy Bailiff.

1390 I would just like some clarification on the words 'with exemption of taxes on capital', because we do tax income from capital; and just to clarify where it stands on that, because we tax interest, we tax dividends, we tax property income. So I would just like to clarify what he means by 'taxes on capital'.

Also, I noticed in paragraph 6.4 it says:

... and seeking an increased business contribution from those who receive the most commercial benefit from the Island and its infrastructure.

1395 And perhaps I would just like Deputy St Pier to clarify where that stands in relation to this amendment, and whether that is still appropriate, or not, and perhaps he could enlighten us with what he has in mind with those words from paragraph 6.4, if they are still appropriate.

1400 Finally, he did refer to the review of Personal Tax, Pensions and Benefits and said that we should be following the principles from that, but I notice that one of the Propositions from that report was Proposition 30, which was about independent taxation which was negated, yet we have in this report proposals that they should be bringing it back, which does not exactly follow his principle that we should follow what the decisions were from the review of Personal Tax and Benefits, because they seem to choose which they want to follow and which they do not want to follow.

Thank you.

1405 **The Deputy Bailiff:** Deputy Le Tocq.

Deputy Le Tocq: Thank you, sir.

1410 We do need to diversify, and this is why it is important that we support this amendment, but we also need to protect our business model, and that is why we cannot have any possible changes to taxation on capital, be that capital gains or tax on capital itself. That is why I am supportive of this amendment, but, certainly in terms of the examples, for example, that Deputy Meerveld gave, where uncertainty occurred in the Open Market through no intention, I think, by those who brought that particular move back in the Assembly; I was not part of it, but it has taken many, many years to address that, we do not want to do that to Guernsey's business model.

1415 However, picking up on some of the points that Deputy Tooley and Deputy de Sausmarez and Deputy Merrett have made, it is of concern to me that there is more than just a perception out in the community that the distance between the most wealthy in our community and the poorest in our community is getting wider not narrower, and we do have to address that. That is why I think, and it has been highlighted, already, sir, but I will highlight it again. The final phrase here, which
1420 talks about broadening and diversifying:

... consistent with the principles of seeking a greater contribution from those individuals and entities most able to bear the burden.

– I think is the most important part to focus on here.

It certainly has come before the previous Assembly; there were opportunities to diversify which were turned down by this Assembly, for good reason, I think – GST being one of those, but there are other ways and means of doing so.

1425 Gibraltar has been mentioned, and I certainly support what Deputy Le Clerc has said in terms of the reality of Gibraltar and, if you like, its current financial position – what is not seen is it raises tax, 9% in fact, for health purposes, and it has duties and income from imports that make up some 30% of its revenue intake. That is a huge proportion compared to ours. So it is possible for us to look elsewhere, but it may not be palatable to some of us in this Assembly, Just as certain things
1430 under discussion here at the moment may not be palatable to us. We need to find something that

helps move us closer, I think, towards the sort of community where that distance between the most wealthy and the poorest in our community is made more narrow over time.

I have certainly heard today enough from Members in this Assembly, sir, to know that we need to diversify in order to make that a reality, not just have talk. I will be committed to that on the basis –

I will give way.

Deputy Fallaize: I am grateful for Deputy Le Tocq giving way because he is making some very good points, but does he know of any low tax, low spending jurisdictions where there is a very much narrower gap between the less well off or the poor and the wealthy; and if there are, which ones does he have in mind, and can we borrow some of their ideas?

Deputy Le Tocq: There are certainly some that I have seen that do a better job than we do and I think we can improve upon that.

But it is not just about finding those that match the most. Bermuda is one example that I think I would give, but I know that someone is going to come up and interject and say that they have got massive national debt at the same time. But there are examples that I think we can take from small jurisdictions. But I take his point, sir, that it is difficult in a small jurisdiction; but one of the difficulties is the vulnerability that we have with a small population. It does not take very much for our population ... if one industry or one business moves, for our whole basis of revenue generation to be majorly effected by that. We cannot compensate in the same way that larger jurisdictions do. We have to move far more at a slower pace perhaps and certainly in terms of cultural change, we have to move in a more amenable way to the size of our jurisdiction, because of our economies of scale.

So I do encourage the Assembly to support this amendment, which I think is real and realistic, and means what it says, and I for one will certainly support the real evaluation of appropriate changes to diversify our tax base so that, again, and I repeat, we can see that gap between the most wealthy and the poorest in our community narrowing.

Thank you, sir.

The Deputy Bailiff: I Invite the President of the Committee, Deputy St Pier, to reply to the debate.

Deputy St Pier: Thank you, sir.

Thank you to all those who participated in the debate, and particularly those who have indicated their support, obviously.

Deputy Roffey, thank you for your support and I notice, obviously, the four caveats that you set out – I think in particular in relation to the comments about it being, what he described as being a very late amendment. Of course, the purpose of – I would suggest, he may know better than I as a member of SACC, but the purpose of – creating some space between amendments being submitted by others and P&R as the sponsoring Committee is to allow the Committee to consider what to do in light of the amendments that have been received. It was entirely reasonable that we should consider those amendments and respond accordingly.

I think his comments in relation to domestic TRP – which I think Deputy Lester Queripel also picked up on, along with a number of others – illustrate the challenges that we face, and I think that Deputy Graham referred to there being no silver bullet, no magic bullet, no golden bullet, whatever colour or description you wish to pick, there is not one.

I think this really speaks to the comments from a number of people saying, 'Well, what is it that you are going to do? What is it that you are looking at?' Well, I think there have been enough signals and indications across the recent budgets, and indeed in the Medium Term Financial Plan, and, as I referred to in my opening speech, there will be practical, and indeed political, objections to many, some or indeed all of these.

Environmental taxes, Deputy Kuttelwascher mentioned. The anti-avoidance document duty is an example of a broadening of the tax base, and I think that question of what do we mean by 'diversify' and what do we mean by 'broaden' – I think I would pick up Deputy Parkinson's definition which is, in essence, 'broadening' is something that is already taxed; you are looking to capture more of it, and, of course, the removal of allowances from high earners is an example of a 'broadening'. I accept it is not diversifying, but it is an example of broadening.

Anti-avoidance document duty, arguably, is also broadening; you could also argue it is diversifying. The first registration duty is diversifying; expansion of excise duties to other fuels is something that was signalled in the last Budget, something which Policy & Resources is considering, as we undertook to do as a result of the Resolutions in that Budget. The corporate tax base, the investment management, again, has been signalled as being an area that may be capable of contributing more. Contributions from the professions – and I think this was a question that Deputy Dorey challenged in relation to paragraph 6.4 – again, that is something that was signalled by P&R in the last Budget, and that largely arose out of comments that came from Deputy Ferbrache in relation to the contributions from his profession, and others. So that remains very much an area of work for us, and then corporate property taxation as well, corporate TRP and making sure that the rates are being charged at the right rate for the right businesses.

Now, all of those ... there will be Members sitting there who will have objections to some, at least one, probably more than one of that list, and that, of course, is one of our challenges, and that, of course, is precisely why it is absolutely essential that we keep taxes as low as we possibly can. We have to seek to minimise, and I think Deputy Prow's comments ... and thank you, Deputy Prow, for your support; also Deputy Tooley, about the fear of overtaxing middle Guernsey. Absolutely, I think that again is why we have to do everything we possibly can to keep the tax burden across the economy as a whole as low as possible.

Also, Deputy Tooley made some comments about those at the top of the pile and what they contribute. We have to keep in mind that those at the top are contributing. The top decile by income – the top 10%, in other words, by income – contributes 40% of all tax and Social Security, and that is a figure, again, that we should not lose sight of in terms of our competitiveness. We have to keep that in mind as well.

I thank Deputy Ferbrache, thank you very much for your support, and also for addressing the comments that Deputy Parkinson made about the fund sector, because I think the numbers that Deputy Trott was referring to, of course, was in relation to the fiduciary sector.

Several Members challenging: well what do we mean by the taxation of capital? Well, of course, the language we picked up was the language from Deputies Yerby and de Sausmarez in their draft amendment. So I do find it odd that Deputy Yerby, in particular, should be challenging on the definition of taxation of capital –

Deputy Yerby: Point of correction.

The Deputy Bailiff: Point of correction, Deputy Yerby.

Deputy Yerby: I do not believe I said anything of the sort.

The Deputy Bailiff: Deputy St Pier to continue.

Deputy St Pier: Sorry. No. But I am referring to amendment 6; not to what Deputy Yerby said, but what is in the amendment. But, to me, the taxation of capital is taxation of wealth, taxation of inheritance, it is not the taxation of the income from capital, as Deputy Dorey was pointing us in that direction, at all. As he quite rightly points out, we already do tax that.

The challenge also from Deputy de Sausmarez as to why did we go public with a press release on this – it was because we felt it was absolutely essential to signal to the community well beyond this Assembly our very strong opposition. We felt it was necessary to nip this particular challenge

1535 in the bud, because we regarded it as such a significant systemic risk to our economy. I would suggest that, had Deputy de Sausmarez and Deputy Yerby come to talk to P&R before the amendments were laid, it might have been possible to minimise and mitigate the need for P&R to take the action it did.

I will give way, sir.

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Deputy de Sausmarez: Thank you, sir.

Would Deputy St Pier not accept that neither Deputy Yerby nor I had sought any pro-active media interest on that particular aspect and by highlighting that one particular element, made far more of a brouhaha in precisely the way Deputy Meerveld explained, caused all the problems before with the Open Market? Surely, as this amendment has shown, a more pragmatic response would have been simply to lay this amendment without drawing any unnecessary attention.

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I would also like to point out that the press release in itself was extremely confusing; it conflated a number of different amendments and was, in my opinion, unnecessarily alarmist in tone.

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Deputy St Pier: Sir, Deputy de Sausmarez also made mention of the fact that in her amendment 18, she had used the term 'entities', and of course, it is precisely for that reason that that also has been brought into this amendment, because we absolutely agree with that.

I would have to say also to Deputy de Sausmarez, and indeed to Deputy de Lisle, I do not think anybody in this Assembly has got a better record than I have in terms of extending the scope of taxation to a broader group of entities, in the last eight years, and my record stands on its own, and of which I rightly am proud. I therefore believe I can stand here with some justification to say that when we say that that is within scope then we mean it, because we have demonstrated that in the last years.

1555

In relation to Deputy Merrett's question, when, if at all, will Policy & Resources return to this Assembly? Sir, I would suggest that would be as part of the normal Budget Report process, setting out the advantages and disadvantages of any changes that we make in order that this Assembly can make appropriate decisions at that time, as part of the budgets that would be needed in order to deliver the Medium Term Financial Plan.

1560

Sir, I do encourage all Members to support this amendment.

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The Deputy Bailiff: Members of the States, we turn to the voting on the amendment numbered 26, proposed by Deputy St Pier and seconded by Deputy Stephens.

Deputy Trott: Unusually, sir, I would like a recorded vote.

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The Deputy Bailiff: Deputy Trott is requesting a recorded vote.
Deputy Greffier.

There was a recorded vote.

The Deputy Bailiff: Well, Members of the States, it looks to me as though that amendment has been carried. Whilst we are getting the formal result of it, can I just raise one issue with you, which you are probably not going to like?

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The decision you have just taken is to insert a Proposition into the set of original Propositions of the Policy & Resources Committee. You will then get the opportunity to debate those Propositions that get inserted into the set of original Propositions in full, so the only issue that is really being determined at the moment is whether to include the Proposition. Now, you might want to include the Proposition because you are going to support it; you might not want to include the Proposition because you will vote against it at the end. It may be you want to include the Proposition because you want to have a debate on it. When you see what the shape of the full

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1585 set of the original Propositions, as amended, at that time is. Given the number of amendments that are to be placed, you will not know what general debate is about until the end of all the amendments having been taken. Now, I am saying that because it has taken the best part of two hours to deal with one amendment.

1590 The second thing that I will say is, having given that indication, Rule 17(6) is about relevance to the matter before the States. The matters before the States are each amendment in turn. If people are trespassing outside the strict amendment, in future you might be called up, Members who do that under Rule 17(6) moving forwards. This is designed to try and get through the amendments swiftly, so that you then know what it is you are being asked to debate and vote upon at the end of the meeting.

Thank you.

Carried – Pour 33, Contre 6, Ne vote pas 0, Absent 1

POUR

Deputy Graham
Deputy Green
Deputy Paint
Deputy Dorey
Deputy Le Tocq
Deputy Brouard
Deputy Dudley-Owen
Deputy Soulsby
Deputy de Sausmarez
Deputy Roffey
Deputy Prow
Deputy Oliver
Alderney Rep. Jean
Alderney Rep. McKinley
Deputy Ferbrache
Deputy Kuttelwascher
Deputy Tindall
Deputy Brehaut
Deputy Tooley
Deputy Parkinson
Deputy Lester Queripel
Deputy Le Clerc
Deputy Leadbeater
Deputy Mooney
Deputy Trott
Deputy Merrett
Deputy St Pier
Deputy Stephens
Deputy Meerveld
Deputy Inder
Deputy Lowe
Deputy Laurie Queripel
Deputy Smithies

CONTRE

Deputy Yerby
Deputy De Lisle
Deputy Langlois
Deputy Gollop
Deputy Fallaize
Deputy Hansmann Rouxel

NE VOTE PAS

None

ABSENT

Deputy Le Pelley

1595 **The Deputy Bailiff:** Now, there voted Pour 33, Contre 6. Therefore, I declare amendment 26 carried.

We now move to amendment 27. I invite Deputy St Pier, as the Member who wishes to lay it, to address us under Rule 24(3).

1600 **Deputy St Pier:** Could I perhaps request HM Greffier to read the amendment?

The Deputy Bailiff: Who is it being seconded by?

Deputy St Pier: It is being seconded by Deputy Trott, sir,

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The Deputy Bailiff: Thank you very much.
Deputy Greffier.

The Deputy Greffier read the amendment.

The Deputy Bailiff: Deputy St Pier.

Amendment 27.

Between Propositions 1 and 2, to insert a new Proposition as follows

'1A. To acknowledge the Committee for Health & Social Care's commitment to endeavour to return £2 million of its 2017 Authorised Budget to General Revenue and to direct the Policy & Resources Committee to take account of these expected recurring savings when recommending Cash Limits and any target expenditure reductions for the Committee for Health & Social Care for future years.'

Deputy St Pier: Thank you, sir.

1610 I shall be extremely brief. This amendment, sir, is intended to replace, by agreement with Deputies Soulsby and Tooley, amendment 20; and I will leave it, in essence, to those two Deputies, sir, to explain why they felt the amendment is required.

All I will do is simply congratulate the Committee for Health & Social Care for committing to delivery, hopefully, of the return of £2 million this year, and also to congratulate them on their
1615 considerable work that they have engaged in, and the progress they have made, on driving the transformation forward in developing the target operating model which I understand is almost complete following the word of BDO in 2015, which obviously identified some of the savings which they are looking to deliver in future years.

I have nothing else to add, sir.

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The Deputy Bailiff: Deputy Trott, do you formally second the amendment?

Deputy Trott: I do, sir, and reserve my right to speak.

1625 **The Deputy Bailiff:** Thank you very much.
Deputy Soulsby.

Deputy Soulsby: Sir, this amendment is supported by the Committee for Health & Social Care, and it is intended, as with amendment 19, which it is closely linked to, to give some clarity around
1630 expectations both to the Committee for Health & Social Care and the States as a whole, and deals with the treatment of the savings to be made by the Committee.

Now, Members will recall that in the 2017 Budget, which this Assembly approved last October, P&R said that they did not think it appropriate or realistic to set a budgetary target for tactical productivity and efficiency savings for 2017, given the significant political and Civil Service
1635 changes during 2016 – the delay in the transformation programme and financial pressures being faced in 2016. Rather, it believed the 2017 Budget should be set at a realistic level, to deliver the current service model and to allow further time for planning and commencing delivery of transformation and change activities. Now, that made a lot of sense given recent history.

As I set out last week when we debated the 2016 accounts, Health & Social Care made a
1640 headline saving of £600,000 last year. Given HSSD also managed to make £750,000 of self-imposed savings, this represented a total of £1.35 million. These efficiencies resulted from better financial reporting, controls and management of agency staff. It is now a year since the programme of system grip was brought in, and we are seeing a consistent level of expenditure month on month, that demonstrates the savings made are recurrent. HSC is therefore in a position
1645 to improve the bottom line of the States and return part of its budget to the Treasury a year ahead of expectations, helping to offset pressures elsewhere.

Now, the purpose of the revised amendment laid by P&R is to provide clarity, and acknowledge those savings as part of the wider savings target, rather than result in them being forgotten and the Committee having to start from scratch.

1650 In the last couple of years there have been a number of different figures bandied around in relation to the savings expected from HSC, some put it at £8.2 million, £7.4 million, £5.2 million, even £24 million per annum. At the same time, we have had various expectations as to when savings will be made, with the Medium Term Financial Plan causing more uncertainty. We therefore think it is important that at this time clarity is given, both to the Committee and this
1655 Assembly. Amendment 19 will deal with the former aspect; this amendment deals with the latter.

It is worth pointing out that the Committee is now focussing on investing in those areas identified by BDO, that comprise of £2.2 million additional recurring expenditure it stated would be required to begin to enable service improvement and more effective provision. As the P&R President mentioned in his opening speech, we will be working with P&R to agree the best
1660 mechanism of doing so.

Sir, the Committee for Health & Social Care has been able to demonstrate that with support, continuity of personnel and a will, that savings are possible without cuts. However, as I said before and as stated in the Committee's P&R Plan, this is not sustainable in the medium to long term, without the restructuring of our model for health and social care, and that is what will be
1665 addressed later in the year when we present our policy letter to this place. In the meantime, we will continue to think differently and work differently to ensure best value for money under the system we currently operate.

The Deputy Bailiff: Deputy de Lisle.

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Deputy de Lisle: Sir, can I clarify here, because as I understand it this is a return on the £8 million invested by the people on a transformation programme of improvement at HSSD, in order to deal with increasing financial efficiency and controls, and also to deal with the huge annual spend on agency staff, that had committed that Department to overspending in the past.
1675 So it is just a matter of making it quite clear that this is the first return really of £2 million on the £8 million that we had put in, as the people of Guernsey in order to foster further returns through this transformation programme.

The Deputy Bailiff: Deputy Tindall.

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Deputy Tindall: Thank you, sir.

Addressing the point you raised earlier, sir, all I really want to know is why we should add this particular amendment to discussion later in general debate. It is approved by the proposer and seconder of amendment 20, but I would just like to know what the difference is. Why couldn't
1685 P&R just have said that they support amendment 20? What is it exactly that differs?

Thank you, sir.

The Deputy Bailiff: Deputy Kuttelwascher.

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Deputy Kuttelwascher: Sir, just a technical point.

We have just approved an amendment 1A and here we have another one 1A. Should it not be 1B?

The Deputy Bailiff: Well, Deputy Kuttelwascher, when the amendments are prepared and submitted by Members initially, we just go for 1A each time, because you do not know which ones are going to carry. There will be a tidying up process, maybe later today, maybe later in the week, when all the amendments have been debated. So the 1As will become 1Bs and 1Cs, as appropriate.
1695

Does anyone else want to speak on this amendment before I turn to Deputy St Pier?

1700 Deputy St Pier, to reply to the debate on this particular amendment.

Deputy St Pier: Sir, there is very little to respond to.

I think in relation to Deputy de Lisle's comments, clearly, additional funds were put in to HSC as a result of the pressures on that Department and then Committee, and clearly, in anticipation that there would be an opportunity to do things differently in the future. So it is pleasing, in particular, as Deputy Soulsby said, that the Committee have been able to reduce their annual expected running costs under the current model, largely by – the term they use is 'system grip', getting a grip on the business under their control, and in particular that has allowed a substantial reduction in the agency spend, which of course is exactly what this Assembly was looking for when it did make that commitment to provide additional support to the Department and the Committee at the time.

In relation to Deputy Tindall's question, sir, I hesitate to discuss an amendment that has not been laid, but the point really was to produce language with which both Committees were comfortable, that it expressed the will and understanding of both Committees, and that is the reason that there was dialogue, and I am very grateful to Deputies Soulsby and Tooley for that and am happy to endorse it, sir.

The Deputy Bailiff: Well, Members of the States, we go to the vote on amendment 27, proposed by Deputy St Pier and seconded by Deputy Trott, which is to insert a further Proposition between Propositions 1 and 2, to be numbered in due course. Those in favour; those against.

Members voted Pour.

The Deputy Bailiff: I declare that duly carried.

The third amendment is to be proposed by Deputy St Pier; it is numbered amendment 28. Members have that before them.

Deputy St Pier, who is seconding it? Do you want it read?

Amendment 28.

To insert at the end of the words in Proposition 6, ', but subject to the replacement of table 26 of appendix 1 with the following table:

Table 26: Portfolio Projects in the Maintain Category

MAINTAIN CATEGORY		
Small	1	Coastal Flood Defences (Phase 1)
	2	Longue Hougue Breakwater
	3	CCTV Replacement
	4	Footes Lane Refurbishment
	5	St Sampson Fire Main
	6	Town Fire Appliances
	7	Coastal Repair Schemes

Medium	8	Cremation Services
Large	9	Affordable Housing Programme (Phase 1)
	10	Affordable Housing Programme (Phase 2) (Pipeline)
	11	Hydrocarbon Supply (Pipeline)
	12	Inert Waste Solution (Pipeline)

Deputy St Pier: Yes, sir, I wish to lay this amendment, which is being seconded by Deputy Trott, sir. I do not think I will have it read, sir, because I think it would be quite confusing to do so. But would merely explain that this is a housekeeping amendment really by P&R, for which I actually take the opportunity to apologise. There was an error in failing to properly present the information.

This amendment is to ensure that it is clear that the coastal repair schemes are included in the 'maintain' category of the portfolio projects, and that is what the table in the amendment seeks to clarify. While they were omitted in error, from the table in question – again, for which I apologise – they were included within the summary of projects to be included in the portfolio on page 117, and the estimated total value of proposals of £236 million in paragraph 8.27.

Sir, this is probably an appropriate opportunity, in the context of the coastal repair scheme, to refer to L'Ancrese East. It has been the subject of a number of emails which we have received. I think there has been, also, some confusion as to the application of the delegated authorities, and when that may or may not apply, in relation to such a scheme, and I thought, therefore, it would be helpful just to clarify that.

I am not suggesting, sir, that in the context of this amendment we necessarily wish to debate the merits of the scheme. But currently, sir, the Rules are that if work is undertaken from routine capital, then there is unlimited authority within Committees to commit to projects. In other words, if it is within their budget allocation and they can manage it, then they can get on with it. If it is funded from the Capital Reserve then approval is required from the Assembly, subject to any delegated authorities which the Assembly then agrees.

Within the terms of the proposals before Members, in relation to capital, the effect is unchanged in relation to the use of routine capital, but in relation to the Capital Reserve we are proposing that for smaller schemes – less than £2 million – then delegated authority would be given to P&R. That does not, of course, mean that the Committee will always use its delegated authority, but certainly in relation to L'Ancrese East it would fall within that category. Certainly, sir, not again necessarily in the context of this amendment, but I think it would be useful, perhaps in general debate, to understand what Members' views are in relation to that.

But I would just take the opportunity to point out, sir, that there are some risks around the delay of projects, and in particular in relation to this one, if there is a necessity to bring a policy letter, being the will of the States, to this Assembly, then it could possibly defer the project and of course the additional costs that might arise from that, whether it is further damage that requires more rock or other work, other intermediary emergency repair work between now and then.

The final comment I would make, sir, in relation to this amendment, and indeed all the capital, is really to repeat what I said in my opening speech, that of course the Capital Plan should allow us to focus on the big stuff, and to allow us to invest our time and attention on strategic decisions rather than the smaller more tactical decisions which should be taken at the lowest possible level.

So, having said all that, as I say, during general debate, sir, it might be useful for Members to express their view in relation to that particular project, but subject to that, it is in essence a tidying up amendment, housekeeping, for which I apologise and would be grateful for Members' support.

The Deputy Bailiff: Deputy Trott, do you formally second?

Deputy Trott: I do, sir, and reserve my right to speak.

The Deputy Bailiff: Deputy Fallaize.

Deputy Fallaize: Thank you, sir.

This may be a housekeeping amendment, or it was meant to be a housekeeping amendment, but actually it has quite significant consequences.

The reason for that – I was not sure whether I was going to say this, but Deputy St Pier has already referred to it in his speech laying the amendment, so it is worth pointing it out – is, because the L'Ancrese East scheme is within what is called coastal repair schemes, the effect of this amendment is quite substantial.

If the amendment is lost, then the States will not have given the Policy & Resources Committee ... I should say, sir, following what you have just said earlier, what I mean is if a Proposition which incorporates this amendment is lost at the end of the debate then the Policy & Resources Committee will not have been given delegated authority to approve the work at L'Ancrese East. Now, it may be for typographical or accidental reasons, but that is the effect if a Proposition incorporating this amendment is not approved by the States.

So the amendment is thrown out, the effect is that P&R does not have delegated authority to approve the work at L'Ancrese East, the only body which then would have delegated authority would be the States, and the proposals in respect of L'Ancrese East would therefore have to come to the States.

If the amendment is carried and then the subsequent Proposition is carried, then the Policy & Resources Committee would have delegated authority, if they chose to use it, to approve the work at L'Ancrese East.

Now, the reason that this is significant is because Deputy Inder and others have already said that they would bring a requête to the States in an attempt to have the decision in respect of L'Ancrese East made by the States, and the authority not delegated to the Policy & Resources Committee.

Well, happily, although the debate on this amendment may take slightly longer than it would have otherwise, this amendment has obviated the need for Deputy Inder's requête, because if the States want to take the final decision over L'Ancrese East, all they need to do is vote against this amendment. If, however, the States are happy to delegate authority to the Policy & Resources Committee, all they need to do is vote in favour of this amendment, because that is the practical effect of –

I will give way to Deputy Trott.

Deputy Trott: I am grateful, sir.

I think this is something that we need to check with the Procureur – maybe not now, because I have somewhat sprung it on her, but after lunch possibly – because our understanding is that this falls under what is known as routine capital, and as a consequence of that definition, I know it does not sound a particularly routine amount, but it falls under that category. As a consequence of that definition, it would fall under the delegated powers of P&R.

Sir, if my interpretation of that is correct, the speech that Deputy Fallaize is giving is not.

Deputy Fallaize: Well, sir, Proposition 6 says, 'To approve the Capital Portfolio as per the projects listed in tables, 26, 27 and 28.' Then there is another Proposition 8 which is to delegate authority to P&R to approve opening capital votes for any project not exceeding £2 million, funded from the Capital Reserve. Now, the way in which routine capital has been funded previously is by Committees, previously Departments, being given routine capital budgets. Now, it is the Policy & Resources Committee itself which is proposing effectively abolishing that

1820 procedure and, instead, holding all capital funds centrally, and then what we used to call – or perhaps we are still going to call it – routine capital ... but it would go through the new approvals process set out by the Policy & Resources Committee, rather than Committees holding routine capital allocations themselves.

1825 So I think that if the Propositions from the Policy & Resources Committee have any coherence and make any sense, then the effect of passing or rejecting this amendment, or the substantive Proposition, if it is amended, is exactly as I have just described. It seems to me that if the amendment and then the consequential Proposition are lost, the L'Ancrese East project will have to come to the States for approval; whereas if the amendment and then the consequential Proposition is approved, P&R will have delegated authority. They may choose not to use their delegated authority, but P&R would have delegated authority from the States to approve the L'Ancrese East project.

1830 So, leave it at that, sir, but I think we can have that debate; we do not need to have another debate in several weeks' or months' time, about who should make the decision about L'Ancrese East, because of the coincidental typographical error, which this amendment is trying to correct, we can have the debate now, and it can probably be much shorter than it would be on a requête.

1835 **The Deputy Bailiff:** Deputy Dorey.

1840 **Deputy Dorey:** Sir, I do not think Deputy Fallaize is quite clearly identifying what we are debating today, because the key letter is coastal repair schemes, and it is in the plural, it is not talking about one scheme. There are 11 other schemes that are vital for our coastal defences. Now, my understanding if the Assembly chooses to reject this is it is not debating one scheme, it is debating all 12 schemes, (*Interjection*) and they will reject all 12 schemes. (*Interjection*) The implications for this Island of not investing in our coastal defence, I think, and the possible flooding that will result are not worth thinking about.

1845 So I would urge you that whatever your views are on L'Ancrese East, please support this amendment, which is about coastal defence schemes. If you want to have a debate on L'Ancrese East, that is a totally separate subject. It is one element of it, but you are not just debating that, you are debating 12 schemes.

I apologise for repeating, but I think it is key that you understand that.

1850 Thank you.

The Deputy Bailiff: Well, Deputy Dorey, I understand it, I understand quite a lot of it, but I do not have a vote, and therefore you cannot urge me to do anything! (*Laughter*) Can I just remind Members of Rule 17(1) which is not to address one another or collectively use a 'you', that is echoing what the Bailiff said to you, comparatively recently, I believe. Can we try and keep debate so that it is always addressed to whoever is presiding.

Deputy Inder.

1860 **Deputy Inder:** Sir, in an email yesterday, last night actually, from Deputy St Pier, what he did not want is this whole amendment, and the whole area, actually, of delegated authority, turn in to a L'Ancrese East fight.

1865 I do not want to get into debate now, but I am going to repeat, for public record, my thinking on it. There are public concerns over this – sorry, the L'Ancrese East scheme. This is not something like rock end wall has fallen down and Environment & Infrastructure are just going to put it back up again for £1 million; it is very different. There are concerns about confidence in the project, whether it is the right scheme at all for the Bay. There are risks to the amenities that we have spoken about, and whether the Committee for Environment & Infrastructure likes it or not, it is largely experimental.

1870 Now, I have asked time and time again for the Committee for Environment & Infrastructure to bring this to the States for debate. If they are so confident in it, so assured that this is the right

scheme for them, what is the fear of the democratic process? What is the fear? It is a £1 million project, which may or may not work. So I will ask them again today, I am hoping maybe Deputy Brehaut could respond now. I do not really want to turn this, as I said initially, into a situation where we are just talking about L'Ancrese East, I am just asking them simply and plainly. It has been resisted. I have been told 'no'. Bring this to the Assembly by way of policy letter, give us time to consider it, and if the scheme is so good it will fly through the Assembly, what is the fear?

The Deputy Bailiff: Deputy Brehaut.

Deputy Brehaut: Thank you, sir.

I was expecting more of this in general debate, but, through you, sir, Deputy Inder has raised something very specific.

In a number of email exchanges I have had with Deputy Inder, he has asked for an assurance that the Assembly get the opportunity to make the final decision. In response to that, I have asked Deputy Inder – because he contemplated laying a requête, I think by last Friday – exactly what he wanted the Committee to do. If he wants us to bring a report to the States to say this is what we would like to do, we imagine we have the confidence of this Assembly, and we wholeheartedly thank you for your endorsement – that is one thing. However, if Deputy Inder wants us to bring a report to this Assembly and then says, 'I want you to go,' for example, 'for option B,' which is a totally different prospect to the one that is tabled in front of us, when we have contractors waiting on a decision on the P&R Plan to commence work, to take any project into another season and to delay it by a year is not responsible.

Now, I fully understand that States' Members have reservations over L'Ancrese East – a lot of people do. I would say following the presentations we had at St Sampson's School, people came into, the second meeting was particularly packed with parishioners – they have concerns about the proposals. Once you have seen the compelling information in that presentation – and I am sorry that so few States' Members attended – it clearly makes the case that the anti-tank wall, that was not there, obviously, before the Occupation, is removed to allow the Bay what it wants to do naturally, which is create dunes and become the valve to the beach, rather than further erode the wall.

I will give way to Deputy Inder, sir.

Thank you.

Deputy Inder: Point of correction, sir.

It is just not true. This is not the total removal of the L'Ancrese East; this is a sub-bay within a bay. It is not true that it is turning this back into its natural environment. We have got groins going down the beach, we have got concrete. He has got to stop saying it. It is not true, and that is the reason I want this to come to this Assembly, because it is not true.

Deputy Brehaut: I am sorry, sir, is there some parliamentary protocol regarding alleging an untruth?

The Deputy Bailiff: Deputy Brehaut, Deputy Inder, this is not the time and the place to have this type of dialogue between the two of you. (**Several Members:** Hear, hear.) This is an amendment to substitute, effectively, table 26 in the Medium Term Financial Plan, by amending Proposition 6. Please, Deputy Inder, do not allege that somebody is not telling the truth in this Assembly without very good reason to do so. If you have a point of correction, you stand in your place and announce 'point of correction'; if you simply want the Member to give way so that you are making an interjection, which is not a point of correction, then Members just stand in their place and wait to see whether the Member speaking is going to give way.

Deputy Brehaut.

Deputy Brehaut: Thank you, sir.

1925 Incidentally, I fully support Deputy Inder's democratic right and the process available to him in bringing a requête, and discussing the potential for there to be change, but we cannot disregard the consequences.

1930 Very briefly, sir, I ask the staff what they believe the potential risk with the delay at L'Ancrese and they were if we went to plan in June 2017 ... I am sorry, now, in other words, then July, August, we would complete our submission through the routine capital, July August there would be some interim work on the wall, and we would go to tender in autumn and summer 2018, hopefully May for the main project, so May next year over an 18-week period, we would be doing this project and resolving the long standing issues at L'Ancrese.

1935 If we now have a delay and States' Members vote not to throw out just L'Ancrese, but everything that is the table you have been presented with, then that would give us cause for concern, but particularly with L'Ancrese, we would have to come back with a policy letter, probably in November States' meeting with a policy letter for us to finalise over the summer, with the business case and project assurance review that would be necessary. We would still have to do the interim repairs to the wall, because it is in such a poor state of repair.

1940 Let's assume that that was approved in November by the States, another tendering process starts in December so probably, even January, actually, so there is a possibility that it may be too late in 2018 for any project to take place and we defer to 2019, and in that deferral we would have to place rock armour against the wall to protect it over the winter. There are too many risks, there is much more potential to spend, and that is the last thing we want to do.

1945 I understand the project may not be fully understood by the entire community, and our ongoing public engagement is real – for example, I am visiting the Vale Common's Council – and Deputy Lowe is hurrying me along, so I will be brief; I am asking Members to please support this amendment and in doing so realising exactly what you are agreeing to, otherwise the work of the E&I in a number of regards stops short, which would be thoroughly inappropriate.

1950 **The Deputy Bailiff:** It is 12.30 p.m. I see a number of Members who want to speak on this amendment. We will now adjourn to 2.30 p.m.

If Members still want clarification from Madam Procureur by that time, about the effect of approving this amendment, then we will take that clarification at 2.30 p.m.

*The Assembly adjourned at 12.31 p.m.
and resumed its sitting at 2.30 p.m.*

POLICY & RESOURCES COMMITTEE

I. Policy & Resources Plan – Phase Two – Debate continued

1955 **The Deputy Bailiff:** Madam Procureur, are you in a position to clarify the issues that arose towards the end of this morning's sitting?

The Procureur: Yes, sir, I hope to be able to.

1960 Sir, to the extent that any further clarification is needed, and if it assists Members, I agree with the comments made by Deputy Dorey earlier, which is, essentially, insofar as amendment 28 rests before the States it is simply replacing table 26 to add another category of projects.

Sir, if, and only if, once the Propositions are put back before the States for final approval, if, sir, at that time, Proposition 6, together with Propositions 7 and 8 are approved then, in my view, at that stage it would be correct to say that delegated authority had been given to P&R to approve capital projects valued at less than £2 million.

1965 But at the moment, as far as regards this sole amendment, this amendment is simply replacing a category of projects, and Deputy Dorey is correct that it is not just one isolated project it is a stream, as we understand it, of 12 differential potential projects.

It is simply to include that, but it would require Propositions 7 and 8 to additionally be approved, in order for that delegated authority, that I believe actually Deputy Fallaize mentioned earlier to actually take effect.

I hope that clarifies matters, sir, but I am happy to take any further questions.

The Deputy Bailiff: Thank you very much.
Deputy Paint.

Deputy Paint: Sir, it is just another matter of clarification.

Should this amendment be passed, will any Deputy, subject to the support of seven others, be able to bring a requête at any time on the multiple items covered by this amendment, to challenge whatever is being proposed. In other words, if something gets put forward that is [inaudible] will I be given my right after this is passed to challenge what is being put forward?

The Deputy Bailiff: Madam Procureur.

The Procureur: Sir, yes, as a general principle any Member may bring a requête at any time, provided they have the appropriate support.

The only thing I would add in relation to these projects is, that if any of them are time critical, or if a contract is about to be entered, or anything of that nature, and Propositions 7 and 8 have additionally been approved, then it might be in the wording of any requête that any Member may be considering bringing, they would want that wording in the requête to perhaps reflect that nothing further is done until a particular point in time, or until the matter has been brought back before the States. So, without being too specific, sir, as one cannot be, as one does not know exactly what might be proposed, in principle, yes, a Member may bring a requête back at any stage. In relation to these particular projects, Members just may want to be aware if there are any time critical points that no doubt Environment & Infrastructure or the other relevant Committees may be able to assist with.

Thank you, sir.

The Deputy Bailiff: Deputy de Lisle:

Deputy de Lisle: Sir, the continuing programme of works carrying out repairs to the Island's damaged coastline, is extremely important to us in the West, and in fact, of course, to the Island as a whole, we have (*Laughter*) suffered major breaches in the sea walls in the West, in Rocquaine and Perelle in recent years, and of course, those breaches have been filled and supported through the various programmes of the States, but we have got to remember that beside the breaches there has been shattering of the walls, and a lot of the pointing has had to be carried out in the adjacent areas.

So the fact remains that we have been supported with respect to new pointing on the walls of Rocquaine and Perelle, and we are particularly grateful for that. It is all funded through this continuing programme of works, carrying out repairs to the Island's damaged coastline after, of course, the winter storms of 2013; and I would not like to see people voting against this, which would have any particular impact on that programme of works.

On the other hand, of course, in terms of the L'Ancrese East Wall, I believe that that should not be actually taking up over £1 million, or a £1 million in that sort of area, but should be dealt with in another way of just financing some remedial repair works to that wall that would strengthen the wall for the future without encumbering major costs in the area of £1 million.

Thank you, sir.

The Deputy Bailiff: Deputy Soulsby, to be followed by Deputy Laurie Queripel.

2020 **Deputy Soulsby:** Sir, I might be missing something here, but I thought this amendment is really just for completeness, because going on to page 117 and 121, they both reference coastal repairs and coastal flood defences. So really it is not about all or nothing, it is just about making sure that one table matches those other pages.

2025 **Several Members:** Hear, hear.

The Deputy Bailiff: Deputy Laurie Queripel.

Deputy Laurie Queripel: Thank you, sir.

2030 Sir, I was going to say that bearing in mind the words spoken by Deputy Dorey this morning, I was going to go ahead and vote for the amendment, but now I have heard the advice from H.M. Procureur, I am not quite clear in regard to the implications for the L'Ancrese East Wall project.

I do wonder, actually, if the L'Ancrese project can be classed as a coastal flood defence project, bearing in mind it is taking away a wall and allowing the sea water to encroach further on to land. So I even question whether it should come under that category, or not actually.

2035 But I think I still will vote for the amendment, because in regard to the L'Ancrese East Wall project that is probably a subject for debate on another day, sir. (**A Member:** Hear, hear.)

I just wanted to say, I am wary anyway of this issue of delegated authority, whether it is delegated authority to P&R or to any other Principal Committee, because I am a bit concerned about the mantra that is beginning to emerge in this debate, started by Deputy St Pier. He basically said – I will paraphrase what he said, he basically said – let us pay attention to the big stuff and the little stuff will take care of itself. Now, my experience, sir, as a politician, tells me that actually the little things become things eventually, and if anybody listens to the *Sunday Phone In*, on Sunday just gone, Deputy Green was talking about how operational issues can gain traction and can gradually become a political issue, and I am really concerned about this, okay we will do the high level strategic stuff and the little things can take care of themselves, because that does not allow for unforeseen circumstances, or long-term consequences of a project, or the fact that a project projection has not been entirely accurate, or there have been other things that have not been considered, and these things do become political issues eventually, but sometimes they become political issues too late in the day.

2040 So, yes, I probably will vote for this amendment. L'Ancrese East wall project is something for another day, which I am hoping that we will be debating at some stage. But this issue of delegated authority concerns me, and this issue of let's do the big stuff and leave the little stuff alone, because I know the little stuff can become big stuff eventually, and I think as politicians we have a duty to scrutinise and oversee everything, whether it is a big or small thing, because things can change.

2055 Thank you, sir.

Deputy Dorey: Point of correction.

2060

The Deputy Bailiff: Point of correction, Deputy Dorey.

Deputy Dorey: We are voting on number 7 in the list in the amendment, which is the coastal repair scheme not on coastal flood defences.

2065

The Deputy Bailiff: I turn to Deputy St Pier to respond to the debate on this amendment.

Deputy St Pier: Sir, thank you very much.

2070 I think Deputy Dorey's challenge in relation to what this was about – in other words, the coastal repair schemes – and H.M. Procureur's explanation of that, I think, was very helpful, and therefore I do urge those who are opposed to a particular scheme not to be lured into opposing the amendment on that ground.

2075 I am also grateful, in particular, to Deputy Brehaut for outlining the risks associated with delays on some of the projects. But I think this is clearly not the right amendment or place to be debating in great depth one particular scheme, as I indicated when I introduced this amendment. I think P&R would certainly welcome the views of Members, perhaps through general debate, but perhaps there may be a better way of doing it in terms of getting any proposed requérants together with the Committee for Environment & Infrastructure, and P&R, to then determine whether actually the use of P&R's delegated authority is appropriate, but I think that really is a discussion, either for general debate, or another time.

2080 In relation to this amendment, I do urge Members to support it, sir.

The Deputy Bailiff: Well, Members of the States, we move to the vote in respect of amendment 28, proposed by Deputy St Pier and seconded by Deputy Trott, which will have the effect of adding some words to Proposition 6, particularly to substitute table 26 in the Medium Term Financial Plan. Those in favour; those against.

Members voted Pour.

The Deputy Bailiff: I declare that amendment duly carried.
We now turn over, Members of the States, to amendment 29.
I invite Deputy Trott to lay this amendment.
2090 Deputy Trott, who is seconding it, and do you want it to be read?

Deputy Trott: Yes, sir, it is to be seconded by Deputy Brouard, and yes, if I could ask the Senior Deputy Greffier to read it, I will be grateful.

Amendment 29.

To insert at the end of the words in Proposition 6:

‘, but subject to deleting the “Guernsey Runway Extension (Pipeline)” project from Table 27 and replacing it with “Strategic Air and Sea Links Infrastructure (Pipeline)”.

The Senior Deputy Greffier read the amendment.

2095 **The Deputy Bailiff:** Deputy Trott.

Deputy Trott: Thank you, sir.

2100 Sir, the Island's strategic air and sea links are of vital importance to achieving the outcomes agreed in Phase One of the Policy & Resource Plan. However, they should be considered in their totality. We should not be looking at air links, sea links and the related infrastructure arrangements separately, or in isolation from each other. I believe, as does Deputy Brouard, that we need – and all Members of the Policy & Resources Committee for that matter – to take a considered long-term view of how these different issues work together.

2105 Clearly, a decision on the extension, or not, of the Airport runway cannot, and should not, be taken in isolation. The strategic review of Aurigny recognised this, and I know that the Committee for Economic Development also recognises this. As such, the Policy & Resources Committee is recommending that the requirement for such infrastructure be defined following an independent external expert review of strategic air and sea links, and that this be included in the capital portfolio as a pipeline project.

2110 In short, sir, rather than simply looking at the pros and cons of a runway extension, we instead should look at that within the wider context of our overall transport connectivity. The review will provide the information required for this Assembly to make evidence-based decisions on the future of the Island's strategic air and sea links.

2115 Sir, in practice, the Policy & Resources Committee would commission an independent external expert to complete the review. This is consistent with the processes for capital prioritisation that were agreed by the States of Deliberation.

2120 The terms of reference will be considered with the Committee for Economic Development, which has already done significant work in this area, with the Committee for the Environment & Infrastructure, who have responsibility for policy development, in relation to the ports and Airport, and with the States' Trading & Supervisory Board which acts as Aurigny's shareholder, and manages the Airport and harbours, on behalf of the States, and the Island in general.

Sir, the review will inform the work that the Committee for Economic Development is already undertaking on air and sea connectivity, and it will ensure that in due course the States is in a position to make evidence-based decisions on how we best invest in our transport infrastructure.

2125 Now, sir, the amendment, I am advised, has the unanimous support of the Committee for Economic Development, and as Deputy Roffey might say, because occasionally, sir, he is capable of uttering words of wisdom, and as Deputy Roffey might say, we owe it to our children to ensure that we have the right infrastructure provisions for this generation and beyond. I agree with him, sir, and that is why I am moving this amendment.

2130 Thank you.

The Deputy Bailiff: Deputy Brouard, do you formally second the amendment?

2135 **Deputy Brouard:** Yes, sir, thank you. May I reserve my right?

The Deputy Bailiff: Deputy Lester Queripel.

Deputy Lester Queripel: Thank you, sir.

2140 Sir, it has not been made at all clear to us why we need to do any of this work. I think it needs to be explained.

The States has spent hundreds of thousands of pounds over the years carrying out all sorts of reviews and studies. The results of those, surely, are sufficient to feed into a combined report

2145 In a previous Assembly the Scrutiny Committee undertook a review into strategic air links into and out of the Island. We have just had the Aurigny Review. Also in the previous Assembly the Public Services Department produced a major piece of work, which was in full colour, known as the Ports Master Plan, which I have here. How much did that cost taxpayers to produce, to sit on a shelf and be ignored. We already have in place our own Harbour Action Plan. The Environment Department linked up with the Town Centre Partnership and St Peter Port Douzaine and St Sampson's Douzaine, to produce a document called the Vision, again in full colour, to look at the future development in Town and on the Bridge. Deputy Le Pelley, who is unfortunately not here today, was on that Vision team, There is also a Guernsey Harbours Business Plan, again in full colour which I have here, published in 2014, that was supposed to take us through until 2023. Of course, we need to add to that all the good work that was undertaken by the Seafront Working Group, the group that was set up by Deputy Le Tocq when he was Chief Minister in the previous Assembly. That group had several meetings and I had the privilege of being one of the members of that group, so I know exactly how much work was done.

2155 At one stage, as I recall, 20 civil servants and eight Deputies were involved – a lot of time, a lot of work, and there was a wealth of information gathered by the staff during the life of that working group, so can't we utilise and refer to all of that?

2160 Sir, if my memory serves me correctly, I think it was Deputy Fallaize who led the charge in a previous Assembly in an attempt to give the Policy Council a much needed wake up call. I think it was during the States' asset management debate. I stand to be corrected on that.

But, sir, perhaps it is time for one of us to give P&R a much needed wake up call, perhaps I am already doing that, it remains to be seen whether or not they are listening to a word I say.

2165 So, sir, as I have proved there is an abundance of information already available. The question I ask is what was the point of collating and compiling all of that information if we are not going to use it? Simple question, sir, deserves an answer. Hundreds of thousands of pounds of taxpayers' money was spent acquiring all that information, and no doubt, hundreds of hours of staff time, was spent working on all those studies and surveys and reports. To use the old phrase, sir, surely, 2170 enough is enough.

Not only that, but if we look at the mandate, for our own Economic Development Committee, we see that the Committee have a duty to develop and implement numerous policies, and to advise the States on securing the provision of, and promoting, sea and air links to and from the Bailiwick. So is there not a very real danger of duplication here, also of one Committee interfering 2175 with, and encroaching on, the territory and responsibilities of another Committee. (**Several Members:** Hear, hear.) I think the term is 'micro-management', sir.

Also the way I understand it, but I stand to be corrected, is our own Economic Development Committee are already involved in a major piece of work trying to resolve problems with Condor, and our sea links. So, it seems to me, sir, that the bulk of this work has either already been done, 2180 or it is still ongoing. I really do not see why we need to spend taxpayers' money to tell us what we already know. Surely, if we combine what we already know with a bit of common sense, which is hard to find in the political arena, I am the first to admit, but anyway; but if we combine what we already know with a bit of common sense, surely we will then have all the information we need. Plus, of course, precious staff resource will need to be committed to this new piece of work, at a 2185 time when we struggle to progress all the plans, visions and strategies that are in place as it is.

Sir, those are my views on the Trott/Brouard amendment. I remain to be convinced, and I will finish by asking the question. How much will this review cost?

Thank you, sir.

2190 **The Deputy Bailiff:** Deputy Roffey.

Deputy Roffey: Thank you, sir.

Deputy Trott, in putting forward this amendment said, or words to the effect, that it was patently obvious that we should not be looking at the runway in isolation, that we should be 2195 looking at it as part of a whole about where we are going with connectivity and infrastructure that is needed to support that.

I suppose my question to P&R is: why on earth did you put in the capital programme a project looking at the runway in isolation? I do not blame Economic Development. This Plan was produced and put forward by P&R and they put forward that in absolute isolation. I was surprised 2200 to see it there, I have to say, but nevertheless that is what they did. Maybe they just made a mistake and they have reflected up it. What a shame that it took until late yesterday evening for us to know that they thought we should be going (**A Member:** Hear, hear.) in an entirely different direction.

Now, Deputy St Pier said this morning, well, surely that is what the Rules are there for, once all 2205 the other amendments are in we can reflect on them, see if we can find a way forward. Well, yes, but I cannot remember the date, I am sure it is engraved in the mind of Deputy Fallaize, when the cut-off date was for all of the other amendments. P&R could easily have met last week and put something out at the end of last week, giving us a few days to consider the implications of what are quite far reaching changes in direction.

2210 Maybe it is because I am old and cynical, but (*Laughter*) noticing if this amendment is passed then the very first amendment to be lodged all those weeks ago, amendment 1 would be unable

to be put (**A Member:** Its yours.) because it is seeking – That is one of mine, you are right, sorry. Deputy Fallaize is right, through you, sir. Because, of course, it is trying to delete something that would no longer be there, and because I cannot amend that amendment to address the new reality, because the Rules of Procedure say that Members, us mere mortals, are long gone. I did wonder whether this was an attempt to undermine that amendment 1.

With that in mind, sir, I am going to put forward, I am going to stick to this amendment, but in doing so, in asking people to reject it, I am going to explain why I think they would be advised to reject it, so that they can then move on and vote in favour of amendment 1. I do not think I can extrapolate the two, if you like.

Sir, I actually have slightly more sympathy with the original, or do have with the Proposition as drafted. I was stunned to see it as a capital project, because I did not think that anybody had yet made the policy case for this is what we should be doing, the *prima facie* case to say this is what we need to do in order to move on to the capital planning phase. But, at least when you do move up to the capital planning phase then engaging experts and consultants makes a degree of sense, because if we had decided that we needed or might well need a runway extension, which we have not, I know it has been mentioned all of the time by Deputy Kuttelwascher and Deputy Ferbrache in debate *en passant*, that is no, that shooting from the hip, is no substitute for making a reasoned case, in the same way as the gentleman to the right of him has done over the hydrocarbons, for instance, (*Interjection*) although it has been mentioned we have not had that case. But if it were to be going forward, then I could see why we would need consultants because we do not have the expertise.

Here, sir, though we have something, which ... that is another problem with this amendment. What are we talking about now? We are talking about what should be in the capital programme. Now, I can understand the argument that as a matter of policy we should be looking at connectivity. It is a matter of concern, air and sea connectivity for the whole of this Island, the business community. We knew when we went through the election a year ago, it was a major issue but the first thing you do about that and should be doing over the last year, is to develop your policies. If those policies lead to a requirement for a big capital project, that is the time you spend your arm and a leg bringing in the consultants who have got the expertise to help you deliver that.

Deputy Trott, in his opening, said this is in keeping, bringing in an expert and spending a large amount of money on them, is in keeping with our agreed procedures for capital projects. We are not at that stage. Yes, it may be we end up with a runway extension, or I do not know a fog landing system, or a deep water berth, we might – we need to be looking at things like landing fees, like should we have an open skies policy, should we be doing all sorts of other things? These are political issues, and to insert it in the capital part of this Plan is absurd, in my view. We have not got there. Make the policy case, get that *prima facie* case approved, and then you move on to the capital project side. I wonder what we would have done if Deputy Parkinson had turned up today and said actually we would like in this Plan the flooding of Talbot Valley to secure the water reserves for the future. (*Interjections*) I think it would be Deputy Parkinson, sir, I missed that.

I wonder what we would have done. I think we would have laughed, probably we would have said, 'Well, this is going to, you have got to make a good *prima facie* case first. After all, you are going to lose huge amounts of important agricultural and picturesque bits of Guernsey – actually, just the same as the Airport project would be; you are going to have to put lots of people out of their homes, just like the Airport project would be actually; you are going to have to use draconian compulsory purchase powers, pretty much like the Airport project would be; you are going to have thousands of people marching in protest, just like the Airport project will have.

Sir, I am not trying to say no, and my amendment, if we ever get on to laying it, is not trying to close the door on a runway extension. It may be needed. All I am saying is before you spend a fortune, on the technical side of consultants to make it happen, you at least make the *prima facie* policy case, particularly, on an issue that has been looked at in depth twice in recent years, and on both occasions the conclusion has come that there was no case. What happens if this third one

2265 comes out with that? How many months will we have to wait until somebody says, 'Let's have another one? Oh don't close your minds, wait until we have had a third or fourth one. There may be more facts. Do not try and be close minded.' I am not close minded, but I say make the case first. Make the policy case first.

Sir, I think we are getting addicted to consultants here. (**A Member:** Hear, hear.) This Assembly reminds me of the old PAC every bit of work they did, 'What do we do about this? I know, we will employ the Welsh Audit' – Sir, I am talking about the last PAC before, I am talking about the old, old PAC, in the bad old days, that did exactly that, as I am sure Deputy Soulsby will remember, because we had to put that right, and do the work themselves. They just called on the Welsh Audit. Some things are political. What have we done over the last year over connectivity? Why are we starting a review now with consultants? If we were going to pass the buck to consultants why didn't we do it 12 months ago? (**Several Members:** Hear, hear.) We are just frittering away peoples' money doing politics. Politics is our job. Say 'no' to this amendment, do our job first, and if our job of reviewing the policy issues around connectivity show that we need a big capital project, be it extending the runway, a deep water berth, instrument landing system, or anything else, if there is even the hint of a case for that then perhaps justify spending hundreds of thousands of pounds. But this, I think, is yet another last minute produced wrecking amendment, and I ask you to reject it.

The Deputy Bailiff: Deputy Brouard.

2285 **Deputy Brouard:** Thank you, sir.

One of the criticisms of the proposed work on the pros and cons of extending the Airport runway is, of course, that it has been done before, and there is, of course, a suspicion now that Economic Development, or others, will keep commissioning work until they get the answer that they want.

2290 In my view, it is vital that the States gets to make a definitive decision on this matter. It would be wrong to press ahead with any decision on an Airport runway extension without work on the pros and cons and the likely costs. This work is to be done properly, independently, in detail, and in the context of the wider transport connectivity issues.

2295 However, it would be equally wrong to close down the idea at this stage, i.e. amendment 1, if it was placed without doing that work, and I say that as a Deputy with a long history of being opposed to, and very sceptical of, a longer runway. So there is a lot to like in Deputy Roffey and Deputy Soulsby's amendment from my point of view, but it is wrong, even for me.

2300 Just looking at an article in *The Press* yesterday, from Mr Luke Wheadon from the Bella Luce Hotel. I just want to quote on a little piece of it. Mr Wheadon expressed his concern that the entire plans could be rejected on the back of a runway amendment, which he said would be catastrophic:

The runway is just part of a connectivity issue, [he said] The G4 feel we really need to raise the issue up and have a proper, thorough and robust conversation about connectivity and find some meaningful solutions that are right for Guernsey.

That is exactly what this amendment proposes to do.

2305 Now, I think Deputy Roffey almost made a good case for us, because just picking up on some of the words that he was using, before you spend a fortune you make a *prima facie* case – exactly what we are proposing in this review; have this review to see whether there is actually a case for it, and that is what we are proposing. Again, he mentioned, make the policy case first, this is what the review will do. Politics is our job, and then we can see whether it is a capital project or not.

2310 A process, which as Deputy Trott said, is ultimately owned by the States of Deliberation. It is not a process owned by P&R, nor by Economic Development, but all of us on behalf of the community. This amendment will ensure that the work is undertaken properly, independently, and

totally. It means that we will look collectively at the whole picture of air and sea links and not just part of the picture.

Now, I am just going to ask you to look, just for one second, at page 42, it is the one with the coloured diagram, for Deputy Lester Queripel's benefit –

The Deputy Bailiff: I will look at it, Deputy Brouard. Do you want the Members to look at it as well?

Deputy Brouard: Yes, sir. *(Laughter)* Very helpful.

When we look at page 42, which is the high vision, we see that our air and sea links is both a priority in its own right in the bottom left hand corner, and it is also woven in and out of the four main headings of our economy, our quality of life, our community and our place in the world, and without it we are isolated.

Please support this amendment. Let's find out exactly what we need with regard to capital infrastructure, and what amendments we need to make to make our Island accessible for everyone.

Thank you, sir.

The Deputy Bailiff: Deputy Parkinson.

Deputy Parkinson: Sir, I have the honour to be the President of the STSB, and if the States does eventually decide to extend the runway, it will fall to my board to implement that decision. But I should say at the outset that I am neutral on the question of a runway extension. I remain to be persuaded that it is necessary and, on the evidence that has been produced to the States on several occasions in the past, there has not been a case for doing it, but it is possible that somebody could make that case, in which case I would support it.

Now, is this the right to go about making that case? I have to say I do not think it is. The question of whether the runway should be extended, in my view, has very little to do with our sea links, and contracts with possible ferry companies, and so on and so forth, or even the purchase of ferries. I do not think a decision, for example, for the States to invest in a ferry would affect my view on whether the runway needed to be extended. I see them as very different issues.

To me, the question of whether the runway needs to be extended has to be set in the context of a fully developed economic plan for Guernsey. So, if a case is to be made for a runway extension, the argument needs to be something like, we are going to reshape our tourist industry, we are going for, let's say, a mass market tourism product; that means we need to look at our hotel bed stock, it means we need to look at a whole load of other issues, but we also need to look at the length of the runway.

Arguments for a runway extension could conceivably include refocussing the finance industry on markets further afield than London. Another possible argument in favour of a runway extension, to raise one of my old favourites, would be the development of a university on the Island, which requires the ability to move in and out of the Island large numbers of students in concentrated periods of time. But those arguments need to be made in the context of a wider economic plan, which I very much hope that the President of Economic Development will be able to assure the Assembly, is in the work stream of the Economic Development Committee, and which they will be coming back to the Assembly to produce to us.

Now, this proposed review here, in my view, is therefore the wrong review; the comparison is wrong, you are comparing a runway with a ferry link or whatever, and I do not think that is a valid comparison. It is obviously going to cost money, and I think the general public out there will just see it as kicking the can down the road, the States unable to focus on the issues, spending money on external consultants because they really do not know what direction they want to go in. It just basically comes across to me as asking the wrong question at considerable expense and resulting in unnecessary delay.

If this Assembly is to achieve anything in the remainder of its time ... and bear in mind here we are 14 months in, and we have not decided what we want to do. We have not got round to any kind of prioritisation, not even in this debate. Prioritisation will happen at the end of this year, by which time we will be further on down the line, and two years in, and we will have two and a half years left to do it. All of which we intend to consume in having further reviews and external consultants advising us.

We need to get on and get down to the issues that we face, and try and get to the bottom, make some decisions and get on with implementing them. This seems to me to be a perfect excuse for delay, and expense, and simply not focussing on the real issues. So I am going to oppose it.

The Deputy Bailiff: Deputy Fallaize.

Deputy Fallaize: Thank you, sir.

I think Deputy Parkinson has just made an outstanding speech, and pretty much summed up the case against the amendment, and I will be interested to hear those who are in support of the amendment countering what he said.

My view about extending the runway is almost identical to his. I take a different view from that in the Roffey/Soulsby amendment, which I was probably going to vote against. I was not certain, but I was inclined to vote against it, if we get to it. I am certainly going to vote against this amendment for a few reasons.

This is not a capital project. This is, to me, a misuse of the Capital Reserve. To fund an investigation into an issue of policy out of the Capital Reserve is a misuse of it. I do not know if Deputy Trott and Deputy Brouard – well not Deputy Brouard now because he has spoken, but – when he sums up, if Deputy Trott could tell us which other projects the Capital Reserve has funded, where the project has been an investigation into a matter of policy, because I think this is a misuse of the Capital Reserve.

Secondly, there is the issue of how far we are now into this term, 14 months, and it was quite clear, I suppose along with ... there is always the issue of economic stability and prosperity, but other than that along with the issues around secondary education, external transport was the biggest issue at the last year's General Election, and most candidates perhaps did not offer exact policy prescriptions, but they certainly came in saying, 'We are determined to sort things out in respect of external transport.' I know that members of the Committee for Economic Development did, including the President. It was the number one issue: we must sort out air links, sort out sea links; our connectivity is not good enough etc.

Now, if this amendment is successful, our response as a Government 14 months after being elected will be to say, 'I know what we will do, we will have an external review so we can try and understand what some of the issues are.' I think that would be pathetic. I think Deputy Parkinson underestimates what the view out there will be if the States decide 14 months into office that they have to commission external consultants to carry out a review of a set of challenges that were perfectly obvious when the States were elected 14 months ago. So I am against the amendment for that reason.

I am not one who generally rails against the use of external consultants. I think there are times when we need the assistance of people from outside the States, but it is becoming a bit of a crutch. We are engaging external consultants to assist us in areas of core policy making, not just in terms ... I know Health & Social Care have engaged some over the transformation of Health & Social Care, I can understand that; that is outside of the kind of routine policy-making business. I think a lot of these reviews are fairly worthless. No sooner are they published, than those who have commissioned them, or those who are subject to them, are telling the Island that they are worthless. Deputy Lowe was on the media yesterday, and I did not necessarily disagree with her, and I know that Home Affairs did not commission that review, it was commissioned by P&R, but

saying, 'Well, it is not really a very good report; this report has been carried out into expenditure of Health Care, no, Education and Home Affairs.'

I am not giving way.

Deputy Lowe: It is a point of correction, sir.

The Deputy Bailiff: Point of correction, Deputy Lowe.

Deputy Lowe: Home Affairs welcomed the report from PwC and actually stated that we thought it was right and proper that P&R look at all Committees. What we actually said was that we could have actually written it ourselves because it was glowing in that as much as everything they recommended we were already doing.

Deputy Fallaize: Okay. Well, it was a report that cost hundreds of thousands of pounds, possibly, or certainly tens of thousands of pounds, which was good because we were already doing everything that was in it. I do not think that is good use of taxpayers' money. (**A Member:** Hear, hear.)

We are just now in the habit of commissioning external consultants, not when we need their advice – and there are times when we do – but when we basically do not know what to do. If you do not know what to do, you cannot make a decision, you can defer the issue by commissioning some external consultants to have a review. But nine times out of 10, the report produced by the external consultants does not take you any further forward. It often tells you what you already know.

So I do not understand why a set of external consultants is needed to review Guernsey's air and sea links infrastructure. Deputy Lester Queripel read out a whole load of reports that have been produced on this very subject. I want the people who are responsible for this area of policy to get on with making policy and advise the States. Now, what they did – that is, the Committee for Economic Development – is they submitted a proposal, presumably to P&R through the capital process, to carry out further ... because they have a bias in favour of extending the runway. They cannot make an absolute concrete case, but they appear to have a bias in favour of it, or they are inclined to believe that it might be necessary, if I can put it that way. So they want to carry out the investigation. Now, I am not convinced. I am sceptical, but I was prepared to back them. I was prepared to say, 'Okay, they were elected to advise us on the matter of air and sea links so I will back them; if they are inclined to that view then I will support them in carrying on further investigation.'

But now, we are told, no, no, let's not even give them that degree of backing, and let's not say, 'No, we disagree with you. We are quite sure that at this stage we do not need to extend the runway. We do not want to make any of these sorts of judgements, we just want to defer the whole thing,' and say, 'Oh, it is too difficult for today, it is too difficult for now. Let's commission some external consultants who might be able to tell us what to do.' I do not think they will be able to tell us what to do. I think we will be faced with the same policy conundrum in six months or 12 months, as we are today. So we should confront it now, rather than deferring it.

Now, there is also the mandate issue. Perhaps this is minor compared to the other issues, but we elected the Committee for Economic Development, amongst other things, to make policy and advise the States in relation to the Island's air and sea links. (**Several Members:** Hear, hear.) We did not elect whichever management consultancy firm will end up winning this contract. We seem to recruit them from a fairly small pool. There must be an army of these people now, who are reliant on States' contracts. But we elected the Committee for Economic Development to do that job. We did not elect the Policy & Resources Committee to do that job, and yet, if this amendment is successful, I think the Policy & Resources Committee will, not necessarily deliberately, I do not say that, but I think the implication will be, that they almost take over policy-making in terms of strategic air and sea links, and I do not think that that is their role. Why does

this work need to be commissioned by the Policy & Resources Committee? If the Committee for Economic Development, which is the responsible Committee, thought it was necessary to commission this review, why didn't they propose it?

2470 Deputy Parkinson also makes the very good point: why on earth do we need to have an analysis of sea links infrastructure in order to decide what to do about whether or not to extend the runway? It is inconceivable that any decision about whether a second vessel is put on the northern route, or whether we open up the sea links infrastructure more than it is, or whether we have a different level of service on the southern route to St Malo ... It is inconceivable that any changes in those issues is going to affect the decision about whether or not to extend the runway.

2475 I do not say this is a bad amendment because I want to support Deputy Roffey's, because I probably would vote against it. I just think this is a rubbish amendment on its own.

The Deputy Bailiff: Deputy Graham.

2480 **Deputy Graham:** Thank you, Mr Deputy Bailiff.

Until Deputy Parkinson spoke, I wondered if I was the only Deputy in the Assembly who was prepared to challenge the claimed synergy between aviation links and sea links, because I do not think, with respect to the amendment, that it makes the case for that. I am not convinced of it, and I remain to be convinced. I think that is the challenge for Deputy Trott when replying to the debate.

2485 In my own mind I am very clear about some aspects of this. I believe the Government has certain – in fact, three – duties *vis à vis* the provision of aviation connectivity here. One is clearly the preservation of our Gatwick slots, and the provision within that of an efficient reliable service between here and Gatwick. Secondly, there is the lifeline service to Alderney, and thirdly, the connectivity between Guernsey and Jersey. Beyond that I think Government responsibility is less obvious to me.

2490 Now, what I am not clear about is the role within that, and within those three objectives, that will be played by an extended runway. I may be, I think, in company with many Members of the States here, in saying that I am genuinely confused as to where the balance should lie. I have listened to arguments from people I respect very much, who have argued exactly the opposite, and you finish up really wondering quite where the case should lie. To that end, I think, really, we urgently need – and I think the emphasis is on 'urgently' – a case being brought to the States, and in my view, there is no reason why Economic Development should not be the agency for that, as Deputy Fallaize has made the point, we have elected them to do precisely that sort of thing. Now, whether or not they need recourse to outside agencies in order to produce a balanced report, I have no idea and I am happy to leave that to their judgement.

2495 But I believe even that, the case for an extended runway – or not, actually – depends really on a more strategic question, which to me is: is Guernsey in the future going to be an aviation hub in its own right, or is it going to be a major spoke in the wheel of another hub, just to the southeast of here? Now, I think that is a pretty fundamental strategic question, which affects our aviation connectivity. I think decisions outside of that context are going to be very challengeable.

2500 If I have a concern about preserving this synergy between sea links and aviation links, it is not only the potential cost of it, but it is altogether a greater scheme to take on, and I just wonder whether that will bring further delay and unnecessary costs when actually what we need most urgently is to resolve our air connectivity, which I do not think in any way depends on decisions that we make out at sea.

The Deputy Bailiff: Deputy Meerveld.

2515 **Deputy Meerveld:** Sir, I had a little sense of *déjà vu* when Deputy Fallaize was speaking. I think a few days ago I was speaking about the fact that we should not be delegating responsibility to the general public for making decisions on our electoral system.

As regards this specific amendment, I think I might have had some small part in it, in the sense that I approached Economic Development, as a concerned Deputy looking at this specific original Proposition, to do a survey on the runways and expressed a concern that you could not look at one element of transportation in isolation. If we did build a long runway and it achieved the objective of bringing more people in and out of the Island by air, then that would have a direct impact on sea links. We have got a finite number of people travelling to and from the Island.

Now, okay, if we stimulate the economy and we have developed the economy, we might have more traffic, so that has to be factored in, but I believe you could not look at one aspect of connectivity in isolation; and it was myself, I think, in a constructive conversation with Economic Development that helped to promote the idea of broadening this to a wider piece of research. We have gone from a study that was going to specifically look at hiring consultants to do research on an airport extension, and instead, holistically, we are looking at connectivity links. I cannot see anything wrong with that Proposition.

Just in the way that Deputy Mark Leadbeater has influenced our Committee when he came to us and spoke to Education Sport & Culture about the Sports Strategy, and we have re-evaluated our position, I commend Economic Development and P&R for reconsidering their position on this and putting in this amendment, and I will be supporting it.

Thank you, sir.

The Deputy Bailiff: Deputy Ferbrache.

Deputy Ferbrache: Sir, if this amendment is unsuccessful then in due course, obviously, Deputy Roffey will lay his amendment, and I intended to say then that in the course of my professional life both as an advocate and my time that I have spent both past and present in the States, and in other speeches I have made, that my speech would be one of the most important I have made in my life; because, as has been said by other speakers here in this debate this afternoon, air and sea links, connectivity links, are the most important thing. It was the most important thing at the ballot box other than the 11 Plus. We have debated that we have moved on from that. It is a vitally important thing.

Now if, sir, Members of the States think that we can carry on as we are, they are living in a world that is not real. Because when I came into the States again, in May last year, and on 11th May was elected as President of the Economic Development Committee, my colleagues were elected a week later to greatly assist me, as they have done over the last 13 or 14 months, we opened the cupboard in connection with connectivity, and we were dismayed at what we saw. The cupboard was bare. That is not a criticism of the previous States, but we were left with a muddle and a mess, and with no projectivity at all.

Now, I want to get on, and it is fair to say that, sir, those who know me, and know my colleagues, know that they are all purposeful people. We are not timid Tims or timid Timmettes, we are people that are quite able to make decisions – but we want to get on.

What I say to the States now is that, and it is something ... I cannot remember which of the speeches, speakers have touched upon it, but we will be coming back before the end of this year – towards the end of this year, but before the end of this year – with our proposals in connection with air and sea links.

Now, the trouble is that if we say politics are for the politicians, but if we say, for example – and this is just for example – we think there should be a runway extension of 1,700 m or 1,800 m, people are going to say, 'Where is your evidence for that?' Now, it was not meant in a pejorative sense by Deputy Fallaize at all, sir, but he said there is a bias, or an inclination towards a runway extension. There is certainly an inclination on my part. But if as part of the overall connectivity, it was shown that there was just no need for it, I would change my view. I am not there to be dogmatic. I am there to make sure that things are done.

Now, again, why have we not done something? The question was asked, sir, in the last 14 months. Because we have been collecting information, we have been trying to fashion our policy.

2570 We have been looking at the pros and the cons. We have been assessing how realistic any proposals that we might bring to the States would stand for success, because I have described it, and again, sir, not in a pejorative sense as a green state, very environmentally friendly. I am as much of an environmentalist as those who wear it on their breast. I am very much an environmentalist, but a pragmatic, realistic environmentalist. Environmentalism means getting
2575 things done, making things better for your community in every conceivable sense, whether it is having a good bus service, or whether it is making sure that North Beach is cleared of cars – whether it is any kind of thing. Those are the things that we need to look at.

Now, we know we have only recently had the Aurigny review. We have every meeting that we have, and we have meetings periodically, and we have extra meetings, every meeting a fair part of
2580 our discussion, in connection with what we have to do, is taken up talking about air and sea links, and we go up hill and down dale, because that is the way that you have to come to conclusions. And we have different views. We are not united, for example, in relation to whether you think there is a bias or an inclination in relation to the runway, but we have sensible and intelligent discussions between, at least in the other four's case, sensible and intelligent people. We listen to
2585 what each other says. We do not always agree, but what I am saying to you is that we want to get on with it. I am fed up, fed up to the back teeth, with silo mentality States.

We have the responsibility, as has been correctly recited by Deputy Lester Queripel; he quoted the exact words of our policy. I know that, but the first hurdle I came across, and I have mentioned it in other speeches, was just after we all were elected and we knew that we were going to have to
2590 consider later last year, the Island Development Plan. Could I please see, so that my colleagues and I can see, because we are Economic Development – we are there to promote business, we are there to encourage development, one of our responsibilities is the construction industry – could we please see the inspector's report, when you have got it? Not because we wanted to go and tell our granny, or because we wanted to put it in *The Guernsey Press*; because we as, hopefully,
2595 intelligent people could look at it. No. No. No. No. We got nowhere. So I do not care whether it is Policy & Resources-led, whether it is Environment-led, whether it is Economic Development-led, as long as we do something.

Now, sir, again, not questioning in one degree at all, the integrity of any of the people who have spoken, or any of the people who might speak after me, in relation to this debate but,
2600 sometimes we think the 'paleface speak with forked tongue', and what I mean in relation to that is that unless we come up with evidence, which we are under an obligation so to do, in connection with sea links, air links, whether we should extend the runway, not extend the runway, or whatever we are going to get nowhere, because people can say, 'That is the politics; where is the evidence?' So, therefore, we can only get evidence if we look at independent experts.

Deputy Meerveld approached me last week and I commend him for his industry and his vision – that is not a word I use a lot, 'vision', because we have got too much vision and not enough activity, but I commend him for his vision – when he said take it out of this, let's look at something wider; and 6.30 on Sunday morning, he sent me an email – I did not read it at 6.30 on Sunday morning, I read it later on Sunday morning – where he had an all-nighter as he called it and he
2610 came up with a vision. Now, I am not saying that is something we would necessarily completely take forward, but it was something. It was brand new, blue sky thinking. Now, we are not brand new blue sky thinking, completely, in Economic Development because we would have then sat the last 14 months and done nothing. We have done a lot, but what we are saying is 'please let's get on and do something' because our community is saying to us, please get on and do something.

This is not stage managed. Deputy Kuttelwascher and I were walking back from lunch today
2615 and we were approached by a lady who said, 'Please, this afternoon when this issue is debated, tell them that I think, and lots of my friends think ... I know lots of other people think differently, but you have got to get on with it, you have got to do something about the runway extension, you have got to do something about connectivity, because our economy is going backwards.' I
2620 know that it is grown slightly, I accept that. What Deputy St Pier said in his opening remarks today

is that Guernsey is great today, Guernsey was great yesterday, Guernsey will be great tomorrow, but Guernsey will not be great in five or 10 years' time, if we do not make difficult decisions.

Now, I know what I have got in my mind. I can say it today, what I have got in my mind, but my colleagues would say, 'Well, we have not discussed all of it with you, because I am still developing my thoughts, and we may, when we come with our report in November or December to States, have different views to the ones currently in my mind, because the way that you do things sensibly and intelligently, and I have done it all my professional life, is you listen to the other man or woman's view, and sometimes you start with a view here and you end up with a view there, because the people that have addressed you have addressed you with evidence and intelligence and persuaded you that your initial thought processes were wrong.

Now, I have spent my professional life trying to persuade people that black is white, and on occasions I have been successful, but that is as a lawyer, you get paid to do a particular job, you are defending a client who might be as guilty as sin, but you defend him, you are representing somebody in a civil case that you might not particularly like or you might not particularly like the case; it is an argument, it is an intellectual exercise within the bounds of ethical rules. Here we are making decisions which affect the future of the Bailiwick. Now, do we think that the present air links are sufficient? No, they are not. Do we think the present sea links are sufficient? No, we do not. Our tourist industry is crying out for assistance. Our finance sector are telling us that air links, in particular – because they are not so concerned with sea links; obviously, air links are vital – that we are not doing enough.

Now we are talking about whether we should be a hub or not a hub. I believe it would be a disaster if we were simply a hub for Jersey. I believe that we would be seen to be a backwater, because intelligent people again, in all kinds of industries, are saying, 'Six or seven years ago Guernsey was seen as the go-to place, now Jersey is seen as the go to place. I do not know why.' Well, I do know why, because the previous Assemblies did not do enough to promote Guernsey as an economy. They did not make the right decisions. We have got to make the right decision.

I support this initiative put forward by Deputies Trott and Brouard, because I want something done. If I come back in three months' time, four months' time, and my colleagues come back, there will be, 'Where is your evidence for this? Why should we have a runway extension? Why should we do this? What about the ferry service; are you going to take people away from the air links if you have another ferry link?' All those kind of questions.

Please back this. Let's make a decision. Let's get something done.

The Deputy Bailiff: Deputy Tindall.

Deputy Tindall: Thank you, sir.

I feel I have to say, sir, that the main purpose of this amendment, in my view, was an outcome of a conversation that myself and Deputy Meerveld, and I understand other Deputies, had with the Chamber of Commerce last week. Their feeling of frustration over what had actually happened over the last 14 months, and the importance of air and transport links, and wanting to know that something was happening. I believe that this was the Proposition that this came out of, because it was felt that just looking at the Guernsey runway was insufficient, and it needs to look at things more holistically.

I am very pleased to note what Deputy Ferbrache has just said, that he should be coming back this year with this review in a policy letter.

I also have to say I have learnt a new word today which is 'projectivity' – (*Laughter*) very interested in that new word. I also am a little disappointed in the fact that Deputy Ferbrache needed to mention something else, which was obviously very hurtful. I supported the Economic Development Committee in keeping the confidential information about Paschenden ferry trial and yet he still continues to mention the Development Planning's legitimate reasons for keeping the inspector's report private. I was hoping that was dead and gone by now. (**A Member:** Hear, hear.)

But going back to the main problem, Deputy Fallaize talked – and Deputy Lester Queripel – about having all this information available. We have got lots of information out there but we do not know what to do with it. Well, one of the things that I have a concern of is the fact that we are looking at an amendment to the pipeline projects, and yet I would have expected this sort of holistic approach indicated by Deputy Ferbrache to be in the Economic Development Plan. I cannot see it, and this is one of the problems I had with the plans, which we will see and debate later, which talks about the examination viability of extending the runway. It talks about the potential for air route development opportunities within the existing infrastructure constraints. It does not bind everything together in a holistic approach, which was what I was hoping. That is really the main thing that I am concerned about.

I hoped that the next external expert – hopefully an on-Island external expert – would have been able to bring this all together. But I am hoping instead, from what Deputy Ferbrache has said, that this will actually come through in the policy letter this year, because I do take on board what Deputy Parkinson said – is that this is another report, another payment of monies as Deputy Queripel said, and it just seems to be pushing it down the road.

That said, I would actually like to just clarify a few points about the way in which this amendment has been drafted, by adding the words at the end of Proposition 6. This is in relation to table 27, and the pipeline projects. Does that mean by amending this, that Proposition 10 also needs to be amended, because that has not clearly been taken into account; because Proposition 10 – if I can find it, because I did have it earlier – actually lists the pipeline projects to be that in paragraph 8.23, which includes Guernsey runway extension. So, if we pass, this do we therefore have to amend Proposition 10? Obviously I leave that to P&R because of course they have that ability to do so.

It also begs the point about what it means in relation to the Economic Development Plan if this is also changed, and it is all these interrelated matters that I find extremely difficult to –

Deputy Oliver: Point of correction.

The Deputy Bailiff: Point of correction, Deputy Oliver.

Deputy Oliver: In 8.23 there is actually the Guernsey runway extension and St Peter Port Harbour Action Development, so it is already in there.

The Deputy Bailiff: Deputy Tindall to continue.

Deputy Tindall: Sir, I was not referring, of course to the Harbour Action area, I was referring to the strategic air and sea links infrastructure pipeline project, which is the subject of this amendment, which is not in that list.

So, going back to what I was saying, having tried to get my head round the actual effect of these words, and actually the timetable and cost of it, with the important reassurance from Deputy Ferbrache, I feel also that I have to agree with Deputy Parkinson, the absolutely important thing – the message coming from the community – must not be lost if this Proposition fails. We have to do something, and please, please, let it be holistic by the end of the year.

I give way.

Deputy Fallaize: I am grateful to Deputy Tindall.

She has made a very good point about this paragraph 8.23; would she also agree that above that it says this is proposed to be inserted as a pipeline project, but it says in the policy letter that pipeline projects will be considered for inclusion in the capital portfolio following the next prioritisation round. So perhaps Deputy Tindall has a view on whether, taking her argument to its logical conclusion, if this amendment inserts this particular review into the list, we are actually

inserting it into a list of activities that will be carried out, not now but at some point in the future. Well, what use is that as far as reviewing air and sea links is concerned?

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Deputy Tindall: I would like to thank, through the Chair, Deputy Fallaize for that intervention, because whilst I may not have actually come to that conclusion whilst looking at this amendment, having only received it last night, I have to say this is another example of the complicated nature and way this is all drafted.

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It is enormously important that the effects of everything we are talking about, everything we are considering, each individual amendment, and the knock-on effect, whether or not we throw it out in general debate, and looking at all of these things that we are trying to achieve, and not doing it because it has to be fitted in with the States' Review Committee's proposals of timetable. I have to say the heart is there with this idea, but the head is, again, unfortunately, looking at something on the evidence, and I actually am an evidence-based politician.

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Thank you.

The Deputy Bailiff: Deputy Oliver.

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Deputy Oliver: Sir, I do agree with this amendment that we need to be looking at the air and sea links as a whole, but where I am very sceptical is that, as Deputy Lester Queripel has pointed out, there have been a number of reports that have been commissioned by the States – or some of them not even by the States, just by Committees – to see what we should be doing.

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In 2013 the Guernsey Ports Master Plan was written, and there were nearly 30 things that we should be looking at to see how we can improve, and also how it would actually bring further growth to our economy. I do not think any of these have actually been brought to the States, or been looked at in great detail. It is the same with the aviation report, the development and economic assessment of options, eight years ago. They said, to basically build upon our growth, we need to be looking at air links to France and the Netherlands. I just do not think that has been done.

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Where I am very sceptical is, if we say yes to this, then we get a report – and I agree that any decision we need to make needs to be evidence based – how much of it are we actually going to say, right, these are the steps that have been said we need to do, do we have the funding for it? So have we sort of almost prejudged a little bit and said, 'Okay, they have come back and said we need a cruise liner berth, we need a different roll-on, roll-off carrier, and we need the Airport extension.' Can we actually afford to do all three of those, or are they all just going to be kicked down the line, because it is in the 'jobs too difficult to communicate between all the Committees' to actually get them done.

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And that is where I think a real worry of mine is. If I could have some sort of comfort by Deputy Trott to say that we will take this Report seriously, it will then come back to the States to be discussed as a group, and then decisions are made from that, then I think that is a pragmatic and sensible way to go. But, if it is just going to come back and say, 'This is the report, here it is,' noted, it is a complete waste of taxpayers' money. (**Several Members:** Hear, hear.) I think we, as a States that keep commissioning these reports, for a whole variety of things, they need to come back to the States and have real meaningful discussions about what is actually said in these reports. (**Several Members:** Hear, hear.)

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Thank you.

The Deputy Bailiff: Deputy Brehaut.

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Deputy Brehaut: Thank you, sir.

I appreciate that Economic Development had a conversation, or at least were consulted briefly, on this amendment. My Committee, the Committee for the Environment & Infrastructure, have

oversight of the policy end, the strategy regarding the Ports, and I saw this amendment at the same time as everyone else, which is a little bit disappointing.

Deputy Roffey mentioned the hydrocarbons project which is about understanding what the policy is, getting the energy policy in place, how does the energy policy then inform the hydrocarbons programme; what are the pinch points; then what are the options available to you; what is the way forward? That is a process that I think has a degree of integrity, and could well deliver for the Island.

What concerns me with this amendment, and others, is that we have decided on a treatment without really identifying what the illness is, and that is a risk. In the back of your mind you want to go somewhere, you believe what the issue is and you want someone to go away and confirm, and while it might be for some people a deeply held conviction.

Now I believe Deputy Kuttelwascher at one stage was contemplating placing an amendment with regard to bringing the Harbour Action Area Plans forward. We made it clear at that time that we did not have the staff. We did not have the resources to do it at that time. The Harbour Action Area is still a piece of work that has to take place. How then does the Harbour Action Area key in with the strategic air and sea link infrastructure? So we are paying a firm of consultants a sum of money to do a piece of work that may conflict with, possibly, the IDP planning, so we have immediately ... This is not a silo issue, I think it is just the practicalities of working – of consultants coming up with ideas and solutions who are not familiar with Guernsey planning processes, and that could introduce a tension and actually slow down both the Harbour Action Area and possibly stall some of these elements if this amendment is successful.

But we need to remind ourselves we have spent, is it £398,000 with PWC on one review recently, £300,000 with Health & Social Care, £97,000 under Housing Report – and what will this cost us, what will another report cost us? Bearing in mind we cannot do the Harbour Action Area because we do not have the financial resources or staff to do it. We cannot do it yet. We can buy in consultants and deliver ahead of those people that we employ to deliver our policies for us. I think the cost of duplication could be too much.

We are also, respectfully, overthinking this, the sea link problem is, 'The Wrong Trousers, Gromit!' (*Laughter*) it is the wrong boat.

I will give way to Deputy Victoria Oliver.

Deputy Oliver: Sir, what Deputy Brehaut is saying is very valid, but surely that is what we are talking about at the moment, is prioritising what we should be getting done and what we should not be getting done. So, if the Harbour Action Plan, what you had in you wanted, it should be in here so we can be prioritising it.

Deputy Brehaut: What I am saying is you introduce a tension between the two, and you have two work streams that could be possibly working against each other, if you are not too careful.

But, again, to make my point, our colleagues from Alderney were late this morning, sir, again. 'It is the wrong plane, Gromit!' seems to be the problem, and with regard to some of the issues at the Airport, clearly, we have got too many planes of too many different types. At times we are overthinking when some of the remedies could be swift, not necessarily the big picture stuff that we all go looking for.

Now, Environment & Infrastructure met with Economic Development once to discuss the runway, and what concerned, I think it was fair to say, all members of my Committee – I keep saying my Committee, sorry, members of the Environment & Infrastructure Committee – was this visitor number expectation: that we will have such a fantastic number of visitors if only we could bring them here. Now, I sat on the former Environment Department and we were keen to maintain Green Acres Hotel as a hotel. That drew several hundred people to Beau Séjour, and the theatre was packed with people who wanted to see that hotel become a care facility, and when we looked at the empty chair on the table in front of us to get the member from the then Commerce & Employment Department to make the case for it to remain a hotel, and talk about air links and

other things, sir, they did not turn up on the day, actually, so nobody made that case. But, if we are going to increase tourist numbers, we need to understand the interdependency, the relationships, the falling away, actually, of bed stock over the years and how we intend to improve that.

2830 I am a little bit puzzled as to why this is not coming from the Economic Development Fund when presumably we have that for a good reason. Also we should not ignore Alderney in this. The most significant piece of infrastructure in Alderney is the Breakwater. There have been numerous plans over the years to secure that as a marina, and to get yachts into Alderney and to, obviously, can I say, trickle down to the economy associated with that. So we need to bear our colleagues in
2835 Alderney in mind, if a literal strategic air and sea links infrastructure, of which Alderney Harbour would be a significant part.

You would expect me to say this, I know, I suppose, but bearing in mind E&I have immense problems dealing with anything that the public feel they have ownership of, whether it happens to be an anti-tank wall, or whether it happens to be Icart Now we are going to put an awful lot of
2840 energy into investigating a runway that is going to be fought tooth and nail by the community, and I think going into it, if we decide to go forward with a runway extension, if that is the case, then certainly the next election that is an enormous issue when you want to remove a water tower, when you want to remove a road, when you want to effectively raise land. I know these are seen as perhaps high parish issues, but the push back from the community could be immense. So
2845 invest some time and energy in it now, but we know that decisions later on will be informed very strongly indeed by public opinion.

Sir, I cannot support this amendment, I am afraid. I understand the intention behind it, but I am unable to support it.

Thank you.

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The Deputy Bailiff: Deputy Dorey, to be followed by Deputy Lowe.

Deputy Dorey: Thank you, Mr Deputy Bailiff.

I also cannot support this amendment.

2855 In relation to a harbour, as Deputy Queripel referred to, there have been a number of different reports, and that is why a conclusion had been reached. I think it was in Phase One, it mentioned about 'develop and coordinate policies for development of St Peter Port Harbour Action Area,' and that is included in E&I's policies. If I read from it the important thing is it is not just looking at the Harbour it is looking at the wider area and it says:

'to ensure that the Harbour Area and Seafront is considered and planned comprehensively to provide modern and fit for purpose facilities and to maximise how it can contribute to and support the economy of the Island and social and environmental benefits while maximising estate value.'

2860 I think that quote sums up what we want to do with the St Peter Port Action Area Plan. So just to look at the Harbour on its own, which is what this is proposing to me, is wrong; we have done that, we need to do this wider review, that is why –

Deputy Trott: Sir, that is not correct.

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The Deputy Bailiff: Are you making a point of correction?

Deputy Trott: Point of correction, yes, sir.

2870 **The Deputy Bailiff:** Deputy Trott, point of correction.

Deputy Trott: Thank you, sir.

Sir, unfortunately, Deputy Dorey appears to have fallen into a trap that some other Members have fallen into. Infrastructure is not simply about the built environment; infrastructure takes many different guises – it can be ships, it can be aeroplanes, it can be a variety of other things. It is not simply about the changes to the environs of the Harbour or the Airport; it is far more far-reaching than that.

The Deputy Bailiff: Deputy Dorey to continue.

Deputy Dorey: Thank you.

That is why I am saying we need to do this wide review of the Harbour and the Seafront which is what we are planning, what has been planned to do, what was in Phase One, and what Environment & Infrastructure want to do with the support of other Committees.

Also, in relation to the Airport, when the States debated the Airport pavements project, which included the runway, the taxiway and the aprons, in 2009, we had an extensive report about whether we should extend the runway or not. Of course, that was the right time to consider it, and it was the conclusion of both Commerce & Employment and Public Services the committees of that time, the appropriate committees, agreed on the length and the project went ahead.

To me, there has to be some new information to re-open that. I have been listening for new information, and I have not heard it. But more than that, I, as a member of PSD, for the second half of the previous term, we had joint meetings with Commerce & Employment – and I was surprised at Deputy Ferbrache when he spoke about the cupboard being bare, because I attended a number of meetings late 2015 and early 2016, when with a consultant's report which was done in a PowerPoint presentation, which was a long extensive report – and Deputy Trott was also there as a member of C&E at the time – they looked at all the existing routes; they looked at potential new routes, they looked at the effect each new route would have on existing routes. Because if you suddenly start flying from another location you take some people away from existing routes ... the effect on the economy.

So there was a very extensive piece of work done. It was done in a staged effect where there was political involvement making decisions at each stage, before they went on to the next stage of the report. So an awful lot of work was done, and if they want to come back and say as a result of that they think that certain new routes were needed, and in order for those new routes to go forward we need a larger runway, I would then be able to consider it. But we have not got anything in front of us. But what I am saying is the work has all been done, and if they want to take that and present it to States' Members to make a decision, fine, but they are not doing that. So I cannot support this amendment.

It would be a very large cost to extend the runway, it would have a massive environmental effect. If we are going to do that we need to have an evidence-based report, (*Interjections and laughter*) based on the evidence that we have got now, because we have done the work, and unless they can come up with that evidence and present it ... because when I sat through that evidence I did not see the need for a runway extension.

So I ask Members to reject this amendment.

Thank you.

The Deputy Bailiff: Deputy Lowe.

Deputy Lowe: Thank you, sir.

Sir, out of all the amendments, to me, this is the most important amendment that you have got before you today. At the last election it was said so many times about our connectivity, how poor it was, and would we come into the States and do something.

Are the public really interested if we are going to be in here for four days talking about a plan? No. Are the public interested to think that we are actually going to try and do something about our connectivity? Yes. Here is the opportunity today, by supporting this amendment to get on

2925 with it. They are fed up of words; they are fed up of hollow promises. Deputy Lester Queripel mentioned a couple of reports and he hung up the glossy Vision document. That was not the States; that was not even produced by the States: it was produced by the Chamber of Commerce.

Deputy Lester Queripel: Point of correction, sir.

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The Deputy Bailiff: Point of correction, Deputy Lester Queripel.

Deputy Lester Queripel: Sir, this Vision document was facilitated by the Environment Department, Policy Council, Culture & Leisure Department and Commerce & Employment. If that is not involvement by the States, and expense, I do not know what is.

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The Deputy Bailiff: Deputy Lowe to continue.

Deputy Lowe: Thank you.

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It was a small one produced by the Chamber of Commerce; it never came into this Assembly here to be debated. It has never been looked at by the States themselves. In fact, when you were a member of the – through you, sir, when Deputy Lester – got there just in time, sir! – when Deputy Lester Queripel, through you, sir, attended the Harbour Cruise Liner Working Party that was chaired by Deputy Le Tocq, who was Chief Minister at the time, we were all surprised – including yourself, Deputy Le Tocq. That is the first time we had ever seen it. None of us had ever seen it before. We wondered where it had arrived from, and the staff presented it to us as actually this was the document that had actually been prepared. News to all of us. So we cannot actually hang anything up on that by saying we were involved with it, because it never came at political level at all.

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But various plans ... and all of those will be part of a review. Anybody that actually will be carrying out an independent review, as happens with anything in the course of any review that has taken part with a consultant, you supply them with the work that you have actually carried out already, you give them that. We have got the inspector's report, have got the Inspector of HMIC coming to cover out the Police. They will have all the documentation that we have carried out before. We have got the PAS taking place, they will have all of that; Ofsted will have every report and all the documents that we have produced there. That is what happens. You do not just sort of ask them to go and look at something and not supply them with information that we have already carried out.

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The key thing for this will be the terms of reference, and it is important that the Committees involved are involved with the terms of reference, with P&R, with Economic Development, with Environment & Infrastructure. They must be part of the terms of reference.

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It has to be treated with some urgency, and this is your 'Get out of Jail' card ... for me, is that the public want us to be looking at it. They want some action. You have got the opportunity today to actually get some independent advice on it, because, as was said by Deputy Ferbrache, if he brings forward that as his Committee, to the Assembly here, it is going to be said, 'Well, that is your evidence,' we have not had anybody but that, it has been slanted because you have got somebody who is interested in that and somebody else is interested in the other. This is looking at it independently. This is the proper way to go about it. It is going to be pushed through quite quickly, only on proviso that you support this, and I urge you to support this. You have been asked to actually look at connectivity; this is the opportunity to actually go ahead with it, get it done, stop the lip service and get on with what the public asked you to do.

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The Deputy Bailiff: Alderney Representative Jean.

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Alderney Representative Jean: Sir, thank you.

To follow Deputy Lowe, I too agree that you should never ... the word should be 'try, try again'. This needs to be looked at again and particularly, for me, the Airport extension. We share one thing in common, sir; that is York Aviation. That was one of your reports, and it stopped us, it stopped you, and you should look again, and I think it is quite important. Things can change so quickly in a year or two and the circumstances can change. I too am still looking and hoping in time that more information will become available to support the Alderney case, and I think it is right that you should always look again. I am very grateful to Deputy Ferbrache for his speech and his words, and I think he is quite right, and I think we should have faith in Economic Development and we should support this amendment.

Not only that, it is coming up from other politicians, high up the scale, important men, I think that we should, could, and it would be right for us to support this amendment. That is it.

Thank you, sir. Thank you very much.

The Deputy Bailiff: Deputy Soulsby.

Deputy Soulsby: Sir, I was amazed when amendment 1 came out how quickly we got responses from those such as GIBA, IOD and Chamber, basically saying how dare we question the runway extension. 'We do not want good governance, we want a runway, as we believe it will solve our problems, whatever they may be.' I am pleased that over the last few weeks these have modified to one in which they believe we should look at our connectivity as a whole, something the CGI have said they support too. (**A Member:** Hear, hear.) I was happy to second amendment 1 – I still am. If amendment 29 fails, I will urge everyone to vote for amendment 1, but I will support this amendment.

We need to look at connectivity in the round, not in isolation, and I think it makes complete sense it is done as a project sponsored by P&R working with Economic Development and Environment & Infrastructure.

In answer to Deputies Lester Queripel and Oliver, yes, there have been several different reports in the last term in relation to strategic links, but all done in isolation, and I do not think any of them have gone through the States of Deliberation. (**A Member:** Hear, hear.) Through this amendment we may eventually develop a proper strategy, setting priorities agreed by this Assembly, which can then be taken forward.

Deputy Queripel says why spend taxpayers' money on what we already know. Well, I do not know what he knows, but what I know is that we do not have the information to know what the right decision is at this stage. (**Several Members:** Hear, hear.)

Now I took the opportunity of reading the *Hansard* for the election of the P&R President the other day, and one of the questions asked was from Deputy Kuttelwascher, who unsurprisingly raised the question of extending the runway. Now Deputy Ferbrache said, as he just did earlier, that he thought we needed to extend the runway. He also said we needed to protect Aurigny, have more routes and bigger planes. 'Cake and eat it' came to mind, to be honest. However, Deputies St Pier and Parkinson basically said similar things. Deputy Parkinson advised that:

'the development of our air links needs to be considered in the context of a wider economic development plan, so what businesses are we trying to attract, where is it going to come from what routes do we need to service that area of business'

Deputy St Pier stated:

'I think it is appropriate we look at it, but we need to do it as part of a structured review, not as an isolated issue, and I suggest we do it in the context of the robustness of all our external links, including, of course, sea.'

That is what we are talking about here, and it is therefore no surprise we have this amendment.

Now I do understand where Deputy Roffey is coming from in terms of having *prima facie* case before going in to detail. Though I do think his differentiation between developing policies separately from the capital programme is really semantics.

Similarly, Deputy Fallaize says it is a misuse of the Capital Reserve, although I hear what Deputy Brehaut says; are we not doing something very similar with hydrocarbons? Have we decided the policy for what fuels we bring on Island and how? Not that I can recall from the recent presentations. Although it does sit squarely as a capital infrastructure project.

Now going back to the point of engaging external consultants, I think it is worth reminding Members, should this amendment fail, and amendment 1 fail, the States will be engaging external consultants, to review the case for the runway extension anyway, and in isolation. The work will be technical and more than one set of consultants is likely to be required, once we look at the work required to the runway, as well as the wider economic business case. So you cannot have it both ways. If you do not want external consultants engaged, then reject this amendment and support amendment 1 - simple really.

But I think eventually this work will have to be done anyway. It is either we agree to it now or after we have spent money on external consultants when the business case for a runway is not proven, or after amendment 1 is approved.

Just look at the Committee for Economic Development's P&R plan that says it needs resources to look at air and sea routes to, and I quote:

to lead on policy, legislation, and business case development.

That is why I support this amendment.

The Deputy Bailiff: Deputy Smithies.

Deputy Smithies: Thank you, sir.

What an interesting debate this has been.

I have a genuinely open mind on the subject of the runway extension. I was going to vote against this, but the debate that we have had has persuaded me otherwise. I am now going to support this amendment.

I would seek one assurance from Deputy Trott. In his introduction to this amendment, he recited that P&R would be working with the Committee for Environment & Infrastructure and Economic Development, as is mentioned in the explanatory note. He also mentioned the STSB would be involved in the consultation. If I could have a further assurance on that, then that would confirm my support for this amendment.

Thank you, sir.

The Deputy Bailiff: Deputy Kuttelwascher.

Deputy Kuttelwascher: Thank you, sir.

Two points regarding Deputy Trott's introduction. He mentioned terms of reference; it is my view they have to be agreed with our Committee, we do not just want to be consulted and then ignored. It is critical. It is our mandate, and we are quite happy for you to assist, but not in opposition to us.

The Deputy Bailiff: Deputy Kuttelwascher, I am not on your Committee.

Deputy Kuttelwascher: No, sir. You would be very welcome, sir! *(Laughter)*

The Deputy Bailiff: Just a reminder as to how to address those particular comments.

Deputy Kuttelwascher: Oh how we lapse in our old age, it is terrible. *(Laughter)*

The other issue I have is Deputy Trott used the word or the words 'in due course'. No. *ASAP!*

3070 At the end of this debate I would expect the terms of reference to be agreed within days, and then going out to actually tender for the work required. Not 'in due course'. That, to me, is a typical staff response when you do not really expect a reply for years.

3075 Having said that. I would like to, again, refer to the York Aviation Report and maybe address a few comments made by Deputy Dorey and Deputy Queripel. This was eight years ago, it is terribly out of date, and they made some rather glaring incorrect assumptions. I will just mention three, which were the start really of this process. So York Aviation made some assumptions and they were all, not only wrong, but the opposite happened. The first one is on page 5 of their executive summary, section 12. It says:

'Our discussions with stake holders revealed the critical importance of the link to London Gatwick, both in terms of direct access to the world's financial capital in London, as a connecting service etc. etc.'

3080 The two concerns were that slots would become more valuable at London Gatwick over time and that airlines would sell them; therefore, as it were, getting rid of slots and their not being available to be flown to Guernsey. The other concern was the pricing policies at Gatwick. Now, they dismissed those concerns on two counts. They said that:

'...we consider that these concerns may be overstated, at least in the short to medium term.'

Well, we are past that now.

'In the light of decreasing average aircraft size,'

Which has not happened at Gatwick

And increasing slot availability at London Gatwick'

It has not happened.

'Furthermore the imminent sale of London Gatwick to a private operator would allow them to compete with London Heathrow...'16:11:04

3085 – and they were expecting charges to reduce. Well, I think they have now tripled. So that never happened. In fact, the opposite happened on a large scale.

3090 They also mentioned the imminent construction of a third London runway, be it Heathrow, Stansted or Gatwick. Well, they said that would inevitably reduce the demand for slots. Well, it has not happened, and in fact I think in the UK they have got a similar sort of parochial sickness that we may have in Guernsey regarding the runway – never mind paid parking or other things: that nearly all the MPs in the London area said they opposed it. Well, that was a surprise. But then what do you think of first, your own neck or what is good for the economy of the UK. One has to think of what is best for the Island not for oneself. Anyhow that runway has not happened. They have had the permission, or Government has approved it to go ahead in London, but it will be a decade, if then, if it is ever built. Nobody knows.

3095 Now, the other interesting one was finally in relation to Gatwick. The recent announcement by Flybe that they are opening a hub at London Gatwick should provide some comfort – hmmm – to Guernsey because it shows a commitment to the Airport by the airline – oh dearie me. This will lead to Flybe having an aircraft base at the Airport for the first time and in order to make the base work as a hub the airline will need adequate connections to be attractive. They do say Guernsey 'would seem', they did not say 'will be', a key connection within this context. And they are long gone. In fact, it was because they went, that we, I remember on T&R, were fortunate we had a year's notice. If Flybe had gone (*finger click*) like that, we would not have met the capacity requirements on the Gatwick route with the slots we had and ATR aircraft. We would have had to ration the flights and that would have been, no doubt dumber. We agreed to buy the Embraer 195 purely because of its capacity of 122 seats, and four rotations of that, plus the two ATRs,

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maintained the capacity, and that was critical. But the only reason we got the Embraer was that was the largest capacity aircraft that would fit Guernsey. Guernsey was the constraint.

3110 While I am on that, just to let you know how constrained Guernsey is, even with the Embraer 195, you may remember that last summer there were several services run to Barcelona they had to reduce the pay load so they could get the fuel on to get to Barcelona. In fact, when Aurigny came first to us they were hoping to go to Majorca, Palma and Menorca. Lovely presentation, and I was the only one to ask a question. I said, 'How many seats would you have to block to get the fuel on to get there?' The answer was 22. So, you have 100 seats on this aircraft, all it means is it is far
3115 more expensive for those travelling.

We often hear of airlines in Europe having Embraers and other aircraft that fit Guernsey; well, it is interesting, we were recently looking at a possible service, shall we say, to Amsterdam, going via Jersey and Guernsey; here is the interesting thing, you cannot put enough fuel on an Embraer to get to Amsterdam with a full load out of Guernsey. You can out of Jersey. The only place you
3120 could do it is Paris because that is not quite so far, but if you look at France and the other things, our Embraer could not reach these destinations without quite significant pay load restrictions. Is that a good thing? But it is the runway that causes those problems.

The other thing about this amendment is it is almost amusing, because what it says we should be doing, we already have, we have done loads of it, as regards ... or shall we say collecting
3125 evidence for whether or not a runway should be a feasible option: we have one report already, which relates to the opportunities which present itself with an extended runway to attract in low cost carriers. But that is only a small part of it; that is the icing on the cake. The real attraction is for the people of this Island. In and out of Guernsey, there is approximately 14 air journeys for every member of this population. It does not matter whether we are 60-odd thousand, what is
3130 interesting is typically, an average of about 900,000 people go through the Airport. So the population is not directly related to the sort of traffic that goes in and out of the Airport.

Now, if Aurigny had had an Airbus 319, if the runway could accommodate it, it could operate far more economical services to Gatwick, because at Gatwick they have to pay the same landing charges, as far as the aircraft landing charges go, for a large aircraft as they do for the smallest,
3135 because that is how they hope to price you out of the market. When you operate an ATR 72 into Gatwick you pay a very, very high landing charge per passenger.

We pay twice. We first pay for the air ticket with Aurigny and then you pay, through your taxes, to subsidise Aurigny which is making a loss. So our operation of our airline is you pay twice. Now, is that good for our economy? Is it good for the people on this Island? I am not surprised they are
3140 hopping mad, and it was a big election issue, and we were stopped today, Deputy Ferbrache and I in the street.

Now, whether or not an increased runway can be justified economically and commercially requires a lot of data. Another piece of data we have got is the Guernsey Air Transport Licensing Review, which falls under our mandate, and there are two sections in that, still confidential, but
3145 what is interesting is there are two options, quite different, depending on whether or not we can accommodate, as we say, the aircraft used by airlines, the airbus fleets, or even some of the later versions of ... There are two options out there; they are mentioned in here and they mention things like what is good about it, if you can do it, is the wellbeing of the people on the Island. Isn't that what we are meant to be considering? People want it.

3150 You stand in the departure lounge at Jersey and you look at the departure list of aircraft going, it is completely another world. We do not have that, and with the current runway length you will never have it. All you can do is guarantee that you will never have it. One of the reports back in 2008 by ASM – good Lord that is nine years ago – and they were talking about tourism in general, and whether Guernsey was an attractive place for low cost carriers and they said:

'The only low cost carrier market test that Guernsey fails is insufficient runway length for commercial operations.'

3155 Now we have to look ahead for the next 30 or 50 years and I thought I will not do a five-hour speech because I promised a while back in the paper, because the initial response from me when I

saw the first amendment was to go in all guns blazing and try and put forward as much of a business case as we can. But we cannot, it would be partial.

3160 But, I think back to 1970, my first visit to Guernsey. You think how long ago that was. A whole squadron of Cherokees came over, I was driving one of them, three of us and the runway length was 1,463 metres. Half a century on, nearly, but that length was there before, we have still got the same declared length at the Airport. We measure our progress, especially in relation to our runway in geological time and we measure in blocks of 50 years, so in 50 years we have gone nowhere. Now, my question is, if you do not do something now you are going to be there for the
3165 next 50 years, and what is going to happen?

In the last three years passenger numbers going through the Airport have been falling. What was interesting, in the last year is they fell, but only by a couple of hundred; but that is the year that Condor was having trouble, and there was a migration from the sea to the air. However, the numbers that were flying here still fell. So in spite of the migration to air travel, air passenger
3170 numbers fell, and we have had it for three years. Alderney have had it for maybe 23 years, I think, it is. So there are warning signs everywhere. There is only one common denominator at the end of the day, dare I say it, and that is the end of the runway.

Now, Deputy Soulsby was making a comment of, oh, I was bound to say something about the runway length I have never laid a requête, an amendment, or done anything to try and facilitate a
3175 runway extension. My introduction to politics, my coming out party, was a sursis in 2008 which did nothing more than look at the scope of works. It was the same length runway; what I suggested moved it a bit, it saved most probably 15 million quid because of a very simple scoping issue that you could have a sloping runway and safety area instead of a straight one, saved about 280,000 tonnes of imported aggregate. In fact, it halved what was required. But that was not trying to
3180 extend the runway. I have never actually been involved in any mechanism to try and bring a requête or anything to extend the runway. I see the value of it, I know everybody wants evidence. I agree with that. I want to see whether at the end of the day you can put a case together to justify the expenditure.

Another one that needs to be considered is this: what is it costing us now? The Airport is
3185 losing, or in the last accounts, lost £3 million. Aurigny is projected at losing £6.3 million. That is £9.3 million. In the worst case scenario, this is going to go on year after year. Aurigny has been increasing its losses, not decreasing. I know it would be lovely for it to actually make a profit, or break even, but we were asking it to break even when I was on T&R never happened. Even taking Alderney out of the equation, which originally was a £600,000 a year loss three years ago is now
3190 £2 million – £2½ million a year. That can be catered for. Even taking that, just think, if you were to lose an average of £5 million a year on Alderney and the Airport – I will give way in a minute – 10 years, that is £50 million, 50 years that is quarter of a billion. What we are doing now is paying for our runway length. So doing nothing there is a great ongoing cost and we have yet, when we think about how we make Aurigny an economic enabler, and nobody has yet mentioned what sort
3195 of budget is acceptable? How much of a loss can you carry indefinitely?

What we should be looking at is not Aurigny as an economic enabler, it is the Airport that is an economic enabler. Therefore I think what is being asked in this amendment, we have already done vast amounts of it. We can just hand this stuff over, if you like, as part of the final report. Other things will be commissioned.

3200 I do not know if you still want to stand up, Deputy Inder, because I am quite happy to give way now, I need a rest. (*Laughter*)

The Deputy Bailiff: Deputy ??? Just a minute.

3205 **Deputy Inder:** I thank Deputy Kuttelwascher for giving way, but I think the moment might have gone. But just a couple of paragraphs earlier there seemed to be – and I am supportive of you as a Committee to carry on with this progress, but just something that you said, the fixation – may be with a capital 'F' – is on the extension of the runway. With the greatest respect, sir, I think

3210 you have got problems at your marketing level. (*Laughter*) Everything that has happened to this Island cannot be down to only the length of the runway, and as you go through this process, I would ask you to look at maybe some of the work that you are doing and via *Visit Guernsey*.

Thank you.

The Deputy Bailiff: Well, Deputy Inder –

3215 **Deputy Kuttelwascher:** Sir, of course –

The Deputy Bailiff: Just a minute, Deputy Kuttelwascher. (**Deputy Kuttelwascher:** Sorry.) Can I just say you should not address another Member directly as you did when you were inviting Deputy Inder to resume standing. When a Member stands whilst a Member is speaking, if the Member does not want to give way it is courteous just to say fairly early on ‘I will not give way to Deputy X,’ so that the Deputy can resume their seat.

3220 Deputy Inder, I am not marketing anything, I do not think. Please can we fix our attention on addressing remarks to me as the Presiding Officer and not referring to you backwards and forwards. It is vitally important for the quality of the debate.

3225 Deputy Kuttelwascher to continue.

Deputy Inder: My apologies, sir.

3230 **Deputy Kuttelwascher:** Thank you, sir.

Sir, of course, Deputy Inder has misconstrued what I said. I never said it was the only problem, I said it was a common problem in relation to our air links, and they are not the only problem. The sea links are another one.

3235 I have spent, I do not know how many, days in Jersey discussing the possibility of how we could get a fifth boat. Even the other day between staff, ways of trying to facilitate the arrival of a fifth boat had been discussed. It is an extremely complicated situation, but it is a live one.

3240 If this amendment passes, and with the work that is done today, I see no reason why we should not be in a place by the autumn, or later in the year, for bringing back a policy report addressing both air links and sea links, and as Deputy Trott said, infrastructure concerns more than just building runways, buying boats, buying planes, and everything else. That is within our reach.

3245 But the interesting thing is we need to get on with it. That is basically why we support, on the Economic Development, this amendment, because it appears to be the only way of getting on with it. That is my view. It is not the ideal. I would have preferred neither amendment, (**A Member:** Hear, hear.) but politics is the art of the possible, one has to compromise, and in the end the good of the Island has to come first. So I am quite happy to go down the route of this amendment.

Thank you, sir.

The Deputy Bailiff: Deputy Laurie Queripel.

3250 **Deputy Laurie Queripel:** Thank you, sir.

3255 I think that Deputy Kuttelwascher in the early part of his speech actually made a very good case against commissioning expert and independent reports. Because he said the findings of the report from York Aviation were woefully wrong, and they were very quickly outdated. So this is the danger, I think, when we commission reports and experts to do reports. If the recommendations are acted upon quite quickly, they are quickly outdated and if they are acted upon and they are wrong, we face enormous problems. So I think in a sense he might have made the case against commissioning a report in this case.

3260 But, leaving that aside, sir, I just want to carry on, or follow on, from the points that Deputy Dorey and Deputy Lowe made, in particular. It is really to ask a question of Deputy Trott. I know he has got a growing list of questions, but I wonder if Deputy Trott could assure us, because it has

been that so many of the past reports and investigations have been referenced in this debate, the Ports Master Plan, the two recent Aurigny reviews, the Scrutiny investigation in the last term in regard to strategic air routes. I wonder if Deputy Trott can assure us that those pieces of work will be taken into consideration in regard to this new Report.

3265 This report, in a sense, will be proportionate, it will not start from the ground up, but it will acknowledge all the work that has taken place in the past, it will reference that work, it will take it into consideration, so that it is not a sort of ground up piece of work. So, really, I am looking for the assurance that those past reports and those past investigations will inform this new piece of work. There has been so much work done, so many reports, that if you piled them on top of each other, I would not be able to see over them. So I think they really do need to be taken into consideration.

3270 My other concern is that, as we have seen, this has been a historic point really, we, as a States, have commissioned so many reports in the past, and so many of them are just sitting on the shelf gathering dust. We have not acted upon them at all. Deputy Lowe says that the people in our community are calling for action. I agree with her, but I do not think action is commissioning yet another report and not acting upon it. That is just procrastination.

3275 What about sir, if the report comes back and says it might do this, the report could come back and say you need to commercialise everything, commercialise the Airport, commercialise the Harbours. How many Members of this Assembly, sir, have got the appetite to commercialise all of these very important strategic areas, such as the Airport and the Harbour.

3280 It is a lot to think about here. So I think in regard to the terms of reference, we need to hear today that all the reports that have been done in the past will not be dismissed, they will be taken on board in regard to this Report.

3285 The other thing I think we need to consider is, we all received an email yesterday evening from the CGI. So I also want to know, sir, will there be – and there normally is, but just we need to be reassured about this – a consultation process as part of this Report? Because the CGI were making the point that there is lots of local knowledge, lots of local expertise, lots of local skills in regard to all these different areas, and those skills, that knowledge, should be taken on board, and be factored in to any report that takes place. So, can Deputy Trott assure us in regard to those two, I think, important points, that the work that was done in the past will be acknowledged and taken into consideration, and that there will be a consultation process and the local knowledge, the local expertise will be taken on board, will be acknowledged and will be worked with.

Thank you, sir.

3295 **The Deputy Bailiff:** Deputy Gollop.

Deputy Gollop: Sir, Deputy Tindall reminded us that she is an evidence-based politician a point that is always very much to the fore at planning meetings.

3300 But I am not really an evidence-based politician. I certainly went off it a lot during last term's Scrutiny process and so on, because I think the danger with evidence is you do not actually respond to not just your political instincts, but as Deputy Kuttelwascher has reminded us, a rapidly changing landscape of economic, technical and social factors. Who are consultants? Who are these consultants who we bring over? Some of them, of course, are professionals who work on-Island, some of them are not. In many cases they are semi-retired free-lancers, perhaps, or they are young people who have careers to make and reputations to nail. Certainly, a lot of them seem to be associated with leading copperplate accountancy firms. At one time they were always good recruits for the Conservative Party who wanted candidates for the General Election. I make that joke, but it is not a joke really, because I think there is a political undertone. Just as when we had Capita all those years ago.

3310 Now, I was stunned yesterday – I know I am in danger of going off the point and flying off the runway a little bit – to hear the issues relating to the latest firm of accountants who were looking at Education and Home. There was reference made to the apprentice scheme and the training

agency and so on. Now, the points were they were questioning our model. They were questioning the profitability of those. But they are not just efficiencies, they are policies that have been shaped for a particular reason. So in a way we, as a States, are devolving policies to a group of unelected professionals who might not even be on the Electoral Roll of the Island. It is bizarre. It is an exercise that we do because we are not really clear on what our economic vision is.

I must admit I started today listening carefully to the speeches made by Deputy Lester Queripel, Deputy Roffey and Deputy Parkinson, and wanted to oppose this amendment because it does smack of last minute opportunism, and a way of short circuiting real decision-making, but having listened to Deputy Ferbrache and Deputy Lowe and some others, I think, on balance, we do need to clear the air and have a report.

Deputy Lester Queripel explained all these visions and harbour strategies and things, he could have done more. There have been some in Alderney, there was the Scrutiny report from last term on air links and so on, but they are inconsequential because none of us really want the policy implications that follow. I mean, I have heard some things today, and I have to remain relatively neutral serving on both Planning and Transport, but I could not believe what I was hearing: water towers being destroyed, people being made homeless, ancient houses and farmland going, including scenic views. I do not know if any of that is true. It is all a bit of scaremongering. Because this is not what this amendment calls for; it is calling to look at the bigger picture of the transport links. I have heard senior States' Members say it; we heard, to a degree, Chamber of Commerce and CTI people say that is what we need.

We had the fiasco of the boat that did not sail, the additional one to Jersey. We had the daily issues of Alderney on both the sea and air connectivity end, which also associates with us. The reports that we have frequently get things wrong.

There are certain aspects of this amendment I do not like. I do not like the implication that we will magically have a sort of pill for all occasions by going to an external consultant. Because, in reality, it has got to be processed by the States, and already 15 States' Members, by implication, are mentioned in this.

We need a broad vision of our transport needs, and what they cost, and what the policy implications are because there is more than one way of resolving problems. Let us say our primary problem is a lack of budget conscious tourists, which has been mentioned by a few Members. If that is our problem, one solution might be a longer runway. Another solution might be very low costs of flights on Aurigny or other air carriers, which would have other kinds of policy implications. A third might be to bring back the mail boats or something. But I mean, one does need a bigger picture. But they need to be costed and they need to be clear as to what the real issues are, and what policies are to be made. Then we have to act upon them accordingly, and not be scared of the inevitable consequences.

The Deputy Bailiff: Deputy Hansmann Rouxel.

Deputy Hansmann Rouxel: Thank you, sir.

I should start by declaring an interest. My husband is the President of the Young Business Group and a Member of the Chamber of Commerce, who organised the little Deputy get-together and chat over some of the implications of the amendment that Deputy Roffey and Deputy Soulsby brought to the States. Having said that, I do not have any financial interests in that; it is more a personal interest in the peace in my home.

I would just like to say I am attracted to this amendment, because it does make sense to look at things holistically, and we have heard from many Members today about looking at everything and not in isolation and not working in silos, and that is intrinsically more attractive to me, as somebody who works as an improviser, and for us as a consensus Government, that is exactly what we should be doing.

Now, it does concern me, what has been mentioned about it being the review, and the experience of States' Members with more experience than myself, pointing out the errors, or the

3365 possible pitfalls of having this review, and having seen reviews, even in the last 14 months coming forward, and I believe it was Deputy Fallaize that pointed out the pitfalls within those reviews.

So Deputy Laurie Queripel did mention the framework of the review, and Deputy Kuttelwascher has also said that we should get that out straight away. Bearing in mind that the Proposition that we are debating does ask for Economic Development and Environment & Infrastructure to be involved under Policy & Resources, it would be prudent to get some assurance that that would happen, and there would be a meeting sooner rather than later, if this gets passed.

3375 My second concern is cost, and that has been brought up by other Members. We have got no idea how much this review will cost. Yes, it is attractive to think in a broader sense, but we have got no idea of what this would cost – none whatsoever – and we are being asked to just approve it.

My third point and final, you will be glad to know. I agree with Deputy Tindall, but I am reassured by Deputy Ferbrache's explanation, and Deputy Kuttelwascher's explanation, it is broader, and of course, I did seek out members of Economic Development when this amendment was laid to find out whether it was as narrow as it did appear in the P&R Plan.

3380 Now, I am glad that we have had this debate, and I am glad that Deputy Roffey and Deputy Soulsby actually laid the amendment they did, because we would not be having this debate and we would not understand the broader implications of Economic Development.

3385 Now, I understand that the Committee for Economic Development has been working and putting together a jigsaw. As Deputy Kuttelwascher pointed out, there are so many different reviews that they had already done, and they are looking at this as holistically as they can, but that has not been communicated to us, and we did not, and you cannot see it in the Plan. Whether that is part of the process, or whether it is a failing from Economic Development getting whatever, you cannot blame us, as Members, for questioning that.

3390 So I would like to know the answers to those questions and I hope to vote in favour of this, with reservations.

The Deputy Bailiff: Deputy de Sausmarez.

3395 **Deputy de Saumarez:** Thank you, sir.

I echo much of what Deputy Hansmann Rouxel said, including the declaration of interest, actually, because I too have a husband who is involved in some of this, somehow. I think he sits on the Chamber of Commerce Transport Working Group or sub-group or something like. Anyway that should tell you how much we talk about it in the ... He would not divulge anything that he is not supposed to divulge to me.

3400 I was also involved in the process that Deputy Tindall and Deputy Hansmann Rouxel mentioned, discussions with Young Business Group and Chamber, and I thought it was very helpful. At that time, and previously, and now, I argued, and continue to argue, that we should be looking at this issue more holistically, and in the broader context. We can all agree that we have got some very serious and pressing issues that need dealing with ASAP.

3405 I was intuitively supportive of the Roffey/Soulsby amendment, because I did not think that putting a runway extension in as a pipeline project was in any way logical. I could not think of another situation where you predicate a solution and try to retrofit the logic of how you get there. I think we need to look at all these problems in the round, and we need to examine each problem and in the way that these processes normally work, we need to come up with a range of solutions, in order to establish which solution, or solutions, are going to be the most effective.

3410 So I do agree with the headline intent of this amendment. I would also – echoing the sentiments of Deputies Tindall and Hansmann Rouxel, again – have welcomed it in the body of Economic Development's Plan. So I do wholeheartedly agree with the intention of it, but I do worry that it is the wrong process, this specific amendment is the wrong process, the wrong source of funding and the wrong sponsoring Committee.

I would like to pick up on the point that Deputy Parkinson opened with, which is looking at these problems in the context of the wider economic context – so within the scope of a fully developed economic plan. I think that is really important.

3420 Deputy Brehaut actually made mention of the Tourism Strategy and that reminded me of something. We know, we have heard from several Members today, that no *prima facie* case has been made for a runway extension in its own right, but the case that has been made seems to be heavily predicated on the numbers within the Tourism Strategy. Now, this reminded me of an incident back in the IDP debate when ahead of the, I think it was the, Soulsby/Prow amendment I
3425 was lobbied by someone. Interestingly, he has been lobbying quite heavily on this amendment – or the Roffey/Soulsby amendment, now, and the Soulsby/Prow amendment at the time of the IDP debate – it was about the ease with which people with properties in hospitality could leave the industry, essentially, and I explained to the person lobbying that I did not feel comfortable with supporting that amendment because it went against the policy as outlined in our Tourism
3430 Strategy about the need for tourist bed stock, and this person told me that he had been heavily involved in writing that strategy – which had never been States approved, incidentally – and not to worry about it because the numbers were very aspirational, and that is a verbatim quote. Yet these very aspirational numbers seem to make up the mainstay, the spine, of the case for a runway extension, such as we have heard.

3435 I really would welcome a *prima facie* case, because, notwithstanding the details that Deputy Kuttelwascher has told us today, we have never had a logical explanation of how the problems that we are facing, these very real and pressing problems we are facing today, might possibly all be solved with the extension of the runway without serious side effects. So that is what concerns me. I would absolutely welcome a holistic review into this. I do agree with that, but I do worry
3440 about the way in which that might be achieved through this amendment.

Now, Deputies Tindall and Fallaize alluded to the process, and Deputy Kuttelwascher assured us that this is work that needs to happen ASAP. I could not agree more. What worries me about it is I do not think this amendment is going to give us this ASAP work. I really do not. This is to put a project into a pipeline, the priority of which will be debated at a later date. So we are being asked
3445 to vote on something where we have no idea of the timeline, and no idea of the cost, and frankly, I would like more reassurance than that.

So, for those reasons, although I wholeheartedly support the intent of this amendment, I do not feel it is the right way of going about it. I do not feel it will achieve its stated aim, and for that reason I do not feel able to support it.

3450 **The Deputy Bailiff:** Deputy Merrett.

Deputy Merrett: Thank you, sir.

I sit on the Committee *for* Economic Development, sir. Sir, I am open-minded. I do wish to
3455 make evidence and intelligence-based decisions. I also appreciate we may, to a certain extent, believe in faith to a certain degree. I would like to know the benefits and detriments of aspects of our connectivity. There are many parts to this. This is a very difficult and complex issue. It is a very complex jigsaw and some pieces are still missing.

Economic Development have looked at strategies, licensing, the Aurigny review, but we still
3460 have pieces missing, pieces missing in the modern context. So this amendment is asking us to work with Environment & Infrastructure on infrastructure – well, yes please. Work with STSB – yes, please. Not work in silos – well, yes, please.

We yet again risk going down another rabbit hole here. This amendment is about a project to review our strategic air and sea links, our infrastructure. Do we need to? Well, yes. Which pot of
3465 money pays for it? I do not mind. Any. Capital Reserve, Economic Fund, which pot? It is the same people paying into the pot. How the Government decide to slice up the money, which pot to put it in, is to some degree irrelevant. Which Committee? I do not mind.

I support this amendment and I urge others to do so.

Thank you.

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The Deputy Bailiff: Deputy de Lisle.

Deputy de Lisle: Sir, I will be supporting this amendment.

3475 I was so disappointed with Economic Development and P&R failing to support the inter-Island ferry service that was being offered, which would have improved the connectivity between the Islands, and certainly improved business interests and tourism in general in this Island. So from that point of view, perhaps this could give us some sort of hope that we could work with some evidence-based, or more evidence-based, material for next year, so that we can get something going between the Islands that the public want, and businesses desperately want, to further our economic interests in this Island.

3480 I think in terms of a longer runway, we have got to realise that if we go down that particular route we want more activity. There must be more competition, from easyJet and others for Aurigny, with a policy of open skies in the future, because all that goes together in order to attract those businesses to fly into Guernsey. At the same time, of course, that could kill off Aurigny, our investment of £30 million or more in the Aurigny company, because it would be more and more difficult to sustain that particular idea of having and keeping our own airline. But some would argue that it is better to sharpen the focus on Aurigny's bottom line through cheaper fares and full aircraft to minimise the subsidy that we are paying.

3485 So it is fraught with difficulty in going in that particular area, but many would argue that for the future we should open up, we should do as Jersey is doing – open skies, getting the cheaper airlines with their fare structures into Guernsey, and promoting a lot more activity through better connectivity into the Islands.

3490 So I think in the interests of looking at all of this, and promoting economic activity into the future, I think we have to address a whole round of issues, and I am just hoping that perhaps, through a study of this nature, and a review of the Island's strategic air and sea links, and the vital importance of this particular area to the future of this Island, that we support this particular initiative, through this amendment, and hopefully see some positive developments come out of this particular initiative that will drive actual progress in this vital and critically important area, that seems to be constraining at the current time the development of this Island. Because we are lagging in our economic activity, and we have to do everything we can to stimulate growth. Because, just think of the number of companies and businesses that are associated with tourism development and also retail development in this Island that are allied to those businesses that are actually suffering and are failing at the current time.

3500 So I think we have to support, wholeheartedly, this particular review.

3505 Thank you, sir.

The Deputy Bailiff: I turn to Deputy Trott, as the Vice-President of the Policy & Resources Committee proposing the amendment, to reply to the debate on it.

3510 **Deputy Trott:** Thank you, sir.

That was, I think, a long overdue and far-reaching debate and there have been some very material contributions. So I will try to deal with those and many of the questions over the next few minutes.

3515 I am going to start with Deputy de Sausmarez because she spoke quite recently. She made the point about the lack of clarity in terms of a timeline with regard to the amendment. What I will say to you is this: amendments do not make something happen ASAP; political resolve does, and what you have seen in this Assembly this afternoon is quite clearly a strong political resolve to have this matter concluded, and concluded quickly.

3520 Now, sir, Deputy Merrett made, I think, a particularly valid point with regard to this amendment, in particular, that the pot is not important. Let's get on with it. Let's fund it

appropriately. Let's get the work done, so that we can make the necessary evidence-based decision.

Now, Deputy Smithies required an undertaking which I am very pleased to give. Of course, yes, STSB will be included – I said that in my opening remarks – and the contribution of the STSB will, of course, be material.

But let me make clear at this stage to all, this is no land grab by P&R. All P&R seeks is an environment where objective evidence-based decisions can be made. Now there is, as many contributors have said, much existing material. But the unintended consequences of some of these actions are not fully understood and nor, at this stage, are how we mitigate them.

So Deputy Laurie Queripel asked if I could assure the Assembly that all the work currently undertaken will inform the overall review. Well, that is an easy one to answer, because of course it will; it would be foolish for it not to. Of course, that bundle will be handed over to the professional consultants. But, in any event, they would not be doing their job properly unless they sought it out themselves. So he need have no concerns there.

He also asked if there would be a consultation exercise. Well, I can give him a personal undertaking that I will certainly expect there to be one, and of course there would be, naturally, when the proposals were brought forward anyway. But that decision, of course, is not entirely in my gift, but knowing the characters involved, I think that is extremely likely.

Now, there were one or two contributions that bemused me, and I have to say my good friend and long-standing colleague, Deputy Dorey, was one of them. He said we need an evidence-based report on this, but only using the information that we have at the moment. Well, of course, that is the problem, because we have got a lot of information. But it is inconclusive, and it is inconclusive because we do not understand the unintended consequences.

So, much wisdom from the Mother of the House who said this matter should be treated as a full priority. It already is, but it will be accelerated as a consequence of this debate and hopefully positive outcome.

Now, sir, I am not as smart as Deputy Fallaize, I am the first to admit it. But he said something along the lines that it is inconceivable that sea links are intertwined with air links. That was one of the reasons why he intended not to vote for this amendment. I wish, sir, I was as certain of this position as he is. For instance, what do we know already? Well, we know that the harbour currently subsidises the Airport to a considerable extent, and I think some figures were given by Deputy Kuttelwascher this afternoon. What we do not know is what the unintended consequences of disrupting that particular model are.

That leads me neatly to comments made by Deputy Lester Queripel – questions. He said, 'I need it explained to me why we need this Report.' Well, let me give you an example, just one example of many. Let's talk about cargo. What we know is that as far as our sea links are concerned, the profits associated with the shipping of cargo heavily – *very heavily* – subsidise our passenger prices, passenger ticket prices, were materially, indeed ... Now, if you disrupt that model, there is an unintended consequence. How might you do that? Well, let's say we do decide to extend the runway, that the business case is there, one of the consequences of that is that larger aeroplanes will be able to land. We all understand that, but of course those larger aeroplanes will not only carry passengers, they will also carry cargo. It is therefore quite likely that a larger percentage of our cargo will arrive by air rather than by sea. As a consequence of that, the subsidies that currently exist, the cross subsidies, that between the profits made by the current provider on the shipping cargo and the cross subsidies across the passengers will reduce, potentially, to the extent that passenger fares could be unviable without direct subsidy. It is that sort of thing we simply do not understand. Those of us that have been so close to this over the years recognise the importance of understanding those dynamics.

How much will the review cost, he asked. Others asked a similar question. We do not know, is the answer at this stage; or at least, I do not. But let me tell you what will happen. It will be scoped, it will be defined, and it will be properly procured. So you will have multiple Committees deciding on the terms of reference, and the definitions, and a proper process will ensure that

value for money is obtained. I personally do not think it will be as expensive as some might think. Why? Because as others have said, there is a plethora of information which will help this process.

3575 Deputy Oliver made some, I think, valid contributions about funding and prioritisation, and when she was talking I thought of an example. An example with regards prioritisation is: let's say we were presented with a set of examples where we might choose to spend £50 million on extending a runway, or we may choose to spend £50 million on buying a ferry. I mean I just throw that out there, not for any other reason than for illustrative purposes. Now, extending the runway
3580 by £50 million gives us an extra, say, 10,000 visitors a year, spending £100 each, whereas buying a ferry gives us an extra 25,000 visitors a year spending £200. Well, in that example, sir, buying a ferry on the face of it, would look like the most sensible option. But, of course, passengers are only a part of the problem, because there are also the issues around cargo, and all of the other infrastructure issues that need to be considered.

3585 Now, Deputy Fallaize does not understand why the use of consultants is necessary. Hopefully, sir, that will be a little bit clearer to him now.

He was also a little bit concerned about why does this work need to be commissioned by P&R, and he was concerned about that. Well, it is almost a natural problem associated with our Rules of Procedure. No one else but P&R could bring this particular amendment in this way, because some
3590 of these concerns about the unintended consequences have emerged fairly recently, through conversations with the Chamber of Commerce and other interested bodies. But I think he can see, sir, that his comment, that it was inconceivable that sea links are intertwined with air links was a foolish thing to say and one, I suspect, he regrets making. *(Laughter)*

I am very happy, indeed, to give way, sir.

3595

Deputy Fallaize: On two points of correction, sir.

The Deputy Bailiff: Points of correction, Deputy Fallaize.

3600 **Deputy Fallaize:** No, I do not regret saying it; I still think it.

It is not correct to say that because only Policy & Resources could have brought an amendment only Policy & Resources could then commission the review. It is simply a point of fact that they could have proposed Economic Development commissioning the review. But that is sort of incidental to the main issue of debate on the amendment, anyway.

3605

Deputy Trott: The point is that it should not be about process, it should be about outcomes. Our community demands we get this right and that we give it the priority it deserves.

Now, sir, Deputy Brouard made the point that before you can make sensible policy you have to gather evidence, you have to have that evidence presented, warts and all. In other words, you
3610 have to understand the benefits and the 'disbenefits', and for those who may have some concern over the impartiality or objectivity of this review, as long as we get the terms of reference right, and I think because of the multi-Committee approach it is almost certain that we will. We will get precisely that, an objective warts-and-all review.

Deputy Meerveld made many sensible comments, and it is true that it was a conversation that I
3615 had with him that got me thinking originally, and other members of P&R, about the importance of having a measured collective approach on this.

One thing I learnt chairing the review into Aurigny is that frequency and reliability are considered by many in our community to be more important than cost. Cost is clearly a factor, but reliability is essential, and frequency was surprisingly more material in their thinking than I had
3620 expected. There is a very big correlation, sir, between the size of aircraft and frequency; and a similar trade off exists, of course, with ferry provisions – another matter, and I also make the point, sir, that any discussion around ferry provision must include understandable concerns from our friends in the Northern Isle.

I end, sir, with probably the most material contribution of all and it was from Deputy Ferbrache, who was not interested in silos; he was not interested in mandates, he was interested in outcomes, and he said that he had strong support for this amendment, because he wants an evidence-based report, so he can make impartial decisions. He is right to do so. The Assembly is right to do so.

Sir, if this amendment is passed it would be my expectation that work would start on it immediately, and as *a* – if not *the* – top priority.

Thank you, sir.

Deputy Lester Queripel: Sir.

The Deputy Bailiff: Deputy Queripel.

Deputy Queripel: I would like a recorded vote please, sir.

The Deputy Bailiff: Recorded vote. This is the amendment numbered 29, Members of the States, proposed by Deputy Trott and seconded by Deputy Brouard, which will have the effect of inserting some words at the end of Proposition 6 to substitute in table 27 a broader project for the project that is already mentioned there.

Deputy Greffier.

There was a recorded vote.

The Deputy Bailiff: Members of the States, I will declare the formal result in due course.

Perhaps the best use of our time is to move swiftly on to the next amendment to be moved – and that is amendment 2 – and Deputy Roffey wishes to lay that amendment.

Deputy Roffey, who is seconding it, first, and then do you want it to be read?

Deputy Roffey: Sir, what was the last thing you said there, I missed it?

The Deputy Bailiff: Under Rule 24(3) you have to say who the name of the proposed seconder is, Proposition –

Deputy Roffey: The seconder is Deputy Peter Ferbrache.

The Deputy Bailiff: Yes, I understand that. Do you wish it to be read by the Deputy Greffier?

Deputy Roffey: No, not at all, I am sure that Members have had plenty of time. Unlike some other amendments, they have had plenty of time to study this one and read it.

Amendment 2.

To delete Proposition 1 and to substitute:

'1. To approve the approach detailed in the Medium Term Financial Plan (appendix 1) for achieving a return to an underlying financial surplus by 2019 but subject to the following alteration;

(a) the underlying financial surplus being achieved through a combination of, mainly progressive, income raising measures and savings targets totalling approximately £50 million and

(b) by aiming for an approximate ratio of 50/50 between the extra income raising measures and the savings targets noted above.'

Deputy Roffey: Sir, when it comes to financial strategies, be they short, medium or long term, I do not think there is any definitive right or wrong. While it is quite true that some strategies may have a fair chance of success, and others are probably doomed to failure, on top of that there is

the very subjective element to consider, and that is the philosophical question of what do you actually mean by 'success', what are your ambitions and your vision for the future of your society? By that, I mean what concrete ambitions than just being jolly happy.

3665 So, in seeking to change some of the key targets in P&R's Medium Term Financial Plan, I am not suggesting that I have greater economic expertise than they do, rather that my political philosophy is somewhat different to theirs. So I am trying to get our society to a slightly different place. Obviously, therefore the route for getting there must be somewhat different, and I feel the need to tweak their proposals. Surely, that is what this debate is here for. At the end of these,
3670 however many days, this will be our plan, so any aspect, as it is written at the moment, drafted by P&R that we are not happy with we must try to amend.

Sir, one of the biggest philosophical questions in politics is how big the states should be. Now, some in the mid-west of America feel it should be really tiny, others living in Scandinavian countries, by contrast, favour a very large role for the state in their societies. Clearly, neither is
3675 absolutely right or wrong economically, because the USA and the Scandinavian countries have successful economies. Rather, the right size for the state depends on the sort of society you want to see.

Simplistic arguments about 'small state good, big state bad,' are just that – simplistic. Most of us tend to favour a small state – that is, until it is not there for us when we need it. What we really
3680 need to apply today is the Aristotelian theory of the mean. The trouble is, of course, that everybody's idea of a Goldilocks size for the state is different, and in that subjective judgement lies the heart of my difference of emphasis with P&R.

Sir, I care deeply about public services, but I am certainly not a Scandinavian-style tax and spender. I am far too much of a tight little Guernseyman for that. I do not stand here as
3685 Guernsey's answer to John, what's he called, John O'Donnell or whatever his name is. The Shadow Chancellor – (*Interjection*) That's the one, that's the one. Indeed, even if I were that way inclined, I think we would have to be very naive to think that such a model would work in a micro economy like Guernsey's. The question is where along the continuance would we pitch ourselves.

Frankly, back in the last 1980's and the 1990's and the early 2000's, I think Guernsey's public sector did become far too bloated. The Corporation Tax was rolling in, and we just built and built the role of the States. For which I take some blame, I was not here in the 1990's but late 1980's and early 2000's I was. We should have spent less back then and put more into reserves, despite the fact that the huge public pressure was to do absolutely the opposite. Then came the reckoning, we were forced to give up £100 million a year in Corporation Tax, and shortly afterward
3690 the world saw a massive and long-lasting economic downturn from which we were not immune. We were plunged from surplus to deficit. A situation which has taken us a decade to recover from, and we are still not fully there yet – despite the flattering results for 2016. We also ran through a very large amount of our already inadequate reserves.

Looking to the future, we still have a structural deficit to address, as set out in this document, and that problem is only made worse by our inexorably ageing demographic. As the saying goes, may you live in interesting times. How have we done so far, and how much, more importantly, should we be planning for the future? Briefly looking back, actually I think, despite all the constant
3700 snipes about each Assembly being the worst States ever, Guernsey's Government has done pretty well. It has not frightened the horses, unemployment has been kept low, confidence has been kept fairly high, and Guernsey has weathered the storm much better than many other places.
3705

Certainly States spending control has been impressive. I think we need to forget the odd glaring individual blot on the copybook; taken as a whole, public spending has been kept down in Guernsey to a remarkable extent over the last five to six years – something recognised and remarked upon by outside reviewers. Now, it is true some of those savings have really been extra
3710 charges dressed up as efficiencies, which I find regrettable, particularly when they have borne no relation to Islanders' ability to pay, but overall I do homage to the frugality of the previous Assembly; even if it has impacted – and it has – somewhat negatively on public services, it was necessary.

On the other side of the coin, some of the revenue-raising measures brought in over the last few years have been most annoying. Nobody likes paying more in TRP or duties or, as *The Guernsey Press* dubbed it Trott's Toilet Tax, or seeing their personal allowances eroded in real terms, but all that said, any austerity that we have seen here in Guernsey has, frankly, been austerity light compared to many other territories.

So two cheers for all of that, but just because a formula has worked hitherto does not mean it is the right recipe for the future going on and on and on. This Plan very much advocates more of the same, in fact, it trumpets its lack of a radical edge as its great virtue. I have to say I am not at all convinced at that approach – for four basic reasons.

Firstly, the savings that we are being asked to make. As I say, I think we were right to bear down on public spending, and I think there are definitely more savings to come. New ways of working, new technologies, must be able to deliver efficiencies, but at the same time, realism is absolutely vital. Remember, we need to eradicate our structural deficit. We need to meet our modest target for capital spending. We need to invest in long-delayed improvements in vital public services. All of that will take significant resources, and I am sorry, but I simply do not believe that two-thirds of those resources can be delivered through spending cuts made elsewhere. I think that was a valid approach some time ago when our public sector was more bloated.

I do not fully agree with the Home Affairs President when she said in a recent public hearing that we were almost now down to the bone and we could hardly do anymore; but I do think that we are starting to get close enough to that point that, to continue forever with this two-thirds from savings, one-third from extra revenue will bring about quite unacceptable cuts to key public services. I say unacceptable, but of course that is subjective. I do not deny it could be done; we could go even further in cutting expenditure if we did not care about what we lost in the process.

To go back to where I started, such an approach would probably be welcomed in the mid-west of America where the small state is everything. But, sir, I represent the people of Guernsey, not the people of Mississippi, and I genuinely think that our community – much though Deputy Stephens was right in saying no one wants to see any extra tax increases – will be shocked by the outcome over the next four years about what happens to their public services if we vote through the Medium Term Financial Plan unamended.

Those of you that were there at the public presentation of this Plan will remember a question from Deputy Dorey. He asked, how did we get up to this £26 million. something million in savings when it was what, £7 million or £8 million more than what would have been produced by the 3%, 5%, 5%? The answer came back: the extra savings can be taken from money stripped out of Health & Social Care.

Now, I do not really blame P&R for expecting that. I actually blame the HSSD of the last Assembly, who when a consultant's report came out suggesting that tens of millions could be stripped out of the budget of their department more or less did not seem to have any pushback, seemed to say, 'Yes, we think that that can be done.' It was moonshine. Absolute rubbish. If any of you think that we are actually going to achieve that without semi-revolution on the streets of Guernsey then they are living in Alice in Wonderland world.

Hence my suggestion that, going forward, only about half of the new resources required should come from the savings elsewhere rather than two-thirds. I have got to confess, I am still not actually convinced that that is achievable, but it is an awful lot more realistic than what is in this document. Sir, stretched targets are one thing, but self-delusion never represents sensible planning.

Moving on to my second reason for wanting to change Proposition 1, and that comes down to revenue spending. For good reasons, this Assembly has exercised almost a self-imposed moratorium on new services and extra expenditure over recent years. They talk about what they would like to do when the money is available, but they have not actually done very much. Again, that was absolutely necessary, and I applaud their restraint, but it cannot go on forever without reaching breaking point, particularly, with an ageing population and the extra demands that that

is going to bring on our society. I think that elastic band is now close to breaking. Something that P&R do not seem to recognise, and we simply have to modify our policy.

We do need to tackle rising health care demands, including the shameful cost barrier to accessing primary care for so many Islanders. (**Several Members:** Hear, hear.) Social care provision is going to have to mushroom because of the ageing population. We finally need to bring in the measures already approved by the previous Assembly to lift Islanders out of intolerable poverty. Okay that one is flagged up in the pipeline to come, but is one of the few that are. We certainly need to fully implement the Disability Strategy. I could go on and on, but you get the picture. I do not want to squander any taxpayers' cash on wants rather than needs. But even within that strict discipline the pent up demands are significant. The question I ask is quite simple, do we want a decent society where the strong look after the weak. If we do, I do not believe we can do it with pygmy emasculated public services. Like it or not, decent public services cost.

Sir, thirdly, there is the need to renew our infrastructure. If any company fails to invest in its capital estate it is doomed to fail sooner or later, maybe not in the short term; it might appear to thrive for really quite a long time, but sooner or later that lack of reinvestment will come back to bite it, and societies are no different. I am not just talking about big flagship capital projects, but also the host of routine, but vital, capital expenditure as well. Now, we set a target, a fairly modest target, in my view, for such spending, or at least for making appropriations for such spending, of 3% of GDP. Now, this policy letter half reconfirms that target, but not quite, because Proposition 2 says that our annual capital allocation should be 3% of GDP or such lower figure which allows us to balance the books.

Sir, with the current Proposition 1 I feel it is really quite likely that it will be the latter: the lower figure that allows us to balance the books, rather than the 3%. As a result, through you, sir, I hope Deputy Trott is listening, as a result we will be badly letting down future generations of Islanders ... did not mention our children but that is who I am referring to. If we replace the £40 million figure in Proposition 1 with £50 million, we will significantly increase the chances of meeting our own modest target for capital expenditure.

Fourthly, sir, there is the issue of reserves. Now, we frequently hear the President of P&R stating we are not out of the woods yet. As if we have been tested to destruction, somehow, financially, but eventually we will reach the safety of the sun-drenched uplands where we will be prosperous forever. I am afraid neither is true. Yes, the last 10 years have been very difficult financially, but they have been nowhere near as bad as they could be and will be. If we had been in the woods at all we have been in the Guet not in the Black Forest, and nor will any recovery be forever. I really do not want to be a doom monger, but despite the problems caused by the double whammy of Zero-10 and the world economic downturn, history will look back and judge this as a period of relative prosperity. In fact, quite extreme prosperity for Guernsey. Why? Because of the finance industry. For an Island with few natural resources beyond its people, such a high paying low impact employer has been an incredible boon, and it goes on being an incredible boon, but it will not last forever. I hope it goes on for a very long time, but all things come to an end. The Roman Empire came to an end. Even a Deputy Ferbrache speech comes to an end! (*Laughter*) The finance industry will not be provided the golden eggs forever. At some time in our future, Guernsey will go through a period when it is much poorer than it is now. If we do not restore the reserves that we have spent in recent years and ideally build them up far further to begin a mini sovereign wealth fund then, as Deputy Trott would remind us, our children will rightly accuse us of not providing properly for a rainy day, when actually the sun was shining fairly brightly.

Sir, we need to generate far more revenue for a host of reasons. I personally do not think that the amount that we need going forward can be realised by four more years of ongoing tinkering with a small tweak up here and a small tweak in spending down there. I think we have come to the end of that regime. But that is what I read in this document, this proposal, but I do want to be

more radical. I know I am being told there is no need to be radical; I think there is. Not that radical, actually, but far more radical than this self-confessed proud-not- to-be-radical plan.

3820 What sort of thing do I want to see? Well, I am not going to try and design ... I tried once to do an alternative budget, and I did not ... well, it did all right, but I did not get that far, so I am not going to sit here today and say what P&R should be doing as far as the amount of money they want to raise, or the amount of money that I want them to raise. But I do not think there should be too many sacred cows. I do think, and I am not saying this is the answer, but I do believe that it is time we at least *looked* at whether or not the flat 20% Income Tax rate across the board is still
3825 appropriate. Now, you are not voting; if you vote for this amendment, to alter that in any way shape or form, but I do hope that it is at least looked at.

So my steer to P&R is very clear. In fact, if this amendment goes through, what will it actually mean? Well, instead of £13.3 million in revenue raising measures, as proposed by them, it will be £25 million – almost twice as much, and crucially I want most of it raised through progressive
3830 measures. In other words, those who can afford it most pay most. Not exclusively, because I do not think you could design a scheme where that extra burden only fell on those through progressive measures. Like Deputy St Pier this morning, I hope we do not have to actually do that. I hope that the economic growth is more strong than actually set out as the prediction in this policy letter. And any prediction from what the extra taxes we need will be revised down in order
3835 to make the extra money we need if the growth comes through. But I am taking their projections – their *conservative* projections – as a safe starting point. I know that will be really difficult to do, and it will not be popular, but I think actually the damage you are going to do to Guernsey's public services and its future investment, and its ability to actually put money in in order to grow, will be far more unpopular if we go with the proposals as amended.

3840 Am I frightening the horses a bit? Maybe I am. Okay, maybe I am, but sometimes you have to. The world is changing, Guernsey's community is changing, the demands on Government are increasing, and if we think we can respond to the challenges of 2020 with a taxation system rooted firmly in 2000 then I think we are fooling ourselves.

One closing thought – well actually a couple of closing thoughts, I have got two minutes 20
3845 seconds to go, I think. I ask all of you – and I do not – who sit on Principal Committees, through you, sir, are they, I was about to say 'are you', but I mean are they, of course, (*Laughter*) absolutely 100% confident that they can save more than £26 million through making spending cuts to their budget. Hands up anybody who is. Sorry, I am afraid that is outside the Rules of Procedure. But, even if it were, I doubt there would be many hands flying up.

3850 If you are, if they are, then I would still ask them to support my amendment in order to guarantee proper levels to tackle investment and to replenish our reserves. But if they are not then my amendment does two things. Firstly, it reduces, albeit only slightly, what is to my mind an unrealistic savings target. Secondly, it means that if we do fall short of that savings target, and I am not being defeatist, but I do not see how we are going to do anything but fall short of that
3855 savings target, it still allows us to balance the books.

Now, at the recent presentation Deputy St Pier called that 'planning to fail', I call it planning to build in a proper 'bonce', to build in realism, to build in a safety margin and a tolerance.

Sir, I fear this debate may be characterised by some as some kind of clear black and white
3860 division between wild tax and spenders and prudent fiscal conservatives. Let me make my position quite clear. I want Guernsey taxes to be absolutely as low as they possibly can be while delivering efficient but decent public services. I am just not willing to see those services devastated. I do not think most people in Guernsey want to see those services devastated. I really fear this Plan unamended would do just that. I just urge one thing to those of you, those States' Members – sorry, sir – who sit on States' Committees who deliver services at the front end.

3865 I have still got 12 seconds. If you vote against my amendment and you endorse P&R's Plan as it stands, please do not have crocodile tears a year or two down the road about how you cannot make the savings without cutting vital services, because it will be on your own heads.

The Deputy Bailiff: Deputy Ferbrache, do you formally second the amendment?

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Deputy Ferbrache: I do, sir, and I intend to speak later.

Carried – Pour 27, Contre 12, Ne vote pas 0, Absent 1

POUR	CONTRE	NE VOTE PAS	ABSENT
Deputy Graham	Deputy Green	None	Deputy Le Pelley
Deputy Paint	Deputy Dorey		
Deputy Le Tocq	Deputy Yerby		
Deputy Brouard	Deputy Langlois		
Deputy Dudley-Owen	Deputy de Sausmarez		
Deputy De Lisle	Deputy Roffey		
Deputy Soulsby	Deputy Brehaut		
Deputy Prow	Deputy Tooley		
Deputy Oliver	Deputy Parkinson		
Alderney Rep. Jean	Deputy Lester Queripel		
Alderney Rep. McKinley	Deputy Fallaize		
Deputy Ferbrache	Deputy Laurie Queripel		
Deputy Kuttelwascher			
Deputy Tindall			
Deputy Gollop			
Deputy Le Clerc			
Deputy Leadbeater			
Deputy Mooney			
Deputy Trott			
Deputy Merrett			
Deputy St Pier			
Deputy Stephens			
Deputy Meerveld			
Deputy Inder			
Deputy Lowe			
Deputy Smithies			
Deputy Hansmann Rouxel			

The Deputy Bailiff: Members of the States, can I just take you back to amendment number 29, which was proposed by Deputy Trott and seconded by Deputy Brouard. There voted *Pour* 27, *Contre* 12. The amendment was therefore carried.

3875

Deputy St Pier, is it your intention to exercise your right to speak at this stage in the debate?

Deputy St Pier: Not at this stage, sir, thank you.

The Deputy Bailiff: We will therefore adjourn until 9.30 tomorrow morning.

The Assembly adjourned at 5.31 p.m.