



**OFFICIAL REPORT**

**OF THE**

**STATES OF DELIBERATION**

**OF THE**

**ISLAND OF GUERNSEY**

**HANSARD**

**Royal Court House, Guernsey, Wednesday, 28th June 2017**

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**Absent at the Evocation**

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

## Business transacted

Evocation .....	1185
<b>Billet d'État XII .....</b>	<b>1185</b>
I. Policy & Resource Plan – Phase Two – Debate continued .....	1185
<i>The Assembly adjourned at 12.34 p.m. and resumed at 2.30 p.m. ....</i>	<i>1225</i>
I. Policy & Resource Plan – Phase Two – Debate continued .....	1225
<i>The Assembly adjourned at 5.33 p.m. ....</i>	<i>1268</i>

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# States of Deliberation

*The States met at 9.30 a.m.*

[THE DEPUTY BAILIFF *in the Chair*]

## PRAYERS

*The Greffier*

## EVOCATION

# Billet d'État XII

## POLICY & RESOURCES COMMITTEE

### I. Policy & Resource Plan – Phase Two – Debate continued

**The Greffier:** This is the Policy & Resource Plan, Phase Two: continuation of debate on amendment 2.

**The Deputy Bailiff:** Deputy Laurie Queripel.

5

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

Sir, there is no doubt in my mind that more revenue is going to be required in the future. To say anything else would be populist or popularism, but I also agree with Deputy Paint in regard to what he said yesterday.

10

There is also no doubt that there is still waste in the system; no doubt that there is duplication and unwise and unnecessary expenditure taking place and I am aware of examples of that.

And there is no doubt that the pay bill can be brought under further control without impacting harmfully on frontline services or the staff who deliver those services who are normally at the lower end of the pay scale: those who maintain, repair, clean, care and deal face to face with service users.

15

But, it does not matter how effective or successful those savings and efficiency programmes are, we are still going to need extra revenue. Now, why are they going to need extra revenue? Well, I think it is very well put in the explanatory note in this amendment, sir:

... to invest in our infrastructure, supply vital public services and replenish Guernsey's strategic reserves.

20

So, the more pertinent questions are, how much and by what means? I think it is very telling that Deputy Ferbrache is seconding this amendment. I think Deputy Ferbrache would have agreed with everything I have said up until now, that we do need to eliminate waste, that the States does need to get its house in order, because Deputy Ferbrache is a prudent Guernseyman; he wants the

taxpayer to get full value for money. Yet, he clearly knows that will not be enough and that the figure here mentioned in this amendment in regard to extra revenue, he feels that figure is right.

Now, I know that P&R also agree in the sense of they know that any savings and efficiencies will not be enough, that we do need to raise extra revenue, but they have put across a different calculation.

Deputy Graham, sir – I heard what he said yesterday about the word ‘progressive’, but the word ‘progressive’ means something different to me; I think it means something positive. Perhaps a better phrase would be ‘ability to pay’.

Sir, I know that I have the ability to pay a bit more, not a great deal more, but if I had to pay another £100 or £200-a-year I would be willing to pay that in order to, as the amendment says, sir, ‘invest in our infrastructure, supply vital public services and replenish Guernsey’s strategic reserves.’

Now, if I have the ability to pay a bit more, sir, what about people who earn twice as much as I do, or three times as much, or four times as much? Surely the equivalent amount that they would have to pay, they could manage to pay that and they have the disposable income in order to do that, sir, without causing them any great hardship, just in the same way as if I have to pay an extra £100 or £200-a-year, it would not cause me any great hardship.

I would be willing to do that, sir, for the greater good, for the benefits it will bring to our community and our society.

So, if we are going to raise extra revenue and if it is going to be the figure that is mentioned in this amendment, sir, it has to be based as much as possible on people’s ability to pay. In fact, they need to do more than that. We need to try and improve the lot of Islanders on lower incomes, struggling to get by: the just-about-managing people that Deputy Tooley mentioned yesterday. And we are committed to that, sir, via the social policy objectives of this Plan. So measures to raise more revenue have to be designed in such a way as to buffer or to mitigate the harmful effects on lower income families and individuals.

Now, there is something else we have to take into consideration, sir. We do receive mixed messages from our community, whether it is from individual Islanders or parts of the business sector, sir. They tell us that they want small or smaller Government, but at the same time they want us to invest in things – I do not know, things like, perhaps, an extension to the runway or operating the facilities at the Harbour. But, we do get this mixed message, sir, so it is quite clear that we will have to raise extra revenue in the future if we are going to invest in our infrastructure.

As I say, if we are going to raise extra revenue, it has to be done with the idea, the concept, of ability to pay factored into our thinking. There are a number of ways that we can do that, as far as I am concerned. I think we do need to ... I know that there has been some progress made in regard to personal tax allowances, but I think we need to go further with that. I think we need to take a much more progressive approach towards personal tax allowances.

It seems strange to me that somebody earning, I do not know, £150,000, £200,000, £250,000-a-year requires the same sort of tax allowance as somebody earning £25,000 a year. I just cannot understand that, so I think that is the kind of thing we need to be looking at, taking an even more progressive approach in regard to personal tax allowances. The tax cap, sir – 20% means 20% – I think that can be looked at again as well. Once again, if somebody earning £25,000 a year has to pay over 20% of their income to the States, why can’t somebody earning £200,000 a year or £250,000 a year, or anything above that, sir? I think there is a more progressive approach that can be taken there.

Actually, with somebody earning a very large amount, I think it is much easier for them to pay over 20% than somebody who is only earning a smaller and modest amount, so, once again, there is a disposable income factor to consider there.

Also, I think Deputy Parkinson mentioned the territorial tax yesterday. I think that should be considered as well. So, I think there are a number of progressive ways that will not impact upon people who are low or modest earners and that will bring in the extra revenue required. Now,

75 there is an exception to that, and there always is, of course – nothing is perfect in politics. There is an exception to that progressive approach.

I also think that we have to give consideration in regard to a modest tariff being brought in in regard to online bought goods, sir. That is not to punish the people who buy things online, but there are millions and millions of pounds leaving this Island, never to return, and no added value can be realised via the purchase of online bought goods. As I say, it is not to punish people, sir. If you go to a local shop and you see an item that perhaps costs £80 but you can buy it online for £50, adding a tariff of, say, 10% only increases the cost of that item to £55. It is still a bargain compared to buying it globally. So, it is not about punishing people for buying online, it is about recognising the fact that this is a growing trend. More and more money is leaving this Island via the purchase of online goods and I think we need to find some way to glean some of that value back. I think, perhaps, the consideration of a tariff ...

I know there are problems –

I give way to Deputy Kuttelwascher, sir.

**Deputy Kuttelwascher:** I thank Deputy Queripel for giving way.

90 This business of trying to impose any sort of duty or import duty on anything is not allowed under Protocol 3. It is not possible.

It might be possible after we leave the European Union and then we can almost do what we like, but at the moment it is just not possible. It is illegal.

95 **Deputy Leadbeater:** Point of correction, sir.

**The Deputy Bailiff:** Point of correction, Deputy Leadbeater.

**Deputy Leadbeater:** We are not in the European Union. (*Interjections*)

100 **Deputy Kuttelwascher:** Another point of correction of the correction: we have a Protocol 3 agreement which gives us access to the European market, tax-free goods both ways. That will fall. I know we are not in the European Union, but Protocol 3 is related to our input, as it were, or our situation in Europe. So what he suggests is fine, but we cannot do it today or tomorrow.

105 **The Deputy Bailiff:** Deputy Kuttelwascher, do not forget to address the Chair.

**Deputy Kuttelwascher:** I know!

Yes, sir. Deputy Queripel could not do it.

110 **The Deputy Bailiff:** Deputy Queripel to continue.

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

115 It is not going to be me that is going to do it. I am not expecting us to do it today or tomorrow, but it is something we can think about in the future and in the context of our negotiations with the EU as we look to replace the Protocol 3 agreement.

I know there are obstacles, there are problems with it, but it has to be acknowledged ... I do not know what the figure was, but it is many millions of pounds that are leaving this Island and we are losing the value of that spend. We need to find some way at least to glean some of it back. I think it could be done in such a way that we can do that without punishing people who choose to shop online.

120 I think these are other things. That is the only idea I am putting forward that I do not think is progressive and probably is not based on the ability to pay, but all the other ones, I think, are based on ability to pay and I think that we have to consider those things in regard to the greater

125 good: what is good for the community and making sure that we have sustainable finances, and we can invest sufficiently in our infrastructure and add to our savings or replenish our savings.

So, sir, as Deputy Lowe said yesterday, it is time for action and it is time for the word – to borrow a biblical term, sir – to be made flesh.

130 Unless we advance the fine words into action – the fine words that are in the Policy & Resource Plan in regard to making States' finances sustainable; the fine words in regard to progressing social policy – they will begin to sound like hollow rhetoric and the time and energy expended in formulating them will have been utterly wasted.

135 So, sir, I am going to support this amendment. I agree with the thrust of it. I think that the amount that it puts forward is correct in regard to what we should be looking to save and what we should be looking to gather in regard to revenue, so let's stop talking, let's stop writing, and let's start doing things.

Thank you, sir.

**The Deputy Bailiff:** Deputy Gollop.

140 **Deputy Gollop:** Thank you, sir.

Deputy Laurie Queripel has inspired me to my feet. I am not sure I am in the category of 'just about managing' – even my spectacles are broken today, so that will be a challenge.

145 The points he makes are real and I am interested that on this amendment we are seeing an alliance, perhaps, of the two Peters.

150 Deputy Roffey made a strong case yesterday, with an impassioned speech outlining the evolution of politics. Of course, I recall the era just after the Millennium as well, and just before there was a sense of largess, almost laziness in the States, when we did up the public pay bill quite considerably. Nevertheless, many of the items that we looked at at the time were important in their day. I remember that was the time we finally grasped the nettle to subsidise an inadequate bus service. It was also the time when we introduced the Community Care Scheme in Guernsey. It was also a time, as Deputy Roffey will recall, when we started to invest significantly in the health estate and also in realistic subsidies for the dairy sector.

155 So decisions were made before the Zero-10 era, because Zero-10 was a game-changer in more ways than one. It signalled a period of relative financial restraint and I am sure Deputy Trott recalls more than anyone else that it was during his era as Treasury Minister that public expenditure stopped exponentially increasing and there was a period of stability on that front.

160 We can argue whether Zero-10 was or was not a good thing forever and a day, but one thing is pretty certain, that the Zero-10 policy happened coincidentally at a time of major world crisis and financial plummet, and Guernsey weathered that storm particularly well, initially better than Jersey, some might say, in our key industries, and we continued to grow and to sustain ourselves.

165 Now, of course, in that era, the way around the fiscal deficit that we all knew we were going to go into was really in two ways: either we would restrain public expenditure, which has indeed happened in various ways, including the FDP and some reorganisation structurally to the Civil Service, or we would grow our way out of relative hardship.

170 We did grow, but not at the speed China has grown or perhaps Singapore. Of course, the global economic circumstances and the increasing regulated global context have been factors against that growth. So, we are where we are and we are challenged now, as Deputy Laurie Queripel has reminded us, by a situation where we have to find solutions to problems and, indeed, I thoroughly endorse what Deputy Parkinson said yesterday and today on the BBC that we need an economics plan as part of that.

175 As I mentioned yesterday, we have evidence that some of the business organisations and representatives on the Island would consider paying a bit more if it was for real infrastructural improvements, or maybe even in some areas for improved public services or an improved environment for business growth. Where I think most people are against paying more is a sense

that you would then go back to some bad old ways within the public sector and have unnecessary waste expenditure.

I think, perhaps, the area that interested us most yesterday – sorry, not yesterday, last week – was in the accounts, the mini-debate that took off and gained traction was of course various  
 180 lenders' concerns that the public sector is still not entirely contained: that there is growth in numbers, that there is growth in salaries, that there are positions being created with late five- or six-figure salaries. I think the public will feel cheated if they end up paying more taxation or charges and out the other end comes just a fatter public sector. (**A Member:** Hear, hear.)

So the question is, to gain the trust and to almost hypothecate this money into areas of  
 185 greatest need, such as, for example, maybe transport links or maybe the Disability and Inclusion Strategy, or maybe even continuing and growing the Transport Strategy with some constraints. But we need to seriously consider this amendment.

I do not want too much message going out that it is just about pumping up money into public services, because I think where this Report is really light is how we can grow our way out of our  
 190 current ... perhaps, not exactly stalemate, but our stagnant position. It was chastening to hear the other day that our bed stock in Guernsey is less than half that of Jersey. Jersey do not have double our population; they do not have double our size; they do not really have double our economy, but they do have double the bed stock and that has a knock-on effect.

Of course, as President of Planning, we know that we were approved in principle a new hotel  
 195 idea in the Admiral Park area. Whether that will ever happen or not, we do not know. The one thing we notice across the water is there are brand hotels being created with household names. We are not necessarily seeing that in Guernsey, and the question is why? It is certainly not a fault of Planning; it is linked to more fundamental problems.

200 **The Deputy Bailiff:** Deputy Oliver.

**Deputy Oliver:** Sir, would Deputy Gollop not agree with me that it could be to do with the amount of people that are actually coming to the Island, so therefore it is supply and demand?

205 **Deputy Gollop:** Well, yes. Clearly the population policy and our transport policy and the fares that we offer and the mix of sea and air services are bound to be elements of that. As Deputy Parkinson said, it is a philosophy of whether you go down the mass tourism or whatever route.

Clearly, if we are to, as Deputy Oliver has reminded me, resolve our transport issues, then clearly we need some spare money, and the last States had no money to spare, despite the bond.

210 So, my call is that I will support this amendment. I think it has come at the right time, but I do not want the money, if it is raised, to be wasted. What we need is sustained and serious investment.

I would close with two further points: I am a bit of a minority maverick Member sometimes, on Deputy Le Clerc's Employment & Social Security Committee, and I must admit I am supportive of  
 215 seriously considering some incremental rises in some of the Social Security charges. But, of course, we know ... Even yesterday we heard voices from the business sector saying, 'That will undermine our competitive position.' But our Social Security charges are already higher than most of our competitors, especially for high-earners. That is a quasi-form of Income Tax that we have secretly or covertly introduced, so we need, actually, to consider that in a wider context.

220 I would also point out that in the last Assembly there was a coalition of lobbyists with perhaps vested interests of outside areas, combined with a social progressive left and populist right, who did not want to see any movement on GST or an equivalent tax. Now, without that, we are well behind other places in the Caribbean, in America, Jersey, the Isle of Man. Without a GST, we then become entirely reliant on stealth charges and Income Tax. Therefore, if we are to maintain, let  
 225 alone enhance, the public services we wish to offer the community, whether it be in health or education, we have to go pragmatically for other solutions, which may arise, actually, in other amendments, but, bearing all that in mind, despite the rather complicated mathematics of this

amendment, I think we should support it, move the debate forward and not continue with an austerity/no growth situation.

**The Deputy Bailiff:** Deputy Green.

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

I think, instinctively, I am more moderate than Deputy Gollop and Deputy Laurie Queripel on these issues, but that does not mean there is not any merit in this amendment.

This is certainly a debate that we need to be having, sir, because I think the Deputy Roffey and Deputy Ferbrache amendment, amendment 2, has highlighted what is probably one of the central themes of the Policy & Resource Plan and, indeed, the Medium Term Financial Plan, which is how to deal with the forecast structural deficit; how do we raise the £40 million or so which is required; what is the best way of doing that; what is the fairest way of doing that; what is the most effective way of doing that? It is, therefore, helpful, I think, that Deputy Roffey raises some of the issues about what the ratio should be between savings and tax rises.

But I think, first of all, before I get into the nuts and bolts of that argument, we do need to be very careful about the way this place is portrayed, because there are a lot of people in the community who think that we are just considering raising taxes for no particular purpose. I think we do have to be much clearer about the fact that there is a problem that P&R have identified – it is a forecast for a structural deficit, bearing in mind all the factors that they lay out in the P&R Plan – and I think we do need to be better at communicating that, because there is a danger – and it has already been seen, I think, in some of the media coverage and some of the public discussions that have already been taking place on social media and elsewhere – that we are really concerned with hiking up taxes for the hell of it, if I can put it in those terms.

It is about what is the correct ratio between savings in the public sector and also what extra revenue do we need from taxation. It is clear from Policy & Resources' approach that they believe that there are enormous savings that can be generated from the Principal Committees without affecting frontline service. Well, maybe, maybe not, but on the other hand all of the indications from some of the Principal Committees, sir, including Home Affairs, Education and also Health, seem to suggest that you will get to a point where, if savings are made to a certain degree, then frontline services will indeed be affected. So the question there is, again, where does the balance lie?

Now, the ratio that P&R suggest is effectively 65% on savings and 35% in new or increased forms of revenue from taxation. Deputy Roffey's amendment is 50/50, and I stand back from that, sir, and I wonder whether we should actually have any particular ratio at all, bearing in mind that the £40 million that we are trying to deal with, as it were, the structural deficit of a forecast of £40 million, is not set in stone, it is just a forecast.

We know that there are problems with the way in which we predict economic growth in the Island, and that is dealt with quite well, I think, in the P&R Plan, but we do not really know what economic growth will be over the next four or five years; we do not really know what kind of economic situation we are going into with the possibility of Brexit and all that goes with that and the consequences for these Islands. So there is an inherent uncertainty in all of this, and for the Government to be saying, 'Well, it will definitely be 65% from savings and it will definitely be 35% ... or, if we go with Deputy Roffey and Deputy Ferbrache, it will definitely be 50% in savings and definitely 50% ...' We just do not know. I think we should have a healthy scepticism, not only about the degree to which the economy will grow, we should also have a healthy scepticism about the deliverability of some of the savings that some Members seem to think are easy. I think if they were easy they would have been done already.

We also need to have a healthy scepticism about the amount of tax that we will receive. This is certainly an issue that featured in the UK General Election, with some very optimistic forecasts from the Labour Party about trying to raise £50 billion of extra money. The moment they announced that, all the experts lined up to say, 'Actually, you are not going to get anywhere near

280 that, because in reality once you hike up certain taxes behaviours change, there is a certain amount of adaption in the market, and you do not end up with the amount of money that you think you are going to get.' So we need to be sceptical, and I do question the validity, perhaps, of having a ratio at all. I do think that is the first point, and of course that would mean that is implicitly a criticism just as much of this amendment as of the P&R Plan itself.

285 The second point, sir, is, if we do accept that we do need to have some form of ratio for planning purposes – I do concede there is some advantage in having that, just so Committees know where they stand – we will all probably draw those lines differently, and I probably would draw the lines differently from what Deputy Roffey and Deputy Ferbrache want to suggest. I would probably do it in terms of thirds. I would probably say a third from savings, a third from the corporate sector and a third from individuals, because I think that would be a better and fairer and more progressive way of doing it.

290 So this brings me onto, again, what underlines this particular debate, I think, and this particular amendment, is the fundamental question: what do Members believe should be the correct size for the state in Guernsey? Do we believe in a small state? Do we believe that, actually, over time, the state needs to grow? Are we about right, as we are now, or what is the position? The reality is we need a state in Guernsey that is neither bigger than we can afford nor smaller than what we need. We have to assess what we need and we have to assess what we can afford. I think probably we are not too far out from the real position whereby we have a state and a set of services that are compatible with what we actually need. I do not think we are far off from that.

300 Deputy Roffey characterised the debate or the way in which some people characterise these debates in terms of prudence versus tax and spend, but it is never that simple. It is not a binary choice. Of course, we need to have a prudent approach to public services. Deputy Laurie Queripel is absolutely right: there are areas of waste and spending which is perhaps not as effective or as efficient as it could be, but it is never a simple choice between prudence and tax and spend. We always have to tax and spend if we believe in public services at all. It is a question of finding the right balance between effective and efficient services in line with what people want, but managing the public finances in a way which will deliver a surplus because we know that we have to invest more in capital and we have to invest more in our infrastructure.

305 All in all, sir, that is probably a very long-winded way of saying, 'I am not sure whether I am going to vote (*Laughter*) for the amendment or not.' I am grateful to Deputies Roffey and Ferbrache for raising these issues, (**A Member:** Hear, hear.) but I think, at the end of the day, I will probably ...

310 Well, I think one other point, which is – I should have made this a moment ago – that in terms of the ratio, I think, pervading all of this, infecting all of this, is almost an assumption that we are not going to have any economic growth in the next few years and that is not something that we can predict or otherwise put ... I think we can perhaps overemphasise the importance of some of these targets, so I am not entirely unsympathetic to Deputy Roffey's amendment, but I think he probably draws the lines in a slightly different way to the way that I would, but I will, of course, listen to the rest of the debate.

320 **The Deputy Bailiff:** Deputy Langlois.

**Deputy Langlois:** Thank you, sir.

325 It was very refreshing earlier to hear Deputy Laurie Queripel say, 'It is time for action' without following it by, 'So, please support another review' which appeared to be the stance of many yesterday on the connectivity issue.

330 This amendment is in tune with an anti-austerity movement which appears to be sweeping not only the UK but Europe at the moment, so it is of its time. I do have some concerns about it. It still, in my mind, relies excessively on our savings targets. Twenty five million is an awful lot for an annual tax increase. I think the Policy & Resources' £14 million was probably inadequate, but I think this is too high. Ideally, there would be something in the middle. Oh, there appears to be in

the following amendment which would make this a sort of John the Baptist amendment with the real thing (*Laughter*) following on, hopefully, if this fails, or when this fails.

335 I do support this and I probably will be voting for it, because I think it is more realistic than P&R's, but I do have concerns. We ruled out, yesterday, capital taxes, for instance. We want to increase taxes by £25 million a year and I am worried about the vehicles we have for raising that kind of money. There is a reluctance from deducing new taxes in Guernsey and I really do think our tax system needs a rethink and we should not be ruling out certain taxes. I think we are going to need the whole spectrum of taxes to have a fair distribution of these tax increases that are required.

340 At the moment, I am planning to support this amendment, even though I have my doubts about it, and I do think it is rather crude and it could have done with refining and more thought put into it.

Thank you.

345

**The Deputy Bailiff:** Deputy Lester Queripel.

**Deputy Lester Queripel:** Thank you, sir.

Sir, as we all know, the last sentence of the explanatory note reads:

[This amendment] spells out the principle that most of this extra revenue should be raised by progressive measures.

350 I would just like to know what Deputy Roffey's definition of those 'progressive measures' are, please? And, should he be of a mind to come back with taxes that merely are not regressive, I would ask please for a bit more elaboration of his definition of 'progressive measures'?

Thank you, sir.

355 **The Deputy Bailiff:** Deputy de Lisle.

**Deputy de Lisle:** Sir, this is all about taking more from householders and I totally reject that notion. I think that households are paying enough now.

360 The key here is that this would impact on consumer spending, and already we have got a problem in the Island with respect to that. Taking more money away from households would not only affect consumer spending but also, I think, our competitive advantage in Guernsey and the likelihood of more people shopping and dealing outside the Island.

365 So, I think that this is certainly more burdensome than the earlier proposals that were put forward of £40 million and adding another £10 million to the tax take is something that I cannot approve.

Thank you, sir.

**The Deputy Bailiff:** Deputy Prow.

370 **Deputy Prow:** Thank you, sir.

As we reckon to have four days of debate, I will be exceedingly brief. (**A Member:** Hear, hear.) I will not repeat what I said yesterday, but that is where I stand.

I also listened very carefully to Deputy Green and I do agree with what he said. I think he spoke very well, but I am not persuaded by this amendment.

375 Thank you, sir.

**The Deputy Bailiff:** Deputy Le Clerc.

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

380 Sir, I am not sure how I am going to vote on this amendment. I do agree with parts of the amendment, that we need to continue to save our funds to invest in infrastructure, but I, like

Deputy Green, am concerned about the message getting out to the public. Earlier on in the year, when Deputy St Pier announced that we would have a surplus of approximately £15 million, I listened to the *BBC Radio* the next day and the presenter was asking the listeners to phone in on ideas of how they wanted to spend the windfall. So I think we have really got some work to do around the messaging, to get out that what we have not been doing is replenishing our rainy day funds and putting money aside for the infrastructure.

Some of the savings target reduction that is in this amendment is only reducing it from £26.6 million to £25 million. Well, I was concerned at how we were going to reach the £26.6 million target set out in the original Proposition, and I say that because Employment & Social Security have been able to find the 3% savings for the 2017 that was requested of us, but I think we are really going to struggle even to find the 5% and the 5% over the next four years, extending it over the next four years.

For me, the Report that has just come out – and I apologise because, due to the amount of reading we have had for this and last week's debates, I have not read the report on the Education, Sport & Culture and the Home Affairs who identified savings – but actually I was really surprised that we were only finding about £1.5 million from that report. Actually, again, looking at some of the detail at high level, it was things that are not even quick wins, so I am really concerned about where we are going to find the savings.

One thing I would like to ask Deputy St Pier is that, if we vote for this Proposition, as amended, or even the unamended Proposition, are we committing ourselves, as Committees, to the cumulative savings: the 5% and the 5%? Because I think that needs to be really clear to me as President of a Committee.

Then, moving on to the second part of the amendment, and that is raising income through progressive measures, I think we have already discussed some of the concerns and some have been aired again today. I know Deputy Roffey does not think very highly of the Personal Tax and Benefits Review Report, but I was part of that working group and there are actually some very interesting pieces of information in that. I think one of the things that I would just like to say is that the section on higher rates for higher earners indicated that some public consultation was that people were prepared to pay higher income taxes, but in the example given, and to raise £20 million in Income Tax, we would need to raise the Income Tax rate to 30% on all earnings above £45,000, and that is to raise only £20 million. So I think we keep on thinking that there is a cash cow with the higher earners, but actually to get substantial amounts of money from raising Income Tax is going to affect a lot of households in Guernsey. At the time of the Report it said it would affect at least 25% of those households.

I would just like to understand where these additional taxes are going to come from. That is what I would like to know today before I vote on this amendment and even on Proposition 1.

Thank you, sir.

**The Deputy Bailiff:** Deputy Tindall.

**Deputy Tindall:** Thank you, sir.

I also was looking at Proposition 1 as it is written and also the comments made by P&R in respect of this amendment, saying that Proposition 1 and all of the approach taken in the Plan is based on detailed analysis and forecasting. I would like to know if we were using our home-grown GEM system and were these figures in the amendment that have been given used to model an outcome? And if so, what was it? I think Deputy Le Clerc just mentioned the figures we are talking about in respect of attaining the extra £20 million and that would seem sensible, and I think that is what P&R were referring to in respect of this sort of analysis.

I also echo Deputy Lester Queripel and others as to what 'progressive' actually means. We have already heard different views as to what it could be interpreted as.

Also, the savings targets – similar to what Deputy Le Clerc was saying – I hear – obviously not on a Principal Committee, sir – that a target of £25 million or, indeed, £26.6 million will be difficult,

435 but I note that there is the intention of spending to enable to transform the way we are doing things. I would like to know whether or not this is the main source of the forecast in savings – this spending to transform – or whether they think there is any more of the 3%, 5%, 5% that was initially proposed is a particular intent, because that sounds to me to be extremely difficult.

I lastly leave with the idea – I actually agree with Deputy Green in respect of his ratio – if I was going to approve this amendment, I would obviously understand that once we actually got it into 440 general debate and ended up voting on the Propositions we could actually vote on 1(b) as to whether or not we have a ratio at all. Now, if that was possibly my intent, if I approved this Proposition, then in general debate, at the end of that, voted for 1(a) but not (b) – if that, first of all, was possible and also if there was a ramification in that?

Thank you, sir.

445 **The Deputy Bailiff:** Deputy Fallaize.

**Deputy Fallaize:** Thank you, sir.

I think the issue of the ratio is really not significant as far as this amendment is concerned, 450 because, although 50/50 is mentioned in the amendment as well as in the explanatory note, the effect it has on the savings targets is tiny. So I do not think, whether Members are in favour of a 50/50 ratio or a one-third/two-third, one way or the other, is really a substantial issue in the context of this amendment.

Deputy Green said he would prefer a ratio of one-third expenditure reductions, one-third of 455 raising more revenue from the corporate sector and one-third through individuals, but of course that is a less conservative approach than is set out in this amendment, which is for 50% of the gap between what is needed and what is currently raised to come from revenue reductions and 50% through tax increases.

I will give way.

460 **Deputy Green:** Sir, thank you. I am grateful for Deputy Fallaize to give way.

The point is that if there was one-third of the money to come from taxation of individuals that would be less than what is envisaged in this amendment.

465 **Deputy Fallaize:** Well, I do not think that is right because where in the amendment does it say that all of the additional revenue has to be raised from individuals? It does not say, 'None of the additional revenue must be raised from the corporate sector.' Actually, if the Policy & Resources Committee wanted to follow the prescription set out by Deputy Green, they could and it would in no way breach this amendment.

I do not think we need to get bogged down in exactly what the correct ratio is. I tend to agree 470 with Deputy Green and Deputy Tindall that we should not be setting some kind of hard and fast ratio. In fact, I think it is quite daft to say that for the next four years the exact ratio that we will apply to trying to correct public finances will be 50% on raising revenue and 50% on cutting spending. No sensible political party or no sensible chancellor would start saying, 'When I put 475 forward a Budget in four years, I am guaranteeing that it will have 50% based on cutting and spending and 50% on raising revenue' and I do not see why we should do that.

In terms of savings and cutting expenditure, the difference between what is proposed by the Policy & Resources Committee and what is in this amendment is that Policy & Resources is putting forward a figure of £12.6 million a year over the medium term, and the amendment is 480 putting forward a figure of £25 million a year in the medium term, so the difference is tiny. In fact, why Deputy Roffey did not just stick with the £26.6 million in his amendment, I do not really know, because it would have meant that that whole issue would not have featured as part of the debate.

But, clearly, the savings target set out in this amendment is still very ambitious. It is not, in material terms, any less ambitious than that set out by Policy & Resources, so this can hardly be

485 identified as a profligate amendment. It does not in any way obviate the need for Committees to have what I consider to be really quite ambitious cuts in general revenue budgets.

What the amendment boils down to is, in the medium term, should the position of public finances be improved by around £40 million a year, which is what Policy & Resources suggest, or by around £50 million a year, which is what is suggested in the amendment. And, in the medium  
490 term, should additional revenue be raised of around £13 million a year, as suggested by Policy & Resources, or by around £25 million, as set out in the amendment. It is important, again, to make this point that the Policy & Resources Committee itself is proposing additional revenue – raising measures of £13 million ... or just over that, of £13 million, around £14,000, I think it is, *per year* – not £14 million over the life of a four-year plan, but £14 million *per year*, once we get to  
495 2021 and beyond. So we are talking about the medium term.

Now, unlike the next amendment, which Deputy Langlois mentioned, there is no timeline set out here of exactly ... Other than it being generally that it all has to come into effect at the end of the four-year period, but within that four-year period there is no timeline set out about exactly what the expenditure reductions must be and when they must be achieved or when the additional  
500 revenue must be raised.

It might be, in this amendment, that an additional £6 million is raised over and above what P&R is suggesting in 2020 and an additional £6 million or £7 million in 2021. That would mean no additional revenue-raising measures above what P&R is suggesting in 2018 or in 2019. It might be that there are no additional revenue-raising measures for the next 18 months and then, for each  
505 of the three years after that, there is an additional £4 million a year raised over and above what P&R are suggesting. Or it might be that it is £3 million a year over the next four years, but there is nothing prescriptive in the amendment about that.

To put this into some kind of context, the States are already raising more than £400 million a year through tax revenue – more than £400 million a year. P&R is suggesting raising an extra  
510 £14 million per year. The amendment is suggesting raising an additional £25 million per year by the end of the four-year period. Now, what P&R is suggesting is, in effect, about an extra 3%, 3.5% on tax revenue. What is suggested here is an extra 4% or 4.5%. Now, it cannot be said that 3% or 3.5% is very conservative and cautious and prudent, but 4% or 4.5% is incredibly reckless with public finances. Now, I am trying to get retaliation in first, because I expect that is  
515 what the argument from Policy & Resources is going to be, but if it is, then we will know to disregard it, because in percentage terms it is not substantially different from what P&R is suggesting.

They have also said, in the lead up to this debate ... And Deputy de Sausmarez referred to this in passing yesterday. Policy & Resources has also tried to associate both this amendment and the  
520 next amendment with some kind of tax bombshell on Guernsey families, and I think they probably did stop short of the euphemism 'hard-working Guernsey families', but probably only just. Deputy Trott is shaking his head, so maybe Deputy Trott did go as far as saying that. So what they are doing is they are taking the total amount that the amendments propose raising and then dividing the amount by the number of households in Guernsey and saying, 'That is the sort of tax bombshell that you face.' But, of course, they are not doing that with their own proposals to raise  
525 £14 million a year. They are not going and saying, 'Look at the tax bombshell of hundreds of pounds a year that we, Policy & Resources, are intending to impose on hard-working Guernsey families.' Although, if the philosophy is applied equally to their own proposals as to the amendments that is exactly what they would do, but that is not what they said because they say,  
530 'Oh, no, no. Our £14 million a year can all be raised quite gently. You are not going to notice it, because it can be done in progressive ways and those who can bear the burden will be asked to contribute more but, if you decide to put an extra 1% or 1.5% on top of what we are suggesting on the tax raising of the States, then that will be a tax bombshell on hard-working Guernsey families.' Quite clearly, it has ... I think the quotes did come from Deputy St Pier. It was the mouth  
535 of Deputy St Pier, but it was the words of Deputy Trott, (*Laughter*) I thought when I heard that, because it had Deputy Trott all over it, and it really should be disregarded.

**Deputy Trott:** Too many compliments! *(Laughter)*

**Deputy Fallaize:** Now, I do challenge this quite lazy assumption about the early 2000s as if much of what was being spent by the States then was wasted and it was all very profligate. Well, actually, the States were investing in things like long-term care, setting up a secondary healthcare scheme; investing in infrastructure, which had been structurally underinvested in for decades, particularly in healthcare and education; expanding services in healthcare and education. Well, that might be seen as wasteful and profligate by some Members, but it is not seen as wasteful and profligate by me, **(A Member:** Hear, hear.) and there will come a time where that has to happen again, particularly in terms of investment in infrastructure, because for the last few years, once again, there has been structural underinvestment. This target of investing 3% a year in capital is not just missed once or twice; it has not been achieved for 10 years. The gap over the 10-year period between what we committed to investing in capital and what we have actually invested is enormous. It runs into tens, if not hundreds of millions of pounds. So there will be a need for infrastructure investment to be accelerated in the future.

There is a famous quote that:

Balancing the Budget is like going to heaven. Everybody wants to do it, but nobody wants to do what you have to do to get there.

I think there is a little bit of that about States' expenditure, because the Presidents of the larger spending States' Committees have already set – maybe not in exactly these words, but the messages have been very clear – 'Do not expect us to shoulder the greater part of the burden in delivering expenditure savings.' But two-thirds of all general revenue expenditure falls on three Committees: Health & Social Care, Education, Sport & Culture and Home Affairs. Now, if £26 million is going to be saved and it is going to be saved in the same proportion as the money, at the moment, is spent, then those three Committees can look at annually recurring expenditure savings in the region of £18 million. Are they comfortable with that? Do Deputy Le Pelley and Deputy Lowe and Deputy Soulsby believe that it is possible to take £18 million per year out of their budgets without substantial cuts, or any cuts, to frontline services, because the assurances given in this Medium Term Financial Plan is that this will all be done ... I think the phrase is, 'Without detriment to the service provided to customers.'

So, can those three Committees strip £18 million a year out of their budgets without cutting services? I doubt they can, but maybe they can. If they are going to vote in favour of the Plan as put forward and against the amendment then presumably they believe they can. I respect their judgement, but do not stand here in six months, or 12 months, or two years and say that it has all been too difficult.

Now, Deputy St Pier and Deputy Trott may say, 'Well, no, no, because the expenditure reductions envisaged in this amendment are broadly in line with what is envisaged by P&R.' The difference is this amendment provides an insurance policy because, if it is not possible to obtain the expenditure savings of £26 million per year, what is going to happen? Well, either there is going to be more taken out of reserves, which it is not that I am saying they have already been drained or exhausted but there have been significant sums taken out of States' reserves in recent years, so there will have to be more of that, or there will have to be continuing underinvestment in capital infrastructure. Now, even with this amendment, I suspect it will be difficult to reach the 3% capex target, but without it I think it will become impossible.

We know that there is a need to replenish reserves. We know there is a need to have very significant increases in capital expenditure. We know that ... Well, I think I know and I think, even if they do not admit it, the Presidents of the major spending Committees know that it is not possible to cut their own expenditure significantly without cutting frontline services. And we know that there is pressure from what is called 'new service developments'. The demographic problems which lie ahead – well, we are beginning to live with them now but they are going to become more acute in the years ahead – are going to require expenditure.

The final point I would make is I do not think – and I have already explained why – this cannot be a tax-and-spend amendment whereas Policy & Resources’ is a very prudent and conservative approach. In percentage terms, the difference is not that great, but I do not think there is any future for this Island in austerity. I do not think there is any future in profligacy. Deputy Roffey talked about ‘Scandinavian levels of tax and spending’. You are talking there about countries spending 50% or more of the value of GDP on public spending. We are now currently less than half of that.

This amendment, in terms of expenditure as a percentage of GDP, would make a very small difference. It would not push us anywhere near even the UK or even near the levels of what is spent by the American mid-west, as Deputy Roffey referred to yesterday.

But the reason I do not think austerity can possibly be a future for this Island is because I think that growth and prosperity, both economically and socially, relies on investment; it relies on investing in a health system; it relies on investing in an education system. Where are these advanced high-tech businesses of tomorrow going to get their highly educated workforce? Where are they going to get their workforce which has high standards of health, if we as a Government do not invest in healthcare and education? Because those private businesses are not going to invest in healthcare and education on behalf of the community. They might provide health insurance for some of their employees, but they are not going to generate a high standard of education and healthcare in the community generally. That is only going to come from the States taxing and spending the revenue that is raised.

Austerity will mean a poorer Health Service, a poorer education system, less investment in infrastructure and that will damage not just the social fabric of this Island but our economic prosperity as well. There is no association between austerity and economic prosperity – none whatsoever.

This amendment is not some kind of silver bullet, but it takes us to a better place than the original proposals from the Policy & Resources Committee, and I urge Members to support it.

**A Member:** Hear, hear.

**The Deputy Bailiff:** Deputy Parkinson.

**Deputy Parkinson:** Thank you, sir.

Well, Members will know, of course, what my stance on fiscal policy is (**A Member:** Remind us!) and I am not going to spend a long time rehearsing that now. I believe that we need to reform our corporate tax system and I believe that we will very likely be forced to do so in the next 12 months. I think it is at least a strong possibility that by the end of this year we will be on an EU-wide blacklist because of our zero tax rate.

So I view both of these amendments through that prism and, on that basis, I have to say I actually prefer the wording of the original Policy Committee proposals to the wording of the Roffey/Ferbrache amendment. And why? Because the Roffey/Ferbrache amendment says, ‘mainly progressive’. Well, what does that tell us? ‘Mainly progressive’ tells me that they are considering tax rises aimed at individuals residents in Guernsey and, to me, that is not where we should be looking for the additional resources that the States will undoubtedly need.

As Deputy Fallaize has said, it would be wrong to get too hung up about the precise percentages in each of these amendments, because I think these are relatively marginal differences. To me, the fundamental differences between them are that the original Proposition is actually completely neutral about where the tax increases might come from, and the clear implication of the Roffey/Ferbrache amendment is that they would come from individuals on Guernsey; and since I oppose that, I am going to oppose the amendment.

**The Deputy Bailiff:** Deputy Brouard.

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

I just have three points to make really. I do have some sympathy for this amendment: the more income we have that we can then put forward to services so much the better. But I think we have got to take into account three things really.

First of all is the messaging and what it says, and I think that is picking up on what Deputy Queripel was saying earlier, sir. We need to look hard at ourselves first before we look elsewhere. I think, just the messaging ... By saying, 'Well, actually we will get slightly more from somewhere else' but, actually, when you come down to it – and this is my other point – is the actual differences of how much we reduce our public services by, from the Deputy Roffey/Deputy Ferbrache amendment, is basically £1.6 million.

So the argument that I think Deputy Roffey was making, that if we do the £26.6 million we will have emasculated and pigmy services, but if we do his £25 million savings will be perfectly okay. That is the dilemma that I have, because – and as Deputy Fallaize mentioned – the major Committees would, in proportion, if you did take it in proportion, be about £18 million worth of savings, but then again, with Deputy Roffey's amendment, it is £16.4 million. So I think the nuances on that are pretty small.

Therefore, in Deputy Roffey's amendment, it must be assumed that the majority of the extra £10 million is going to be used for the strategic reserves and infrastructure, because otherwise you would not do the savings in the first place unless you are going to introduce new services. So that is the issue I have, so we will be taking extra money in ... and, as Deputy Michelle Le Clerc reminded us, it is going to be quite difficult. The idea that it is somehow very easy to do raising taxes: actually, raising taxes is just as difficult to do as finding savings within ourselves.

I am a bit concerned about the idea that it might be quite easy to raise these taxes. Sitting, certainly, at the sharp end on Policy & Resources, it is quite difficult to find out which easy targets there are. They just are not around and, if you do, there are always consequences and unintended consequences.

Now, Deputy Fallaize mentioned this as well. He said, 'This could be our insurance policy.' But it is only an insurance policy if you are prepared to cash it in. That is the dilemma. So, would you really increase taxes by the sort of levels that Deputy Michelle Le Clerc was raising? I think that is going to be very difficult.

And, if you do raise them, are you then going to reinvest them straight away or are you just going to hold them back in our sovereign wealth. And maybe this is not the time to be stocking up our sovereign wealth as opposed to taking more taxes off the people just to put into our sovereign wealth fund. I know we need to do it, but whether this is the right time or not ...

So, on balance, I will not be able to support the proposals.

Thank you, sir.

**The Deputy Bailiff:** Deputy Kuttelwascher.

**Deputy Kuttelwascher:** Thank you, Mr Deputy Bailiff.

I just want to piggy-back on a comment made by Deputy Le Clerc and, in fact, alluded to by the last speaker, because it is significant and I completely agree with her. She did mention that if you want to raise £20 million by Income Tax, you would have to increase the Income Tax rate for those who have a taxable income of £45,000 or more to 30%. What she forgot to mention is up to about £137,000, that figure is rounded. You also pay an extra 6% Social Security, so the real rate of tax – and it is another table – is 36%. How close is that to the UK's 40%? I know they pay an extra 1% – or they used to, I do not know if they still do – as well in Social Security and then you get up to the 45%.

We would be completely uncompetitive with the UK, if only because the cost of living there is so much less. I know when I go to England, I can fill a trolley at Waitrose for what I can fill a basket for here. If you look at the basic staples of life: bread, milk, and everything else, it is less by a

factor of a half or more. You get to the point then: with your disposable income can you buy more here than elsewhere?

If you got to those levels of tax, not only would it stop people coming here, but people would be thinking about moving elsewhere if they have that opportunity. We talk about these so-called higher rate taxpayers as 'cash cows' but I just have to remind you, you can milk a cow dry and changing behaviour is already happening because of the fear of what may happen with personal taxes.

What Deputy Parkinson says, I have a lot of sympathy with him. In fact, I remember his Zero-20 amendment before I was in the States and I was in the Public Gallery. It seemed eminently sensible and what really upset me was the first Member of the then Policy Council who stood up and spoke in support of Deputy Trott's Zero-10 was, 'I do not understand any of this, but I will follow the appropriate expert advice.' Through my mind went the thought, 'Well, which expert do you choose?' Anyhow, that really was the spark of my interest in politics, and I thought, 'I could do that.' (*Laughter*) And here we are! (*Laughter and interjection*) Ten years on!

So be very careful, because Deputy Fallaize was mentioning that you just carry on collecting the taxes, but where from is going to be significant. There are only two areas: corporate and, dare I mention those horrible words, 'consumption tax' otherwise known as GST.

GST could have solved this problem, but it was a bit like paid parking and I think that ???10:40:25 in Guernsey. It will come back, I guarantee it. Whether it will pass, as such, I do not know. Even Deputy Fallaize, when it was being discussed, said he would support it if it raised the revenues required at one point. He did not say he would, but he would consider it, and so would I.

In fact, I am now tempted to bring it back at the next Budget as an amendment. Now, where it will go, I do not know, but I am very tempted to bring that back as a Budget amendment and, in fact, it could be brought back as a selective type of tax and not quite so general as being suggested originally.

The legislation is in place. It was put in place basically by Deputy Trott in anticipation that it might be required because of the Zero-10 possibilities. Now, you may say that is not true and my reply would be, 'Well, why did you start the legislative process?' And it was started just after the Zero-10 and it was actually implemented or registered recently, a couple of years ago.

So it is there. We have got everything to push the button to start it. You could have a selective tax. We half suggested it in an amendment recently, Deputy Ferbrache and myself, 'Let's put – whatever – 10% on lawyers' bills.' That is a tax, a sales tax, if you like. In England, if you go to a solicitor or a lawyer, you pay 20% VAT. In fact, if it is a finance company or a bank, they cannot claim it back because if you are exempt from VAT you cannot claim any VAT back. In fact, that is one area where you could start thinking ... I am not suggesting we could here. There are other areas where you could implement it which would have quite a small impact on the individual.

But here we are. We have really only got three options, if you like: start bleeding the individuals dry; have a look at corporations – and certainly there are all sorts of things on the horizon regarding PEPs and other things that I would not be surprised if corporate taxation had to come back at some rate, because that is what will be dictated from outside. So the Zero-10 regime: the days of that may be numbered. But certainly, I would not yet dismiss – although it has been dismissed by the current Policy & Resources Committee – the issue of GST, because, believe it or not, that would solve the income problems today. Think about it!

Thank you, sir.

**The Deputy Bailiff:** Deputy Ferbrache.

**Deputy Ferbrache:** Sir, as has been said by various previous speakers, there are no easy answers. The whole point of this phase of the Policy & Resource Plan is that it is at high level. We will descend onto the particulars of detail – I advise and believe – later on in this Assembly. I do not mean later on today, tomorrow, next week or whenever we may finish this debate, but later on in the term of this Assembly.

Now, I doubt that Deputy Roffey thinks that his amendment is perfect. I do not think it is, but it is a starting point. What we have had so much of is, 'Do not rock the boat! Do not frighten the horses! Do not scare the pigeons!' Now, he is not intending to do that and neither am I.

745 Deputy Green made a good point about what kind of Government do we want: do we want a large Government; do we want a small Government or somewhere in between? And he thinks we are not far off getting it right – but it is a different Government.

Now, I am very concerned about the ordinary folk. Deputy Tooley talked yesterday about family having a medium income of about £61,000 to £62,000 per annum. In most parts of the United Kingdom, that would almost be like a kings' ransom. Here people with a couple of kids  
750 paying the normal bills, as she rightly pointed out with her example, cannot afford to buy anything other than a very modest property, and rents also are not cheap.

Now, when I went off all those years ago to law school, I could never have gone if the States did not pay every single penny, and I left as a young barrister with no debt. If I were from the Charroterie – and they do have inside toilets in the Charroterie now, so there would have been some development over the years – I would not have been able to go, really. My mum and dad  
755 would not have been able to go and even though I worked every single holiday from the time I was 10 years of age and had a job from the age of 10 and 11 which I worked before and after school and I worked every single term holiday when I was at law school, I could not have afforded it. It would have been beyond me. So my life would have been completely different.

760 I do not want the children ... And we have now got rid of those, and it probably, sadly, was the right decision because the Island of Guernsey could not afford it, but it still causes me regret, because it will mean that some people that could have gone on and done other things, whether it is lawyers or social workers or whatever it may be, will not have that opportunity.

I know we have got better tertiary educational opportunities here now than we ever had; we  
765 did not have any in my day, but we have got to do something and I do not want to tax the ordinary person an extra penny, whoever that ordinary person is – well, I think I know what the ordinary person is – and what we are talking about in the Roffey amendment, seconded by Ferbrache, is progressive taxation. Now, Deputy Lester Queripel said, 'What does that mean?' and Deputy Tindall said, 'What does it mean?'

770 Now, I probably might have different views of that than Deputy Roffey, but 'progressive' means doing something: whether it is corporate taxation; whether it is tweaking, a bit, social insurance contributions; whether it is looking at some other kind of taxation. It is progressive; it is doing something. If we do nothing ... If I had confidence in the P&R Medium Term Financial Plan, I would have done nothing.

775 The five politicians who populate the Policy & Resources Committee are all very able people and, as I anticipate, the two people who are the finance team, if I can call them that – Deputy St Pier and Deputy Trott – are experienced and able people particularly in relation to that field of activity. And we have talked about Zero-10 – Deputy Parkinson has mentioned it today. We have talked about whether we are going to change in a year's time or whenever our corporate tax  
780 regime ... we may have to, I know not.

I commend the work that Deputy Trott did all those years ago in his senior position in bringing in Zero-10, because I do not think at that time we had any option. I can remember him coming in and seeing us in a room at Ozannes as we were then called, because we have changed our title so many times. I remember him coming in to see us, and can you imagine a room where you have  
785 got Deputy Trott and former Deputy Advocate Perrot in the same room? We had to keep the door open so there was room for the egos to go out! (*Laughter*) But he came and he persuaded us that it was the right policy.

Now, whether it is the right policy going forward – and we have tweaked it anyway over the last few years – that is an issue, because the basic rule of economics is that things change. There  
790 are so many economic experts that have got so many things wrong. Who predicted that we would have interest rates of 0.5%, now 0.25%, lasting over the last six or seven years? Who predicted we

would have a hung parliament? It is very difficult for people, whether they are economic experts or something else, to predict where we are.

795 Deputy Fallaize – I have remembered his name today – pointed out that we take about £400 million. Now, if you look at the relevant page in the Medium Term Financial Strategy, that is only due to go up about £4.5 million before we get the £14 million if you understand what I mean. Most of it is predicated, 65% is predicated, on savings. I agree with Deputy Paint when he raised the point – I do not mean in this debate, but in a previous debate – and I agree with the point emphasised by another speaker today – I think it was Deputy Laurie Queripel – about there is still  
800 fat in the system. There is still money that could be saved. There is still money that is being wasted.

I have got great confidence in what I call the four ‘spending’ Committees’ Presidents: Deputy Soulsby, Deputy Le Clerc, Deputy Le Pelley and Deputy Lowe. They are sensible, pragmatic people, but they are also, by assessment of their character – and I do not ... than others – they are  
805 parsimonious people; they are not going to waste a penny of public money. But what I think is unrealistic is that in the next four years and by the end of the Medium Term Financial Plan, they will between them – and my arithmetic is slightly different to Deputy Fallaize ... I think they will have to save £20 million if we look at the arithmetic. They would have to save £20 million year-on-year, not just a one-off, because I am sure in one year Education could save a bit more or Deputy  
810 Le Clerc’s Committee could save a bit more – there are going to be years where things go up and down – but I just do not think, with the best efforts in the world, and I have confidence in those people and their Committees, that they are going to be able to, by the end of a four-year period, save £20 million or thereabouts.

Now, Deputy Gollop made a ... He always makes good speeches, but he made a particularly  
815 good speech on this occasion, if I may say so, because he emphasised the need for us to invest in our infrastructure. He gave us a mere example, but an important example, about this difference between hotels in Jersey and Guernsey and *pro rata*, etc. The reason they have got more hotels in Jersey than Guernsey is because they have got more visitors, they have got more people in the business community. It is not just because they have got 102,000 people and we have got 63,000  
820 – their economy is different.

The points have been rightly made on various occasions by Deputy Trott and Deputy St Pier – two people in whom I have great confidence, so this is not any kind of attack on their financial competency, because they are financially competent, principled people. But our economy is 10% bigger since the crash and Jersey’s is still smaller – of course those statistics are true; they  
825 would not say anything other than true. But you go to Jersey, and we have so much more potential than them because I think our Government is better; I think we have run our affairs generally better. But you go there and their community has given the perception, at least, of being booming: there are cranes in the air; there is building taking place; they are investing in their infrastructure.

830 What we have not done ... And again the point was rightly made by Deputy Roffey yesterday: it was right to have a period of financial prudence and you must always be prudent. I think he must have read my speech – well, he cannot read my speech, because I do not write them down very well, but when he said, ‘I am not tax-and-save. I do not want to be spending lots of money. I do not want to be like the Shadow Chancellor of the Labour Party. I do not want to be any of that’ –  
835 and neither do I. It is the last thing I want to do and I would like to see taxes reduced; I would like to see us spend less money; I would like to see a more vibrant economy, but we need to invest in our infrastructure. We need to invest in things that are going to bring money in. Now, whether or not it is buying a vessel, whether or not it is doing something else, we are going to have to spend money in the early-ish term, let alone in 20 years’ time. We are going to have to do that.

840 Again, there is no criticism because we had the double-whammy. We had Zero-10 and we had the 2008 crash when, again, all these experts – do you remember Prime Minister Brown telling us, ‘We are never going to have a boom and bust again’? Oh, dear! Where are we? This bank is closing; that bank is closing. We have got to get all these people who are paying millions and

millions of pounds and who could not, as it turned out, run a whelk stall telling us what the economy was going to be, and the taxpayer of Britain had to shore up the financial system.

Now, we invested, over the last five years or so, £257 million, I think it is, in our savings, which is fantastic – do not get me wrong; it is absolutely fantastic – but according to our principles, our 3%, it should have been £350 million, so we are £105 million short. What could we have done with £105 million if we had invested it in infrastructure, to bring people into Guernsey, to invest assets into Guernsey? Because the best way of getting ourselves into a vibrant economy is creating economic confidence, bringing businesses in, encouraging high-net-worth individuals to come in. I have absolutely no aversion to people being rich; I have absolutely no aversion to people being successful.

Indeed, there is a quote, and it was written by a chap called Robert Rhodes James. Robert Rhodes James was an MP. He was Senior Clerk in the House of Commons, and he wrote lots of books. This is a quotation he made from ... I do not read books just about one individual, but this particular individual had said this, and Robert Rhodes James actually recorded it. Forget the reference, because it was written about 70 or 80 years ago. Forget the reference to gender; forget the reference to country; forget the reference to youth. What was said by this particular person who Robert Rhodes James recorded as saying was:

Youth and ambition are regarded with suspicion in England. Young men who tackle problems with ardour, unafraid of committing errors and prepared to accept these as the necessary price for great advances, tend to be regarded with much concern. It is always safest in England, particularly for young men, to do nothing. The safest course of all is to do nothing whatsoever.

Now, Deputy Kuttelwascher, our aborted effort of last November: we tried to do something. I have not heard anybody else, of the 40 people in this room, who have tried to do something to bring something innovative to the Deputy Roffey initiative. It is his initiative, but I fully support it. I absolutely fully support it. We have got to do something. We are not in a situation whereby the good work of Policy & Resources and the treasury section of that will take us to the promised land – there is never going to be a promised land; it is never going to be easy – but they have not got a plan B.

If I thought plan A would work, I would be putting my hand up; I would be saying that. I have to look at it and I have to go on what I think is considered and basic economics and what I think is prudent, and I do not think it is going to give us anything. It is almost like – again, another analogy that I always bring out – Sir Ian Gilmore, Lord Carlisle, the Willie Whitelaw of the Tory Party, the patrician Tory Party of the late 1970's, who were managing the decline of capitalism. Along comes a grocer's daughter from Lincolnshire and said, 'Blow that for a bunch of coconuts ...' but she would have probably said it in more eloquent language '... we are going to change it.'

I am not a Tory. When I lived in England, I never voted. I have only ever voted Labour. I find it difficult to vote for anybody nowadays –

**A Member:** So do I!

**Deputy Ferbrache:** – because they would be ... But she brought along a complete change and those of us that lived in England in the 1970's saw how it was decaying, saw how hope and aspiration was being taken out of the system, taken out of people's enterprise. It was a country in decline. She changed that. She was not perfect. She got visions of grandeur. She thought she was the queen, but she made changes. We need to make changes, because what is proposed at the moment is not good enough.

**The Deputy Bailiff:** Deputy Trott.

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

890 Sir, Deputy Ferbrache referred to a meeting that I had with his firm a little over 10 years ago with regard to Zero-10. I remember it vividly. It was an extraordinary meeting. It was one of those days, sir, that was particularly frosty outside and even more frosty on the inside. The meeting did not get off to a good start when I said, 'It was so cold outside I spotted some of his lawyers with their hands in their own pockets!' (*Laughter*) I am not sure whether it was he or former Deputy  
895 Perrot who took the dimmest view of that.

I listened intently to Deputy Ferbrache's speech because one of the key issues that we face is the stimulating of economic growth, because economic growth filters very quickly through into our ETI take and a 1% growth in our economy would have a material effect on our ETI numbers to the extent of adding multiple millions of additional tax revenue. So it should all be about the  
900 economy and I wish him luck in exceeding the very benign economic expectations shown in the Report.

Sir, Deputy Parkinson asked, 'Where are these progressive tax measures coming from?' and I think Deputy Tindall had similar concerns. Well, I remind the Assembly that you voted for the phasing out of personal allowances for higher earners at last year's Budget – a more progressive  
905 measure, you could not wish for and a particularly effective tax-raising measure to boot.

But it is important to remember that the much maligned Personal Tax and Benefits Review, which I played no part in but think was an excellent document, told us that two-thirds of our community earn less than £70,000 and nearly half of our taxes are paid by the top 10% – or getting on for half, as it is. What does that tell you? It tells you that it is always the same thing: it is  
910 the middle-income section that have the most squeeze placed on them, which is why we have to be so careful when it comes to raising taxes.

Now, I remind Members of our – *our*, not Policy & Resources' – key fiscal rule: continue expenditure restraint and ensure no real terms growth in expenditure while the budget remains in deficit.' Now, that is your – that is *your* – policy.

I think it was Deputy Gollop who referred back to the time when I started as Treasury Minister back in 2004, 2005, and what I inherited at the time, what my Committee inherited. At the time – and every time I say this it sends a shiver down my spine; it is staggering, but it is true – in 2005, public sector expenditure revenue growth was growing at a rate that would have seen it double in seven years! In seven years! Can you believe that? Well, it is true, such was the absence of proper  
920 fiscal restraint. It could be argued – I am not going to, but it could be – that Zero-10 came along at just the right time because it was a wake-up call and it ensured that we placed a concerted focus on controlling revenue expenditure.

Sir, we spend – and I think this figure may come as a surprise to some Members, but – as a States, about £11.5 million a week or, if you prefer, £1.6 million a day, and that is really why the  
925 Roffey amendment, when it comes to expenditure constraint, is neither here or there and causes me no concern. Taxes, though, are a different thing altogether: expenditure control is good and it is thereabouts; taxes are not good, or taxes focused in the wrong way.

Let's look at the detail in the Medium Term Fiscal Plan: we are already providing funding of £300 million for infrastructure over the period, which is a staggering £64 million more than  
930 anticipated, so when we hear people like Deputy Fallaize tell us how reckless we have been, or words to that effect – I do not think he used those words himself in terms of expenditure – it may have been the case in the past but it certainly is not the case today, because there is over-provision based on what this Assembly has said it needs.

We are already planning to put 3% of GDP into our Capital Reserve to fund future  
935 infrastructure. We are already planning to do it; it is written in there, and we are already planning to replenish reserves over this period.

Quite frankly, the Roffey amendment is not needed, but I ask him to be clear with us. If he insists that it still is after those facts and figures, would he please give the guidance as to where it is coming from, because, as I am sure the President will explain later, taking £14 million out of  
940 *hard-working* Guernsey families' pockets – and I am proud of that statement – is a lot harder than some people in this Assembly would have us believe.

Now, let's now look, sir, at where some savings can be made, because I think this is quite important, and let's start with comments made by Deputy Laurie Queripel. Deputy Laurie Queripel, somewhat magnanimously, sir, and generously, said that he would be able and he would be prepared to pay an extra £100- or £200-a-year tax.

Now, Deputy Laurie Queripel is fortunate. He already earns above average earnings, and the average earnings for States' Members for their efforts in this Assembly come out at around £40,000. If you strip out the £10,000 earned income allowance that Members of this Assembly will still get, they will pay tax on £30,000, assuming they have no other allowances – so this is a maximum. That comes out at a tax contribution through ETI of £6,000 per annum.

A recent report from one of the much derided independent consultants gave us a number of facts that were inconvenient truths for some; for instance, we spend a staggering, approaching, £12,000 per annum educating a single child in the state secondary system. So Deputy Laurie Queripel's generous tax contribution of £6,000 is not enough to pay for the educational services for one child for six months. That is the reality.

Now, that same report ... and I use the word 'squill'. Those that say, 'There is no savings to be made in the public sector; we have pared it to the bone', that same report told us that on a like-for-like basis, we pay our teachers in Guernsey a staggering 20% more than the equivalent place in the United Kingdom. Do not tell me there are not savings, Members. Concentrate on those before you hit the Guernsey person in the pocket.

Thank you.

**The Deputy Bailiff:** Deputy Brehaut, to be followed by Deputy Soulsby.

**Deputy Brehaut:** Thank you very much, sir.

Deputy Trott said, 'The Zero-10 was a wake-up call'. I disagree: I think it is nightmare that is still ongoing. There are lots of things to be resolved.

I was working with my children in the garden the other day ... and I listened to a Member of P&R and heeded their advice, and I listened to Al Brouard, and I put a hole in the fence for hedgehogs to get through, which I think was the advice he gave. When I looked back, I thought, 'The one thing it needs is a seat on the top for Deputy Green', I thought to myself, *(Laughter)* who is more than capable of sitting on the fence on a number of issues! *(Laughter)* So, if he can keep an eye on my garden for me from that lofty vantage point of yours, I would appreciate it. *(Interjection by the Deputy Bailiff)*

I am continuing, sir.

**The Deputy Bailiff:** You were addressing another Member directly. Do not do that, please.

**Deputy Brehaut:** Thank you, sir, for your instruction in that regard.

Now, infrastructure is an incredibly important issue and we have a huge backlog of infrastructure issues around the Island. Deputy de Lisle said, in his speech yesterday, he was grateful for two areas of work progressed on the west coast. Those probably should have been commenced in 2015 from the storms of 2013 and 2014. Those two areas alone of repointing, incidentally ... and I say this bearing in mind a requête has been signed now and that a request for a debate on L'Ancrese sea wall at £1 million expenditure. The expenditure on those two areas of repointing was £800,000 – £800,000! That is the type of money you need to keep up with the basic level of repair in infrastructure.

So that puts this amendment in some context. Are we happy to oversee the picturesque decay, the gentle decline, of the Fermain sea wall? Are we happy with that? Are we happy that in, perhaps, five years' time, when you turn off a main road, the lane you go into will not be resurfaced, it will be potholed and it cannot be maintained because the capital expenditure is that tight and there are things that we will not be able to do? Is that what you want to see? Because I do not want to see that.

Incidentally, I would, if the budget of E&I was trimmed ... If it was an instruction from this Assembly to trim the budget, I would do all I could to delivery and aspects like hedge cutting, like road repairs, go to the bottom of the queue – like some coastal military defences would go to the back of the queue. I am actually prepared to do that, but that is not sustainable in the long term and I am glad that this amendment gives us an opportunity to look at these things in the short term.

Now, at E&I we underspent by £611,000, which I think is a significant achievement; of course, that is knocked into a cocked hat because we then spent £795,000 on three reports. We commissioned a report yesterday for a considerable amount of money, presumably for airport infrastructure, and my eyes water when I think about the cost of the consultants on vital infrastructure such as the hydrocarbons facility. These are big numbers, so if you can get yourself on track now; if you can look progressively at getting income in and putting a bit more aside for capital and infrastructure, that is a good and intelligent thing to do.

I would like to hear, as Deputy Fallaize has raised this, respectfully, through you, sir, from Deputy Lowe and from Deputy Soulsby how they feel about the savings targets that have been imposed on them. What we keep looking at constantly within our system is transformation. Every time, it is 'jam tomorrow; we will deliver through transformation', but there is one thing I have witnessed, and I said this at a meeting recently, every time the Guernsey caterpillar goes into a chrysalis, it emerges as a caterpillar, and that cycle goes on and on and on, and if it ever comes out as a moth it then commissions a report to see exactly why that happened.

But what we do not get from the transformation process is the bright, new, different thing that it keeps offering but never delivers. So the 'jam tomorrow of these savings will be realised through transformation' is something that bothers me a great deal.

With regard to scaring the horses, the pigeons, or even hedgehogs, I sat in that Gallery as a younger person when this Assembly was made up from representatives of the tourism industry, and what do you think their main focus was? Policies that enabled the success of tourism. When members of the growing community were dominant in this Assembly, we saw policies that ensured that growing was supported and underpinned.

Through you, sir, when Deputy Trott made his speech yesterday ... And what were the words? 'Penetrating the sanctity of personal taxation' – was that the wording that was used? Remember, these are the lobbyists of our day. We are being lobbied. You would expect to be lobbied. I would not put a disproportionate amount of weight when lobbyists seek to protect their client and when you are here to protect a community.

I meet people constantly – they are supposed to be mythical for some reason, but I tend to meet them – who say, 'Actually, Barry, we would pay a little bit more just to secure the services we have got, because we do not want to imagine what Guernsey will look like if we cannot protect what we already have.' There are people out there. There are progressive thinkers out there in this community that would support this amendment if they were here today and I would ask you to do the same.

**The Deputy Bailiff:** Deputy Soulsby.

**Deputy Soulsby:** Sir, on the back of Deputy Ferbrache's speech, I thought I would provide a few definitions. Let's start with 'progressive'. It says on my electronic communicator that 'progressive' means 'happening or developing gradually or in stages' and it uses an example of 'a progressive decline in popularity'. *(Laughter)*

Now, the use of the word 'realistic', defined as, 'having or showing a sensible and practical idea of what can be achieved or expected' is spread liberally around the Medium Term Financial Plan, but with little evidence behind it to justify the word. We are told, firstly, that we have to find £40 million each year – the reasoning behind that being somewhat questionable – and then to find it in an apparently realistic split which should be 35% from taxes and 65% from savings.

1045 Now, this amendment is no better, of course, other than the fact it expects the public to provide more in the way of taxes when they are not earning more in the way of income. (**A Member:** Hear, hear.) That is unless Deputy Ferbrache's Committee can generate more economic activity and bring in significantly more people to increase our tax take. (**A Member:** Hear, hear.)

1050 Deputy Queripel says we need to raise more taxes and he says he is willing, on median earnings, to pay an extra £100 a year. To take Deputy Trott's comments further, if you take that as an average, I suspect it is unlikely to make £5 million, so where does he suggest we find the extra £20 million if we support this amendment?

1055 Well, perhaps one area where income has fallen considerably, indeed, almost half in the last eight years is document duty: from £24 million to around £13 million – the sooner we can get the housing market moving again, the better, but still that would not be enough.

1060 Now, Deputy Roffey said yesterday that £26 million of savings was unachievable, but he is happy to place an amendment of not much less. Do I think £25 million is achievable? Well, I have my doubts, more particularly about how P&R believe we go about it than the quantum and I will say more when we come to debate the next amendment. However, what I will say now, just as a taster, as it were, and from a Health & Social Care perspective, is that we are expected to make short-term savings at the same time as we are looking at undertaking a fundamental change in the model of care. What concerns me is that will impact on our ability to undertake the structural changes that we need if we are not to prevent our Health & Social Care costs to raise exponentially – short-termism is what worries me here.

1065 One particular area of concern is the fact we are told about savings that can be made from overtime. Now, that smells like FDP a bit, for one thing, but it also makes no sense from a Health & Social Care point of view. Okay, so we cut overtime. If we are to maintain the safe staffing levels, we then need to take on more agency staff, which as we all know, are fundamentally more expensive and were a major reason for the overspend for several years, so I have concerns over this amendment and I do have concerns over Proposition 1.

1070 I cannot support this amendment, because I do not think either elements of this amendment are achievable or realistic.

**The Deputy Bailiff:** Deputy Oliver.

1075 **Deputy Oliver:** Sir, I have to say I have actually got some sympathy with this amendment to a certain extent, but when I was walking around the parishes I think the overwhelming view of the parishioners was that we must cut waste in the States.

1080 Now, I think that with this amendment, with the percentages, it almost makes it that, 'Well, we will cut a little bit more waste, but then let's just tax the people, companies, whoever you want to tax', and that is why I just cannot support this amendment. I think we need to really exhaust making sure that we get rid of waste before we start taxing the people.

**The Deputy Bailiff:** Deputy Merrett.

1085 **Deputy Merrett:** Thank you, sir.

This amendment is suggesting that we raise £10 million more in taxes for infrastructure, public services, and to replenish Guernsey's strategic reserve. My concern, sir, is how this £10 million will be spent, and I will try to address the investment and infrastructure and public services.

1090 In the capital portfolio, sir, as alluded to by Deputy Trott, P&R is estimating available funding for projects in the capital portfolio of circa £300 million. Of this, £236 million is so far being proposed for allocation across the different categories of maintain, transform and grow. As highlighted by myself last week, only £6 million has been allocated to the grow section.

1095 But there is still, potentially, £64 million which could be allocated to grow or, indeed, into the maintain category – grow or maintain the infrastructure; and, if needed, surely, sir, we could move

the funds to support public services if needs be. If so, sir, why are we trying to raise more taxes for someone, somewhere, somehow to pay?

There is also a very real expectation that the interest rates will go up and higher mortgage payments are a real concern. So, until I know where and from whom this £10 million will be raised from, I will vote against this amendment.

Thank you, sir.

**The Deputy Bailiff:** I turn to the President of the Policy & Resources Committee, Deputy St Pier, to reply to this amendment.

**Deputy St Pier:** Thank you, sir, and perhaps on a lighter note if you will permit me to wish Deputy Hansmann Rouxel a happy birthday. (**A Member:** Hear, hear.)

**The Deputy Bailiff:** Happy birthday, Deputy Hansmann Rouxel, from all of us. (*Interjections*)

**Deputy St Pier:** Sir, thank you for those that have participated in the debate on what is clearly a very important element of this whole debate on the P&R Plan.

I am left somewhat confused about what Deputies Roffey and Ferbrache want to achieve. Deputy Roffey began by saying that it was very important to talk about and identify one of the most important, fundamental political questions: the size of the state, but of course that issue was discussed and to some extent was resolved in the Personal Tax, Pensions and Benefits Review, which set a limit on the size of the state we should fit here in our fiscal framework, and there is no suggestion that this amendment is seeking to change that, so it cannot really be about that.

Is it about protecting spending? Well, as Deputy Fallaize has quite clearly articulated, actually all we are talking about is a small reduction in spending from £26.6 million to £25 million, so it cannot really be about protecting spending either.

So is it about improving our capital spending or our reserves? I will talk a little bit more about capital spending in a moment, and I think actually Deputy Merrett and Deputy Trott have addressed that issue really very well. But actually, of course, we have to remember that last year we transferred an additional £18.5 million from our core investment reserve to our capital reserve as a result of out-performance of our investments; in other words, nearly twice the amount that is being suggested here as a result of the performance of our investments. So, in terms of the opportunity to rebuild capital and reserves, I am not sure that it is going to contribute a great deal there.

Or is it a progressive tax amendment, and what does that mean? Deputy Gollop said he quite liked the idea of hypothecation. Well, of course, I am sure no Members need reminding that this amendment does not deliver hypothecation to any of the things that he would like to hypothecate to, so it is not going to achieve that.

Deputies Green and Tindall object to the percentage, the split, and of course this is a plan; this is not the annual Budget, this is a plan. We will flex that percentage as we go through the period of a plan depending on performance. You would absolutely expect that, so it is not hard and fast, as Deputy Fallaize said. It is merely indicative, as you would expect in a plan of this nature.

Deputy de Lisle, I think, absolutely captured what this amendment is: it is about taking more from Islanders and he is absolutely right in that.

Deputy Le Clerc challenged, or questioned really, where we were on the 5%, 5% and I think the 3%, 5%, 5% is a little bit of a distraction now, because if you look at £26 million that we are proposing to take out of spending on a baseline of just over £360 million, you are looking at about 7%, so it is not 5%, 5% over the next four years, it is an additional 7% over the next four years.

I think Deputy Tindall made an excellent point about the fact that this amendment has not been rightly modelled. There would have been an opportunity, of course, to do so, had there been engagement with officers and at a political level, but that opportunity was not taken up.

I think, as Deputy Fallaize said, this is not raising substantially different sums from the proposals of P&R, but the fact is it remains unnecessary. So it is not a tax-and-spend amendment – with that, I agree – but it is a more-tax amendment. You can dress it up however you like and you can put lipstick on a pig, but that is what it remains: it remains a more-tax amendment. Sir, I think, absolutely Deputy Roffey conceded that in his opening speech. He said that this will double the amount of additional revenue over the four-year period.

And it does fly in the face of the detailed work. It may not be detailed enough for everyone, and perhaps Deputy Soulsby was alluding to that, but detailed work has underpinned this in the Medium Term Financial Plan and, as Deputy Tindall said, working with GEMS and working with the modelling that we have.

So, let's be clear, the Medium Term Financial Plan was not written on the back of a fag packet; it is an evidence-prudence plan that seeks to move us back to surplus, rebuild our reserves and provide sufficient capital to meet our capital needs, and all of course while continuing to contain Government spending and of course allowing for the future demographic service development pressures which Deputy Fallaize referred to. Those are provided for within the Plan.

Sir, the message is this: we have to put our house in order. Members might not like the message, but it is true and it is based on proper evidence and analysis, the like of which has not been put together or in front of Members before. There is no supporting case for picking a number £10 million higher than in the Plan and then taxing to that level. Why not pick another number? £15 million? £20 million?

Government has got some traction with reform, including property rationalisation and health spending and this follows the success ... Yes, the *success* of the Financial Transformation Programme in taking £30 million a year out of spending. That programme was begun when Deputy Parkinson was Treasury Minister and concluded in the last term. Now, I was told many times when I was Treasury Minister that it was not deliverable. It was not without controversy, I accept that, but at the end of the day it successfully delivered £30 million of recurring annual savings against a target of £31 million.

Now, I would rather plan for success and fall a bit short, as we did with the FTP, than give up without trying. This is not an insurance policy. This amendment is depressing. It is the politics of despair, because the real truth behind this amendment is that it is planning for failure. It assumes that Government will fail to deliver £26 million of spending. It is interesting, isn't it, that the two Deputies moving it are those who have returned to the States after a period of absence and maybe they have not noticed that the States have changed.

So Deputy Roffey is wrong. It is not more of the same, but the one thing I am absolutely certain of is this, if we plan to fail we *will* fail. This amendment says we have no will, appetite or ability to transform and reduce our expenditure, and those who move this amendment may believe that, but I do not.

Deputy Roffey said that this is 'self-delusional', it is 'moonshine' and that, as Deputy Brouard had picked up in his speech, that it would produce 'pigmy and emasculated services', which of course is nonsense, as Deputies Brouard and Fallaize have said, when you are only proposing a reduction from £26.6 million to £25 million in terms of savings targets, which, of course, is the evidence that actually this is planning for failure, because Deputy Roffey and Deputy Ferbrache do not believe that we can deliver those savings.

We are then told that we need to have more than 3% of GDP put aside for capital spending, but there is no evidence for a higher figure. We, our Island, must not now lose confidence that taking a further £26 million out, as the Plan envisages, is eminently achievable. Do not forget that last year we had a £9 million underspend across all Committees, so both Deputies Laurie Queripel and Ferbrache said that there is more to be done. I agree absolutely with Deputy Oliver: we must do it; we must do it first.

I think Deputy Soulsby picked up very well on Deputy Laurie Queripel's offer of an extra £100 or £200 tax from him.

Well, of course, to pick up Deputy Fallaize's point, £14 million is an average of £400 a year tax across all taxpayers as it is. An extra £10 million is an extra £270 million on that which is already being planned for. So we are told by Deputy Laurie Queripel that this is the time for action. I do not see how this amendment produces any more action, because it is unrealistic.

The BDO costing and benchmarking report on Health & Social Care identified opportunities and HSC have now embarked on identifying a new operating model. The contributions and tax services project between P&R and ESC is well underway and it, too, has a clear path to a new lower-cost, lower-staffed model.

The PWC reports on ESC and Home Affairs have also identified opportunities, albeit at around £1.5 million a year. Property rationalisation, the first phase – only the first phase – is underway and that will produce annually recurring savings. Moving from a delivery to a commissioning model will provide more opportunities in some areas. Rigour in our procurement practices – remember over £100 million, £120 million of spending a year which Deputy Inder identified from his own personal experiences are not as rigorous as perhaps they should be – is already paying dividends this year. And there is much, much more to play for. Remember also that there is lots of scaremongering about how Committees are going to have to cut their spending.

Where did the Financial Transformation Programme fail? It failed on the cross-cutting work between the Committees; that is where it failed and that is what we now have opportunities to deliver. So do not tell me we cannot do it, because I do not believe it. We can, we must and we will. (**A Member:** Hear, hear.)

On the revenue side, let's be clear: the Plan also envisages raising an additional £3.5 million a year next year and then the same again each year after; in other words, as Deputy Fallaize said, an additional £40 million by 2021.

Now, that is a relatively modest amount in the context of a £400 million annual budget, but it will be no cakewalk. There are some limitations, some economic, some competitive, and some political, as I referred to in debate yesterday, sir, to raising material additional revenues from our narrow tax base.

Sir, it would be naive to assume that the entire burden can rest on the shoulders of the relatively few, whilst that will be clearly the objective, because already, as I said yesterday, the top 10% of households contribute 40% of total tax and Social Security. In fact, the top half of all households contribute 90% of all tax and Social Security, while the bottom half contribute 10%. In short, those most able to bear the burden is not a bottomless pit from whom we should feel able to take at will, so it must remain a priority to minimise the total tax taken from *all* taxpayers, whatever their income level.

As the note circulated to all Deputies from the tax subcommittee of the Guernsey Society of Chartered and Certified Accountants noted, Guernsey is in a competitive war for talent, for high-net-worth individuals and entrepreneurs, and a Government determined to keep taxes as low as possible is very attractive to that pool. So to just arbitrarily double the revenue target with no good reason is simultaneously unrealistic and reckless.

It is for that reason that I am surprised and, frankly, I am disappointed that the President for the Committee for Economic Development should see fit to be associated with it. Taking more out of the economy in taxation and increasing the public sector's share of the cake is, in my view, an unusual way to discharge the Economic Development mandate. Personally, I would rather that the President spent his time instilling the confidence in the economy that he referred to and growing the cake. Meanwhile, local industry is committed to working with Government to consider how, within international rules, further contributions can be made from the corporate sector – investment management is specifically referred to in the Medium Term Financial Plan.

Now, the President for Economic Development has suggested that local advocates can contribute more and, as we consider budget measures for 2018, I can assure him that we have heard him and we take seriously his personal experience in that profession and his offer to contribute more.

1250 Deputy Ferbrache also said that we need to invest in infrastructure, and this amendment is also  
predicated on the assumption that there is insufficient available to invest in our infrastructure, and  
that, in essence, is what it says in the explanatory note, but I do actually wonder whether Deputies  
Roffey and Ferbrache have actually read the Medium Term Financial Plan because, if they had,  
they would have seen, as Deputy Merrett has, that the estimated capital reserves available are  
1255 £300 million, whilst the current projects in the portfolio for the period are estimated at  
£236 million and, as Deputy Merrett says, that leaves £64 million currently unallocated, hopefully  
to grow and maintain projects that she and other Deputies may identify. So how much more, over  
and above that, do those moving this amendment want to put into the Capital Reserve and  
exactly for what projects? We have not heard anything about that.

1260 Sir, I am afraid this amendment is ill-thought-out, lacks any evidence base, plans for failure and  
it is unnecessary. It should be roundly rejected.

**A Member:** Hear, hear.

1265 **The Deputy Bailiff:** Deputy Roffey, as the proposer of amendment number 2, to reply to the  
debate on the amendment, please.

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

I have taken copious notes about individual comments and I will come to them in a minute,  
1270 but first of all I want to pull out one or two key things.

To some extent, I think I am damned if I do and damned if I don't, because I have been  
attacked over this amendment because people have walked the parishes and people want to see  
savings, they want to see us strip all of the fat out of the system before we even think about  
raising more taxes, and at the same time I have been really attacked for only reducing our savings  
1275 target by £1.6 million.

Let me address both sides of that criticism. Is £1.6 million insignificant? Some may see it as  
that, in which case we have just spent north of £300,000 on a consultant's report to look at two of  
our biggest spending Committees – Education and Home – who have come out with an  
insignificant range of savings, because actually it is in the same ballpark as the amount that I am  
1280 looking to reduce the overall target.

Now, we are already being pushed back, actually, from some of those Committees saying, 'We  
cannot possibly do some of those things' and yet that sort of level of reduction in savings target is  
being dismissed as 'insignificant'.

I will come clean: I do not believe that we will be able to save. Okay, I am planning for failure. I  
1285 really, genuinely believe that achieving £25 million through efficiencies alone without  
unacceptable cuts to frontline services is going to be almost impossible to do. I was told ... I have  
caught a cold over not getting the wording of my amendments correct in the past; being  
castigated and having the words pointed out, which is why in (b) it says:

by aiming for an approximate ratio of 50/50 ...

So we want to save as much as we possibly can through efficiencies, but it is not actually pinning  
1290 this Chamber to £25 million if the only way we can do that is by slashing frontline services.

Sir, I am going to move to a few of the specifics. Deputy Queripel said there is still waste in the  
system. He is absolutely right and I am absolutely behind cutting that out. I want to raise taxes by  
as little as we possibly can. I have to say that the £50 million target was not as much as Deputy  
Ferbrache would have liked to have gone for, but he listened to my fiscal conservatism (*Laughter*)  
1295 and was put on the right path. (*Laughter*)

Deputy Gollop said the public would feel cheated if they had to pay more tax without  
Government restraint: absolutely so. If we can do £25 million, great, but I do not believe we can.

While I am talking about that, before going on with the specifics, let me talk about this  
'planning to fail'. Now, I think Governments, like businesses, need to plan to succeed but they

1300 need to put in a tolerance. Many companies, when I have their budget, will also put in their budget tolerance. They will say, 'We want to undershoot by 1%, 2%, 3% or exceeding it by 1%, 2%, 3% – what will be the impact?'

Now, we need to get rid of the structural deficit. We have had it now for the best part of 10 years. It has gone on far longer, actually, than it should have been permitted under our own  
1305 fiscal plans which I think says five years is the maximum that it could be done without being addressed. So I think that a Plan predicated on the growth levels assumed – and I accept they are modest ... If we raise the amount of money suggested by P&R and we do not save the £26-whatever million, then we will not solve that long, ongoing structural deficit.

Now, say, like I said at the end of my speech, if Members on spending Committees are really  
1310 confident that, by efficiencies alone, £26.6 million will be stripped out, then I accept they have no need to vote for this amendment, because the structural deficit will be addressed with just the extra £13.3 million extra saving. Look – sorry, I must not talk to Members directly, sir – Members should look into their hearts and ask if they believe that. And not what they have been told on the doorstep; not 'Oh, I need to appease people', 'I need not to have a backlash this evening when I  
1315 go home and people say, "Why do you want to tax me more?"'; do they really believe that they can strip out £26.6 million without reducing the services that people really care about? Because the backlash they will get this evening, if they vote for this amendment, is nothing to the backlash they will get in two or three years' time when the services people really care about and feel that they need are not there for them.

1320 I will go back to the individual comments. Deputy Green: he does like fences, I know. I hope he tips down on the right side, because I think he knows in his heart ... I know he likes to come across as a prudent lawyer, but he also knows in his heart that it is not achievable.

Deputy Shane Langlois was critical of this amendment, for he was a bit ... 'I think it was a bit crude and something better was ...' Well, if he put his own amendment and it was more nicely  
1325 honed then I would have accepted his John the Baptist. And I am probably not fit to tie his shoelaces, but I will only believe that when he actually comes across with something better rather than criticising from the sides. *(Laughter)*

Deputy Lester Queripel and Deputy Dawn Tindall both asked for my definition of 'progressive'. Now, dictionary definition is one thing, Deputy Soulsby, but in relation to tax I think the accepted  
1330 definition is really quite clear: a progressive tax is one where the impact on people on higher incomes gets progressively a higher part of their income and a regressive tax is one that takes a higher part of the income from somebody on lower ...

So take GST, for instance, that would be a classic regressive tax because the ordinary person is having to spend 100% of their income in order to live, so a 5% GST will be like a 5% Income Tax  
1335 with no allowance on them. It will be 5% of their income gone to the state; whereas to somebody who is on a very large income and they are saving half of that and only spending half it, it will be like a 2.5% tax on them. That is a classic regressive tax. A luxury tax on luxury goods would be far more of a progressive tax – and that is not what I am suggesting; I am just explaining what it means. I hope that is helpful – I am not sure that it is, but I hope it is.

1340 Deputy Le Clerc – I am not suggesting raising £20 million by higher Income Tax rates. I am not actually specifically setting out – and I know to the disappointment of some people – exactly what measures should be used to raise extra money.

Deputy Trott was particularly scathing in that. He said, 'In my summing up, please could I spell out all the measures I want to bring in?' I have to say, I have spelled them out in exactly the same  
1345 amount of detail as P&R and spelled out the £13.3 million extra taxes that they want to bring in. They have not! They have not set out at all where those are going to come from, despite their plethora of civil servants that I should have apparently consulted. I tell you what, if he steps down from P&R and gives me his seat, within six months I will set out in detail – which he has failed to do – exactly where the taxes should come from. *(Laughter)*

1350

**Deputy Trott:** We tried that before! *(Laughter)*

**Deputy Roffey:** Deputy Prow has been tempted by the amendment – come this way, Deputy Prow! (*Laughter*) Fine, but look ... Deputy Prow, sir, sits on both Health and Home. He, slightly tempted, went down the other way. Please can we have no crocodile tears in a couple of years when their budgets are reduced? Can he push back from Home on amalgamating the Ambulance Service and the Fire Service and saving £600,000 a year?

Sorry, I give way to Deputy Oliver.

**Deputy Oliver:** Thank you, sir.

Regarding what Deputy ... (*Laughter*) Regarding what Deputy Roffey has just said regarding the ambulance and £600,000, I do not think it is quite as clear cut as that. Within the report, there were quite a few things missing to say how that was actually achievable, because they have not taken into account a number of issues that would arise with doing that.

Thank you.

**Deputy Roffey:** Okay, well that is some push-back and I am glad that their open mind is still there, but the point is and my question to Deputy Prow is, between your two Committees, you are going to have to take a huge look at these savings. Now, if you are looking around your Committees and seeing huge inefficiencies to the extent that you can strip out multi, multi millions each year from both, then fine, go against my amendment, seem so sensible and conservative. If you really believe that, that is fine, but please no crocodile tears in two or three years' time. Please do not say, 'How can Home be expected to vote for this?' Sorry, sir, through you – I hope you will not be doing that, or Health & Social Care.

Deputy Parkinson thought this should be more ... He really criticised my amendment for not dragging in the issue of corporate taxation. Actually, there are many parameters that can change here. We are talking about £40 million. We are talking about £50 million to raise. We do not know that, do we? Because it is predicated on growth targets in here for a start, because we are not sure which will fail. Now, we hope both of those amounts will actually neatly raise less than, because the growth will exceed the very conservative targets here. We do not know. It is more a question about the split being 50/50 – it is a philosophical approach – or two-thirds, one-third.

I actually say that, if we do reform our corporate tax system – and I would like to get ... People are playing on our field and making money out of it and I would like to be able to charge them a decent rental for doing so. I do not think it is an easy thing to do while being tax-code compliant and being competitive with other jurisdictions, but I am 100% with him: if we can raise more money from the corporate sector then I would like to do that, but it is less on the backs of individuals and I really regret that for the last 10 years we have had to cane individuals because we have had, unfortunately ... And, actually, Deputy Trott and I sat side by side on this, and we do not do it on many things. He was more upbeat about it and I was doing it regrettably, but we had to do what we did. But what I would say to him is, 'Great. There is nothing in this amendment, I think, that stops us bringing in more from the corporate sector, and that obviously, under either 1 as it is or the Roffey amendment, would reduce the amount that we had to raise.'

Deputy Trott: 'We do not need to do this sort of thing – do something far more positive than this: cut teachers' pay by 20%. That is the way to go.' Okay –

**Deputy Trott:** Sorry, I cannot let that one go on a point of correction.

**The Deputy Bailiff:** Point of correction, Deputy Trott.

**Deputy Trott:** I was merely drawing attention to people that the idea that there is no fat in the public sector is a complete absurdity with that sort of information. Now, what the Education, Sport & Culture Committee decide to do about that, of course, is a matter for them under our Committee system. I look forward to Deputy Roffey's support, though.

1405 **Deputy Roffey:** The implication was, 'Look at the fat that we can strip out: teachers are paid more than 20%.' How do we strip that fat out other than by paying them 20% less than they are on now?

**Deputy Trott:** Why not?

1410 **Deputy Roffey:** Okay, why not – you have heard it officially from Deputy Trott today. The headlines will go out.

I would like ... I will give way to any Member of the Education Committee who thinks that, once again, I can say that they agree with Deputy Trott: that is a practical way of stripping fat out of the system.

1415

**The Deputy Bailiff:** Deputy Roffey, you are –

**Deputy Roffey:** I will pause for a few seconds.

1420 **The Deputy Bailiff:** Deputy Roffey, you cannot invite Members to stand to give way. It is a matter for them.

**Deputy Roffey:** Oh, I beg your pardon. Had they chosen to give way, I would have been happy for it to happen, but I accept that I cannot invite it and I apologise for doing so. I give way to Deputy Fallaize.

1425

**Deputy Fallaize:** Would Deputy Roffey agree with me that the issue of pay and conditions is a matter for the Policy & Resources Committee, not for the Committee for Education, Sport & Culture. So, if Deputy Trott is so certain that teachers' pay can be cut by 20%, perhaps Deputy Roffey might ask him to clarify why he has not just done it.

1430

**Deputy Roffey:** I think, sir, we could carry on with this sort of discussion for a long time and it is not central to the amendment, but it shows that the simplistic thinking, to my mind, of it being easy to cut out a lot of waste, actually, when they are identified: the merging of services, be it cutting pay for public sector workers, I do not think it means a straight path. I do not think I am being defeatist in saying that it is not doable.

1435

Look, I do not think anything I am saying is going to change the outcome, so I will just – I will give way to Deputy Inder.

1440 **Deputy Inder:** I thank Deputy Roffey for giving way, sir.

I know there is a bit of cut and thrust in this Chamber, sir, but I do not think it is appropriate to be talking about a certain part of our professional service and our employees in such a cavalier way, sir. (**A Member:** Hear, hear.) I would rather we just kept our teachers out of this conversation.

1445 **Deputy Roffey:** I tend to agree with that, sir, and it was certainly not me that brought them into the conversation. (**A Member:** Hear, hear.) What I was saying was actually I think what was being suggested in a very cavalier way was unfortunate and probably undoable.

1450

Sir, I will come to Deputy St Pier. He says the size of the state has been set. Well, I assume he is referring to the 28% of GDP being spent in public expenditure. Well, yes, of course future States can change that, but I do not believe he has suggested that anything in my amendment was going to breach that rule, because I do not believe it is going to breach that rule in any way. I think there would still be a considerable amount of headroom. So the question is ... we can still discuss the size of the state by how much we want to undershoot that target ... Well, not target, but that limit that we have set.

1455 Sir, he is saying there is no need for this. They have done the calculations and there is no need  
for this, but, look, has he read the Medium Term Financial Plan? Look at the amount set aside for  
service development. He has £3 million for the welfare reforms and there is a small amount for  
service development in Health & Social Care, but knowing the demographic changes and the  
1460 demands that are going to come, there is an utterly inadequate amount set aside – not for service  
development because we want to do nice new fluffy things, but just to cope with the pressure that  
is going to come on from our changing demographic. There *is* a need for this. Deputy St Pier is  
absolutely wrong.

Again, he says, 'planning to fail.' I say he is planning to build in a 'bunce'. He says we want to  
put more than 3% aside for GDP – no. I think that is a fairly modest target. I want a guarantee that  
1465 is available. If they were so confident that their own Plan would deliver that, why did they need to  
phrase Proposition 2 in the way that they did, which said it will be a lower sum if that is required  
in order to balance the books?

He said that Deputy de Lisle was absolutely right: this is just going to take money out of the  
economy – really? Spending more money on infrastructure projects for the building industry is  
1470 taking money out of the economy? I do not think so. Spending more on services and spending in  
that way is taking money out of the economy? I do not think so. That money goes around. Maybe  
cutting public sector pay by 20% might be taking money out of the economy, but most of what I  
am suggesting is not.

Putting money into reserves: yes, I do accept that does take money out of the economy. It  
1475 releases it sometime in the future, but it is prudent and it is necessary.

**Deputy de Lisle:** Sir, a point of correction.

**The Deputy Bailiff:** Point of correction, Deputy de Lisle.

1480 **Deputy de Lisle:** I was talking about consumer spending, sir.

**The Deputy Bailiff:** Deputy Roffey to continue.

1485 **Deputy Roffey:** Are you asking me to give way? Last time, I think.

**Deputy Trott:** And first time, I believe.

The point is, sir, with regard to teachers' pay, we have an evidence-based report that says on a  
like-for-like basis a premium of 20% exists. Now, the reason that premium exists is because in the  
1490 past we have had, in the words of others, a complicated education system that has not appeared  
attractive to teachers. It is not complicated anymore because this House, by the narrowest  
majority, has voted for a comprehensive system. It, therefore, follows that it should be more  
attractive to teachers and therefore the premium that currently exists should evaporate. That is  
the point I am making.'

1495 I would be interested to know whether Deputy Roffey disagrees with that as an example of  
where decisions made by this Assembly should help drive the cost of the public service down,  
notwithstanding it costs a staggering £12,000, or very nearly, per annum to educate a child in the  
state system. That is significantly less than in the private schools, I hasten to add. *There* is a further  
question that needs addressing!

1500 **A Member:** Hear, hear.

**Deputy Roffey:** To be honest, I wish I had not given way, because I think it is taking us into an  
entirely different debate and it is tenuous whether it was really ... Actually, this is a Plan coming in  
1505 the next four years. I am looking towards Deputy Le Pelley. I think we are talking about 2019 for  
the start of the transformation into the new system, but I am glad that Deputy Trott thinks that it

will be more attractive to teachers. I did not think that was the message I was getting before, but it really has nothing to do with this. The fact is that in many areas, unfortunately, we have to pay people slightly more in Guernsey to populate key jobs than we would do elsewhere. I regret that, but it is the case. I think, P&R; if that is a level of where they are thinking of finding savings, I think they are being simplistic and simple-minded.

Sir, I could go on for an hour, but we have got 30 amendments to deal with; *(Interjection)* 25 more. I think people are not going to have their minds changed. I am glad we had this debate. I do not think it is the end of it. I think it is the beginning of a discussion that is going to be nuanced over the next two or three years to be honest, but I think it was right to actually start it and put some cards on the table.

I urge Members to vote for this amendment.

**Deputy Lester Queripel:** Sir.

**The Deputy Bailiff:** Deputy Lester Queripel.

**Deputy Lester Queripel:** A recorded vote, please.

**The Deputy Bailiff:** It is a request for a recorded vote. This is in respect of amendment number 2, Members of the States, which is proposed by Deputy Roffey, seconded by Deputy Ferbrache, and which has the effect of substituting Proposition 1.

*There was a recorded vote.*

*Amendment 2.*

*Not carried – Pour 12, Contre 27, Ne vote pas 1, Absent 0*

POUR	CONTRE	NE VOTE PAS	ABSENT
Deputy Dorey	Deputy Graham	Deputy Inder	None
Deputy Yerby	Deputy Green		
Deputy Langlois	Deputy Paint		
Deputy de Sausmarez	Deputy Le Tocq		
Deputy Roffey	Deputy Brouard		
Deputy Ferbrache	Deputy Dudley-Owen		
Deputy Brehaut	Deputy De Lisle		
Deputy Tooley	Deputy Soulsby		
Deputy Gollop	Deputy Prow		
Deputy Fallaize	Deputy Oliver		
Deputy Laurie Queripel	Alderney Rep. Jean		
Deputy Hansmann Rouxel	Alderney Rep. McKinley		
	Deputy Kuttelwascher		
	Deputy Tindall		
	Deputy Parkinson		
	Deputy Lester Queripel		
	Deputy Le Clerc		
	Deputy Leadbeater		
	Deputy Mooney		
	Deputy Trott		
	Deputy Le Pelley		
	Deputy Merrett		
	Deputy St Pier		
	Deputy Stephens		
	Deputy Meerveld		
	Deputy Lowe		
	Deputy Smithies		

**The Deputy Bailiff:** Hon. Members of the States, I will declare the result of that particular amendment formally in due course, but on my reckoning it was lost. So we will move now to the

next amendment in the batch, which is an amendment to be proposed by Deputy Yerby, numbered 12.

Deputy Yerby.

*Amendment 12.*

*To delete Proposition 1 and substitute therefor the following Propositions and table:*

*'1A. To approve that the overall aim of the States' budget shall be to achieve a largely balanced budget each year from 2018 to 2021 principally through new income measures amounting to £9 million in 2018 and £18 million recurrently each year from 2019 to 2021; and to agree that any savings which are made by Committees or the States as a whole in pursuance of the initiatives set out in Paragraph 6.22 of the Medium Term Financial Plan, or the initiatives set out in individual Committee Policy Plans, shall be made available immediately for reinvestment in the areas of highest priority across the public sector, or for replenishment of the States' reserves.*

*1B. To approve the general approach detailed in the Medium Term Financial Plan (appendix 1), but with specific regard being had to the general underlying positions set out in the table below, headed 'Table 2A', in place of those set out in Table 2 of the Plan (see table appearing immediately after paragraph 1.19 of the Plan at page 53 of Billet d'État No. XII of 2017) and any consequential changes to the Plan necessary to reflect the objective of a balanced budget from 2018 to 2021.*

*1C. To direct the Policy & Resources Committee to take account of the overall aim and agreement referred to in Proposition 1A and the general approach referred to in Proposition 1B when formulating proposals for inclusion in annual Budget Reports.*

*Table 2A:*

	2017	2018	2019	2020	2021
Underlying income position	408.30	408.90	410.40	411.40	412.70
Forecast income measures	0.00	9.00	18.00	18.00	18.00
Income position after measures	408.30	417.90	428.40	429.40	430.70
2017 cash limits	(362.50)	(362.50)	(362.50)	(362.50)	(362.50)
Health service grant reinstatement	0.00	(4.70)	(4.70)	(4.70)	(4.70)
Estimated cost pressures	0.00	(3.40)	(8.10)	(9.40)	(10.80)
Impact of Expenditure Savings	0.00	0.00	0.00	0.00	0.00
Underlying expenditure position	(362.50)	(370.60)	(375.30)	(376.60)	(378.00)
Service developments	0.00	0.00	0.00	0.00	0.00
Capital income - returns from trading assets	5.00	5.50	6.00	6.50	7.00
Capital income - property	0.00	1.00	1.00	1.00	1.00
Financial position before capital appropriation	50.80	53.80	60.10	60.30	60.70
Capital appropriation - major capital	(29.80)	(36.80)	(42.40)	(42.40)	(42.00)
Capital appropriation - routine capital	(10.50)	(10.50)	(10.50)	(10.50)	(10.50)
Capital appropriation - capital income	(5.00)	(6.50)	(7.00)	(7.50)	(8.00)
Total capital appropriation	(45.30)	(53.80)	(59.90)	(60.40)	(60.50)
Overall surplus / deficit	5.50	0.00	0.20	(0.10)	0.20

**Deputy Yerby:** Thank you, sir.

The amendment will be seconded by Deputy Shane Langlois.

**The Deputy Bailiff:** Seconded by Deputy Shane Langlois, thank you.

Do you wish it to be read?

**Deputy Yerby:** No, sir.

This amendment takes us in a slightly different direction to that which we have just debated – less on the taxes and much less on the savings – and I will explain why.

1545 For the sake of £4 million in taxes, we can avoid £26 million of cuts to public services. We can steer clear of repeating the mistakes of the FTP and we can balance our books over this States' term in keeping with our own fiscal framework.

The Policy & Resources Committee tried to tell us that their financial plans are based on evidence. Let me give one example of that evidence. It is at the end of paragraph 5.13 on page 68  
1550 of the Plan. In respect of future projections, it says:

... no allowance is made for any economic stimulus that may result from initiatives set out in the Committee for Economic Development's Policy Plan.

There is nothing prudent in that, of course, but it also reflects a problem that pervades this Financial Plan: it has been written as if the Committee policy plans simply do not exist. When writing about future spending projections, P&R might equally have said, 'No allowance is made for any costs that may result from initiatives set out in the Principal Committees' policy plans.'

1555 P&R offer us a Financial Plan which ignores the real, likely cost of the public sector over this States' term, including the need to effect genuine service redesign to meet our population's changing needs and our own changing circumstances. In doing so, it imposes savings targets which will perpetuate a culture of damaging short-termism within public sector management, while inevitably leading to even more stealth taxes on the population to try and meet those goals.

1560 Let me be completely clear, of course there are efficiencies to be made within the public sector; of course we can do things differently, but Members will appreciate that when we are redesigning a service we have to get the new one set up before we can switch the old one off or people will fall between the cracks. That process involves dual running costs a long time before we can start to make proper savings.

1565 There are examples of waste and mismanagement to be found in every public service – of course there are – and I know that Committees are fully committed to finding those and turning them around, but we also know that there are examples of services that are underfunded or not funded at all.

1570 How many of us were in the room a couple of months ago for the Children and Young People's Plan conference, one of the States' flagship social policies, when we heard service after service identify the barriers presented by lack of resources? Indeed, how many of us were in the room yesterday morning when Deputy St Pier said that there were 200 initiatives in the P&R Plan but only 80 of those were fully resourced.

1575 We should bear in mind that when Committees were writing their policy plans they were doing so under strict instruction from P&R to keep them within existing resources wherever possible, and most Committees, if not all of them, took that instruction to heart. These initiatives are what remain after applying that discipline: the initiatives which Committees consider so strategically important that they have to be included, even if the resources are not there yet.

1580 P&R intend to carry out a process of further prioritisation and refinement, and I agree that is necessary, but it is reckless and over-confident to believe that a process of prioritisation will succeed in shrinking the current cost envelope of the public sector. At best, it will contain it within its present size.

1585 Sir, we are in a period of transition. We have left the FTP behind us, thank goodness, but we have only just begun to feel the reality of demographic change and a new political and economic normal, which can perhaps best be described as, 'There is no normal.'

We do need to continuously reshape our public sector to deliver a decent, first-world range and quality of services to our community and to do so as efficiently and cost-effectively as possible.

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We do need to continuously reshape our public sector to deliver a decent, first-world range and quality of services to our community and to do so as efficiently and cost-effectively as possible.

The shape of Committees' budgets may change – indeed, *must* change – over the course of this States' term, but the way to do that is for Committees and P&R to work together on potential savings and reinvestment opportunities – continuously, maturely, based on evidence of what can be done within sensible timeframes and without irresponsible cuts to the frontline.

The way to do it is not to impose irrational, unevidenced savings targets on Committees because it looks good, and then start doling out some money for reinvestment in 2020 to the areas P&R are prepared to bless. We all know how slow and cumbersome centralised processes are and how they can get in the way of quick, sensible decision-making, like, dare I say it, the trials of an inter-Island summer ferry service.

The mechanisms set out in the Financial Plan do not offer the speed, flexibility or agility really to transform public sector spending. They will lead, instead, to FDP-style book-keeping and jumping through unjustifiable hoops and for short-term cuts over long-term reform.

They will not allow us to fulfil Deputy St Pier's challenge at the start of this debate – maybe it was made ironically – to focus on outcomes rather than inputs, because the culture of chasing targets will have us micromanaging the pennies while the pounds fall apart.

P&R's Plan will also unavoidably lead to stealth taxes. I need to spend a moment on that to underline the point. I started going through the PwC report on Home Affairs and Education, Sport & Culture, which P&R has already cited at a meeting before this debate as part of their evidence for the potential savings they can conclude from this plan. Well, of the seven headline recommendations for further investigation, four of them in whole or in part refer to new fees and charges.

Recommendation (1): the GTA should pursue a profit-making business model; (2), the full review of course pricing at the College of FE should be completed; (3), premiums charged by GTA to cover courses on offer at the College of FE; (6), Fire and Rescue should consider charging users for non-emergency services. And, in the first section of the report's key messages: Customs and Excise could increase income through issue of fixed-penalty notices for non-declaration of items requiring duty payments.

Some would say it might be the right thing to do – that is another debate for another day, but let's be clear, these recommendations will lead to people handing over more of their own money for public services they do not currently pay for. These fees and charges do not feature in P&R's headline figure of £40 million of new taxes, but they are just as surely taking money from the public to cover the running costs of the public sector. (**A Member:** Hear, hear.) So, although the headline figures in P&R's report are £26 million of savings and £14 million of taxes, the reality is that many of those so-called savings will in fact be realised through charging the public in new and exciting ways for services.

There is also a significant risk of double counting. The initiatives set out in paragraphs 6.22 of the Financial Plan are almost exactly the same as the initiatives the Committees themselves will be chasing when they are trying to achieve their own savings targets. Again, I refer Members to pages 31 and 32 of the PwC report which identify opportunities for Home Affairs and Education in the areas of human resources, IT, efficient use of States' assets, business support and so on – compare that to the central initiatives listed in 6.22 and spot the difference.

While we are on page 31, perhaps Members would note that PwC say, under the heading 'Support for Change', that there is a perception that the current level of resourcing in HR will not be adequate to take on significant initiatives and still support business-as-usual activities. Again, as I said earlier, the start-up costs of doing things differently have to run alongside the business as

1640 usual, at least for a transition period, and we have to account for that honestly. But we can avoid all that mess, as I said at the start, for the sake of £4 million a year in taxes.

If we walk through P&R's table 2 in the Financial Plan, which sets out the details of its plan from now until 2021, the first line of interest is 'Impact of Expenditure Savings', which might equally be headed 'Savings Targets'. This indicates that we will make £5.5 million savings next  
1645 year, rising to £26.1 million a year by 2021.

Two lines down, there is a line headed 'Service Developments' which is the flip side of this and promises some reinvestment in 2020 and 2021. For the reasons I have set out already, I do not think either of those lines are credible. Indeed, they are ... I quote: 'Totally unwarranted and lacking any supporting evidence.' We heard the reasons why in the debate on the previous  
1650 amendment and will hear more in this one.

Now, if both of those lines are reduced to zero, it does put us back slightly into deficit to begin with, but if we want to balance the books we only need to moderately increase the tax take that P&R are already planning: up by £5.5 million to £9 million in 2018 and up to £18 million in the year thereafter. I proposed this amendment rather than throwing myself behind the  
1655 Roffey/Ferbrache amendment because it is the fictional public sector savings targets in the Financial Plan that cause me most concern, and I think they need to be challenged.

I did vote for the Roffey/Ferbrache amendment because I liked it better at least than P&R's Plan, but of course in taking the approach set out here, I know I have left the amendment open to the challenge that it puts very little aside for the future. I will answer that briefly before closing.

1660 First, we should note that the fiscal framework which we endorsed in phase 1 of the P&R Plan defines the medium term as a five-to-15-year horizon and therefore the short term as anything less than that. What we have in front of us, despite its title, is a short-term financial plan. It deals with the next four years.

Now, the fiscal framework directs us quite clearly what to do in the short term and that is to achieve a balanced budget. It directs us to achieve surplus only in the medium term, the real  
1665 medium term. In this States' term, in the short term, our aim must be to balance the books – to put the levers in place for achieving surplus in the future, granted, and to move ourselves into a safer and more steady space, but this Financial Plan is trying to accelerate the surplus within three years, outside the scope of our fiscal framework, outside the scope of what is achievable and  
1670 potentially at grave detriment to the services we are here to provide.

I have put a bit of wriggle-room in the amendment, though, as paragraph 1A deals with the reinvestment of efficiency savings. My presumption is that very largely, on the whole, they will be reinvested into the underfunded, high-priority areas, but equally there is scope to put them into reserves if that is what appears most wise, all circumstances being considered, particularly if, say,  
1675 economic growth leaves us with more headroom than we had otherwise anticipated.

I also know that Deputy Langlois, when he speaks, is likely to suggest that, because our GDP is higher than many other places, we should invest a smaller proportion of it in capital and still be investing more in capital per person than in other jurisdictions. I believe he will suggest that we can still balance the books without needing to raise taxes even as far as I propose here.

1680 I suspect his calculations are right, although I should be clear that is no excuse for P&R to keep their foot off the pedal when it comes to properly investing capital and stimulating our local economy. That is something we will come to when debating amendment 13.

But, anyway, that would be something for P&R to mull over when they come forward with their Budget proposals later this year. The main message from this amendment is that we can balance  
1685 our books within this term without imposing millions of pounds of damaging cuts to our services and bid, at most, a moderate increase on the levels of tax P&R are already proposing to raise.

To sum up, sir, let me remind Members what happens in the real world when we cut costs: we do not reduce the scope of services or their quality down a gentle gradient towards less provision or lower quality – a kind of managed decline, if you like. What happens is we continue to do our  
1690 best to meet expectations, which do not reduce at the same pace as funding, on more and more

of a shoestring until that shoestring snaps. Our downward spiral is not a gentle gradient; it is more like a staircase, with deceptively flat plateaus followed by steep drops.

If the shoestring snaps somewhere in our Health Service, say, or maybe in our prison or in our schools ... If something goes wrong and people get hurt, then there is a justifiable outcry. We wring our hands and ask ourselves how this could have happened and we throw money at the problem until we have patched it up and made it stronger than it was before. Everyone here has lived that in some form or another. We know the cost of patching it up, the cost of fighting fires, is substantially greater than the cost of maintaining things as they were.

Committing to cuts that we know we cannot deliver on is not good governance, it is not responsible stewardship of public finances and it does not serve the public well. So I urge Members to do the maths; to look at the P&R Plan; to acknowledge that, within their own communities, they already know the numbers do not stack up; to vote with their hearts and with their heads; to do the right thing by the people of our Bailiwick; to be honest with the public about the reality of what it costs to deliver the services they admire; and to vote for this amendment.

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

**Deputy Langlois:** I do, sir.

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

Deputy St Pier, do you wish to exercise your right to speak at this point in the debate?

**Deputy St Pier:** No, sir.

**The Deputy Bailiff:** Deputy Prow.

**Deputy Prow:** Thank you, Mr Deputy Bailiff.

I rise to speak to the much-vaunted amendment 12. Sorry, I will stop here. I rise to speak to the much-vaunted, media reaction to amendment 12.

Having fully discussed the perceived implications of this with P&R, I have withdrawn my support for this amendment. I beg your pardon, sir. I am not going to give a long speech. *(Interjections and laughter)*

I apologise, sir. However, I must still express my concerns and provide some challenge to the Medium Term Financial Plan. Sir, my difficulty is that I believe that it does not fully match or support the workstreams or plans of the delivery-end our Government has set out within the Phase Two Plan.

Deputy Yerby has publicly described her challenge to the MTFP as an honest recognition of what the real costs of the Plan set out to provide our public services which in the main are all delivered by the Principal Committees. I agree with Deputy Yerby on this. However, I do part company with Deputy Yerby regarding the implications of amendment 6 when combined with this amendment and the potential for change in the MTFP aspirations as outlined in Proposition 1.

I say up front that the States must look to make savings and embrace transformation of the public services before we go anywhere towards altering income arrangements as laid out. To quote the President of P&R, 'we must raise that bar high'.

Sir, having, over this weekend, had discussions with the President of Policy & Resources, I am somewhat reassured that there is room to manoeuvre within the Plan and this is why I have withdrawn my support as seconder for amendment 12.

I welcome and thank the President for taking the time to understand my concerns and for providing me with some of the reassurance I sought in his opening remarks today. In particular, I am heartened that the Policy & Resources Committee support this type of upfront investment to deliver sustainable services. It also supports the need to reinvest savings.

P&R now say that they have signalled this through putting together this Plan-delivery of what can ensure there is an addition £7 million available for such reinvestment by 2020. Furthermore, the President has stated that what P&R have not yet done is consider that the most appropriate mechanism for investment 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 in order to bring a mechanism which will maximise the savings released and ensure that funds are reinvested where they are most needed. P&R now intend to report back to the States with firm proposals on the 2018 Budget Report.

But, sir, I owe it to Deputy Yerby to state where I do agree with her. Sir, may I refer to sections 1.2, 1.3 and 1.5 of the Financial Plan on page 48, which talk in terms of supporting the delivery of the outcomes set out in P&R's policy Plan and the 'investment in future public services in support of achieving those outcomes.' I agree entirely with the comment, and I quote:

This type of medium term plan is inherently uncertain and it is important to recognise that the forecasts are not precise but rather best estimates.'

Well, sir, this troubles me and I believe it is healthy to question those best estimates.

At 1.5, the Plan highlights one of the difficulties faced by the States and one I believe that the Financial Plan does not sufficiently address – and I again quote from the Plan:

The changing demographic is increasing the ratio of those above pension age to those of working age. This means that demand for public services, in particular health and social care services, will increase; and the total cost of providing these services will increase proportionally ...

Sir, I sit on two large delivery Committees – Health and Home – and Deputy Roffey has already alluded to this. We interact very regularly with ESS, Education, Sport & Leisure, Economic Development, and Environment and Infrastructure. At the delivery end of Government, we must look our senior public and civil servants in the eye and challenge costs and try to support our frontline services, such as our teachers, nurses, law enforcers. Increasingly, when Committee Presidents give their updates, they warn of the difficulty in providing such services. As these Committees move through the Plan to 2021, those Committees will be trying to deliver on their submissions in an environment where the P&R Plan itself merely outlines that demand will increase.

Furthermore, sir, I fear the P&R Plan's transformational efforts might actually not be robust enough and are too controlled by P&R, but for the media to turn this challenge around to a position on tax-raising is, in my view, disingenuous. It is P&R who have been introducing an element of increasing tax by some £40 million a year, not the proposer of this amendment.

All I have ever sought on my part is to question the financial experts was to hopefully elicit a more transparent, realistic and candid view of the real profits – a point powerfully made by Deputy Soulsby.

Shooting the messenger does not eliminate the problem, neither does deflecting bullets. It must be a legitimate challenge to the Financial Plan that there are considerable dangers in not delivering the public expectations or to be able to sustain those services to be delivered – a point, I believe, well made by Deputy Roffey. Sir, it will be those delivery Committees which will be held to account for this by the public, not P&R.

The challenge is how this Assembly can evidence the ability. As Proposition 12 puts it:

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

I put a lot of store on that statement within the Policy Plan.

After great reflection, I now, so far as this Plan allows, believe the Committee and the States as a whole must continue to make significant efficiency savings in the planned timeframe and, most importantly, embrace transformation across all our businesses. We must invest our savings into

1785 this process. This is why I have asked the President of P&R for reassurance that there could be further flexibility in allowing Committees to reinvest savings that have been made back into further transformational initiatives. Both of the Committees I serve are Committees that are doing things differently – we have to.

1790 I ask P&R to accept that there is a danger that the P&R transformational programmes are too controlling and may struggle to deliver in the medium term and by 2021. My aim is to challenge the Financial Plan and to stimulate from the perspective of Committees who need to be encouraged and rewarded by making the right savings to be funded to bring about the change and to stimulate debate. If the MTFP bar is raised too high in that it affects the delivery of frontline services then P&R must adjust its savings targets at Budget time to reflect this. I believe that P&R have taken on board these valid concerns and I hope that this Assembly will continue to hold them to account on this.

1795 To conclude, sir, I reinforce that I do not support any increases in income beyond that recommended in section 6 of the MTFP, as even the perception that there is an intention to alter our tax structure beyond what has been set out will send the wrong signals and this is why I have withdrawn from amendment 12.

1800 We must grow our economy in order to maintain our vital Government services. However, sir, I do not make any apology for publicly pointing out that, as a Government, in our financial planning, we are in danger of not completely squaring that circle.

1805 I, again, stress that it is not my view that we take an easy route of providing that delicate balance to increase taxation. I completely understand how difficult this conundrum is to P&R who, at the end of the day, are the Committee who have the responsibility for taxation policy, but they must listen to the Committees who deliver at the coalface and protect the frontline.

Sir, I will not support this amendment and I ask the Assembly not to do so either. We should not plan to fail.

Thank you, sir.

1810 **The Deputy Bailiff:** Can I just take this opportunity, Members of the States, to declare the result in respect of amendment 2, which was proposed by Deputy Roffey and seconded by Deputy Ferbrache. There voted: Pour 12, Contre 27, with one abstention, and therefore I declare the amendment lost.

1815 Deputy Roffey.

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

1820 I will be brief. I agree with a great deal of what Deputy Yerby said, but I think there is just one simple philosophical difference between us and that is that she believes simply balancing the books is acceptable and I believe that a return to surplus is absolutely essential.

At the risk of bringing, on my head, ridicule from Deputy Trott, I absolutely think we have to restore our reserves. We have run through a very large amount of our strategic reserves at a time of relative prosperity.

1825 From our children's point of view, not only have we not fixed the roof when the sun was shining, we have been making the holes in it bigger while the sun was shining. We need to start patching it up now. We need to restore those reserves, and I fully support the one-year ... I have forgotten whether if it is one year of income or one year of revenue target for our central strategic reserve.

1830 Now, if the demands on our public services for the next few years begin to be uniquely high, because the demographic challenge was a bulge, then I could say, 'Let's put that off; let's just balance the books during that period and let's address it when things get better.' Sadly, ... Well, not sadly, because I want to live for a long time, but sadly in some ways, I think the demographic challenges are never going to ease; they are going to always be there. Some people think we are going to live to 100 – I was at a conference the other day. I think there is always going to be that pressure with us and therefore, if not now, when, to return to surplus.

I do not think it is going to be easy and I think some of the measures to do it are going to be unattractive, and I actually think too much, as people will know by now, of that balance of doing that has been put on savings to be realistic, but nevertheless we must return to surplus.

1840 So I am sorry, I cannot support an amendment which specifically says, 'There is no need to do that. Balancing the books is good enough.'

**The Deputy Bailiff:** Deputy Kuttelwascher.

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

1845 I just want to express a disappointment in the continuous use of these phrases, 'cuts in public services', 'cuts in frontline services', which is not, at the moment, the issue, because what is being assumed is that transformation and transition will fail if that is where you think we are going to end up. I do not believe that for one minute.

1850 I just want to go back to how this transformation and transition fund started. I was on the Treasury & Resources Board when we created it and, if I remember rightly, it was about £25 million. It was deposited surplus left in what was initially about half of our rainy day fund, which was not used, as it were, as a reserve for shortfalls in taxes. We had some left over and that amount was put there knowing full well that transformation and transition, which was referred to, would have a cost. But it is a spend-to-save-type of cost.

1855 Now, looking at our Committee, the Committee for Economic Development, there are numerous areas we can transform things and we are already on the way to doing it. It might be the Committee to show how to do it, because the results will be quite staggering. That is my impression. I cannot say any more than that.

1860 So, please, no more trying to terrify people into supporting this sort of thing because there is an assumption there will be cuts in frontline services or any other service. Reducing costs does not necessarily imply that. It could do if it fails, but at the present time that is not the situation.

1865 We can look at cutting some of the services that Government provide. There are several we do certain grant money. You can look at these and say, 'Should we be doing this as a Government?' A lot of them could be regarded as luxury peripheral activities, not essential to basic services. So there are areas where we could do that.

1870 So, please, forget this notion of having to cut public services or frontline services while we progress with this transformation and transition. If you do not believe we can do things differently – eGovernment will provide efficiencies – well, then we have failed, but I do believe we can, because it has been done elsewhere. Is it Estonia who saved 20% of their expenditure purely on an eGovernment-type structure? They did not cut any services. So it can be done. The question is, is there the culture and the will in this Assembly to do it? We keep saying we will change the culture of the Civil Service. We need to change the culture of this Assembly in certain areas. So I am not of the doom-what scenario.

1875 It is always a possibility. Nobody knows what is going to happen tomorrow, or with Brexit, or anything else, but we deal with things as they happen. If our Plan turns out to be incorrect, you deal with it – the only thing you can guarantee with a plan is that it will be wrong. You will never achieve what is in there. The big issue is you can get as close to it as you can and can you deal with things as they occur?

1880 We still have plenty of reserves to deal with shocks. Hopefully they will never materialise. There is no focus on economic expansion, because the real areas where this could be very effective will require, as Deputy Ferbrache said, some pretty big decisions. Whether we can make them or not, I do not know. There is potential for economic expansion, but you do not do it by threatening, shall we say, the population with ever-increasing taxes at this stage. (**A Member:** Hear, hear.)

1885 So I will not be supporting this amendment. I did not support the last one. I am sorry Deputy Ferbrache did not ask me about it before he laid it, but there we go. We are all free, as Deputies, to do what we want.

I am not supporting anything other than what is here because I am sufficiently hopefully it can be delivered.

Thank you, sir.

**The Deputy Bailiff:** Deputy Tindall.

**Deputy Tindall:** Thank you, sir.

I did actually mention a question in my last speech which was not really addressed, but looking back at my notes it may not have been sensibly phrased in such a way to make it a question, so I am going to say it again in light of what Deputy Yerby said, talking about the costs of doing things differently, running alongside business as usual. I was hoping to have more information and a reminder of the way in which these things will be done. 'The intention of spending to enable to transform' is the phrase I used.

We talked about service developments and the fund for that. Correct me if I am wrong, or rather I would like to be corrected by someone in this Chamber, sir, if I am wrong, but I understood there was a transformation fund which actually enabled such things to be done. I think that is very important to remember, that this is the factor already allowed for in order for such things to be done differently.

Thank you, sir.

**The Deputy Bailiff:** I turn to Deputy Langlois.

**Deputy Langlois:** Thank you, sir.

As Deputy Yerby mentioned, and the front page of last Friday's *Press* confirms, P&R condemned this amendment as, 'unwarranted and lacking any supporting evidence.' I think that over-the-top reaction is quite understandable. It must have been galling for five experienced Deputies to find that someone had fashioned a far more elegant and practical Medium Term Financial Plan than they had been able to come up with: an iMac to their clunky Windows desktop. (*Laughter*)

P&R is proposing to raise taxes by £14 million annually. Proposing to raise them by £18 million instead can hardly be described as 'unwarranted', if that leads to a more plausible and prudent Financial Plan. And, of course, £18 million is considerably less than the £25 million proposed in the Roffey/Ferbrache amendment we have just debated.

Last year's surplus surprised everybody and, as Deputy St Pier has noted, it was only achieved because the appropriation for the Capital Reserve was far below what our fiscal policy required.

We should not forget the Medium Term Financial Plan covers a period of transition. Therefore, it makes a lot of sense to base the Plan on a zero surplus for the next four years, as the proposal in this amendment does, rather than try to engineer what will surely prove to be a flaky surplus.

We have been crawling in deficit for years. Let's learn to walk steadily before we try to run. That does not appeal to Deputy Roffey who wants to move straight into surplus, but I do not think that is a prudent approach.

Given the difficulties and delays we have experienced banking expenditure savings over the last six or seven years, it is also very prudent to assume zero savings for this period. That is not to say we should slacken in our efforts to make those savings through more efficient service delivery, but virtually every Committee has acknowledged how very hard they will be to achieve. In fact, most of us are hoping the required savings can be made by Committees other than the ones we sit on.

It might sound counter-intuitive, but I believe those savings will flow more readily without the clammy hand of an accountant on our shoulders; without the demand for a daunting £62 million in savings over four years. What savings we do make will be a bonus, not a necessity required to make P&R's complicated Plan work.

Setting those two rows – surplus and savings – at zero, as the revised table 2A in this amendment does, is not only more responsible than P&R's version, it is also more realistic and will give us greater flexibility.

As I have already said, the next four years will be a transition period and it is the required total tax increase during the period which has caused the most alarm – indeed, the *Press* headline. P&R is proposing to increase taxes by a total of £35 million over the four years, whereas this amendment is proposing an increase of £63 million. The difference may appear excessive to some, but that £63 million could easily be ameliorated by a reconsideration of our capital appropriations.

The UK's target for capital expenditure is the same as ours – 3% of GDP. However, Guernsey's GDP per capita is at least 15% higher than the UK equivalent. We could therefore spend a lower percentage of GDP and still match the UK's capital expenditure proportionately. Over the four years from 2018, we could shave off a total of £25 million from the capital appropriation figures and still be spending no less than the UK on capital investment per head of population. And, of course, that is considerably more than we have been doing in recent years.

If we adjust the appropriations in this way, the tax increases necessary for this amendment's table 2A to balance would be £38 million – very similar to P&R's proposed £35 million.

With the caveat of reducing capital appropriations for the transition period, as I have outlined, which will be consistent with Proposition 2, I believe the amendment's revised Proposition 1 will result in a far simpler and more workable plan than P&R's original to see us through the four years from 2018.

I am asking the States to show some sympathy for the Members of P&R to help them out of the hole they have dug for themselves by voting for this amendment. *(Laughter)*

**The Deputy Bailiff:** Well, it has just gone 12.30 p.m. so I am minded now to move that we adjourn until 2.30 p.m. in accordance with the rules.

We are adjourning until 2.30 p.m.

*The Assembly adjourned at 12.34 p.m.  
and resumed at 2.30 p.m.*

## **POLICY & RESOURCES COMMITTEE**

### **I. Policy & Resource Plan – Phase Two – Debate continued**

**The Greffier:** Policy & Resources Committee, continuation of debate on amendment 12.

**The Deputy Bailiff:** Deputy Hansmann Rouxel.

**Deputy Hansmann Rouxel:** Thank you, sir.

I have spent the last two days listening and trying to understand what it is exactly we are going to decide at the end of this. With this amendment I think there are a couple of very simple issues that have been highlighted as we have been talking.

One is that it will mean just £4 million more in taxes – and not stealth taxes – which is possibly the result of the false economy of what appears to be coming through about the Medium Term Financial Plan.

The second thing is that there should be a cut in the targets within the Committee, so zero savings would suddenly get made if this amendment passed.

1980 However, we keep coming back to the Financial Transformation Programme and how that is an inefficient way of creating cuts in Government. Each of the Committees have been through this process of prioritising specifically for this P&R Plan – looking at where they can put their budgets and what they can achieve within those budgets and each of those Committees are consistently coming forward and saying it is getting to the point where we are making decisions where we are not progressing forward, we are not going to be able to do that extra little thing or, in some cases, we might need to cut something that people have got used to because we need to make those saving targets.

1985 Now, I do appreciate that P&R has put out in their Plan the different areas that they feel ... and the transformation and the savings from those transformations, where some of them will come from, but what is abundantly clear, listening to the debate, is it is not only this amendment, it is that no one believes that we will get quite to £26 million.

1990 So if having targets has the negative effect of turning us into silos; of getting Committees to cut just to get to that target and look good, 'I have got a gold star in my report because I got my Committee in budget.' Can't we be more mature? Can't we do things differently? Can't we say we are not going to say we are not saving? Each Committee takes responsibility for publishing their own savings within their own committee. And if they are making savings on one side, through transformation, they can publish and show where they are inputting the funds.

1995 Now, that is supposed to happen through the programme, but the problem is that that money then gets centralised and if there is one thing I have now begun to understand through 14 months of doing this job, it is the bureaucracy of asking to spend money. Because we need to be accountable ... the system of actually asking for, going through the SCIP process and asking again and ticking this box – how much money are we spending on making the decision to spend money? How much money are we spending to make the decision to *do* something? I want to see the *doing* happen more often and less of the paperwork around the decision making. Let's do. Let's move the story forward.

2000 Now, for me, this amendment does actually start to do that, but we do need to be mature about it. I think there is a caveat to that with that particular part: if the Committees all signed up and said, 'We will show you where our savings are and what we are doing with our savings,' instead of sending it into a central pot that then gets asked for and back out again, we have shown you in our proposal that this is what we are going to do. Now, I cannot see a reason why Committees would not sign up to that. Sign up to showing the public where they are doing their transformation. That is the first thing about us being mature.

2005 The second part of the amendment is about raising taxes and, as has been clearly shown through the workings, if it would just be £4 million more than P&R is saying they will already put through, through their own mechanisms.

2010 Is it really inconceivable to raise £4 million from entities – let's not forget the amendment that was passed yesterday – entities and top earners, say top earners over £65,000 with a 1% or 2% increase? Now, on the doorstep my experience in speaking to people was they did not want a raise in taxes unless they knew the money was going somewhere. They were happy to pay to see stuff done. They were happy to see us get on with things and if we needed more money for services, but they did not want to see the waste.

2020 If we had open and transparent government and we were able to – each Committee – give what they were doing, that would be open and transparent. Where is the wastage happening? Where is this wastage? The false idea that this wastage is happening everywhere, in every department – well, if you know that it is not happening in your Committee, your department, show it! Commit to being open and transparent.

2025 P&R seem willing to tweak in some areas but not willing to tweak maybe 1% or 2% here and there. I find it slightly disingenuous. Can we really not do it? Can we really not raise a little bit more through taxes?

I believe it was back when Deputy Ferbrache raised an amendment last year, based on his experience in the legal profession, and suddenly there was a big outpouring from the business

2030 community, 'How dare you start talking about this.' And the business community then came to Deputy Ferbrache – I think he mentioned it earlier on this week – they came to him and said, 'Look, let us come to you with ideas.' Have they? Are we getting those ideas? Because we do need to raise more taxes, but not from the general and lower and middle income earners. We are not going to balance the budget by going and doing what we have always done.

2035 I have heard a lot of problems but I have not heard solutions. Now if there is one rule we should all stick to it is if you are going to say no, to something offer a solution. Do not just say 'no'. Because no stops the story; we cannot move the story on. If you disagree with something and you disagree with direction you need to offer an alternative. You need to say, 'Here is a solution.' There are problems here, there are problems there. What are the solutions? If you do not want to go down the road that you are going, offer a solution.

2040 I think Deputy Yerby is offering a solution in this amendment. She is offering a way to move forward and move beyond what appears to be a managed decline of our economy. Cut, cut, here, stealth taxes there; we need to invigorate our economy, we need to reinvest.

2045 The last thing is about surplus. Whether we do or do not need to return to surplus. I completely sympathise with Deputy Roffey when he says we do and we need to replenish our coffers, we absolutely need to. But do we need to do it right now when we have been cutting and moving and shaping and managing this decline? Now is not the time to push us for surplus and push us for surplus based on cuts. It does not make sense to me.

2050 In the Plan – you can correct me if I am wrong – there is a very modest economic growth predicted. However, yesterday, I listened and I heard from members of Economic Development who are saying that they are waiting to get on with things and put that back in. If you look at their Plan they are asking for resources to do things. Well, if they had the resources and they went ahead and moved those resources around, like Deputy Kuttelwascher has said, there are ways of moving that. Would we not have that 1% magical economic growth and therefore the economic growth would bring us the surplus. Now, that makes far more sense. When your economy is growing and you have a surplus based on economic growth you put that aside for a rainy day. You do not cut to get a surplus that does not make sense to me.

2055 Yes! That is all. (*Laughter*)

2060 **The Deputy Bailiff:** Deputy Lester Queripel.

**Deputy Lester Queripel:** Thank you, sir.

I am rather attracted to this amendment because of what we are told in the last sentence, Proposition 1A. We are told:

... shall be made available immediately for reinvestment in the areas of highest priority across the public sector ...

2065 I would just like to ask Deputy Yerby, sir, what is our understanding of who it is who decides where those areas of highest priority are? Will we have to undertake yet another review, and have yet another States debate to come to that conclusion?

That is my only concern about that whole sentence, sir, so I look forward to Deputy Yerby's response to that question.

2070 Thank you, sir.

**The Deputy Bailiff:** I turn to ... If you want to speak in the debate will you please stand up as soon as somebody has finished speaking?

Deputy Soulsby.

2075 **Deputy Soulsby:** Sir, when I first read the Medium Term Financial Plan, reinforced by reading it a number of times, I got a strong sense of déjà vu: savings targets, affordable and realistic, unlocking resources to allow investment in the future. It has all the hallmarks of the FTP.

Now, of course, there is a need for transformation of our services. Reviews of Health & Social Care and more recently Education and Home Affairs demonstrate that savings can be made from doing things differently, although I acknowledge the limitations that Deputy Yerby set out.

However, as I alluded to in the previous debate, what concerns me from reading this paper is that lessons have not been learnt and that we end up with an emphasis on short-term tactical savings to meet immediate targets rather than longer-term strategic change to enable long-term cost avoidance.

Through the original FTP over £30 million of recurring savings were apparently found over five years, as Deputy St Pier mentioned earlier. We are now being expected to find another £26 million of savings over four years, whilst we are told that this is a medium term financial plan it is not. It is a very short-termist as Deputy Yerby made clear. And just like FTP, savings can be found but not reinvested until 2020 when three and a half million pounds can start to be used.

Under the FTP, the King Edward VII Hospital was closed on the understanding that the savings generated, which were considerable, could be reinvested in the community. This never happened, of course, despite investment in this area being a key part of the 2020 Vision.

It is my concern that the Medium Term Financial Plan, as it stands, will limit the Committees' ability to think strategically which makes me attracted to this amendment. Of course, it could also be seen as a let off for Committees. We know that inefficiencies still exist but how best to deal with them? Short-term tactical savings only go so far before they have a negative impact which only come to light when something serious happens and it becomes headline news locally and nationally.

However, in this instance I totally agree with Deputy Kuttelwascher that savings can be made through eGov initiatives. In fact, the reality is, as the Medium Term Financial Plan does state explicitly, the major savings are not within Committees at all – which is where some of the speakers in this and the last on the last debate have got it wrong. (**A Member:** Hear, hear.) They are at an organisational level. (**A Member:** Hear, hear.) There are efficiencies that can be made there.

In fact, the one cross-cutting saving of any note in the FTP, the HUB, has been a success, and resulted in efficiencies. Savings could be made in procurement, improved HR processes and the better use of technology can make a significant difference, so I cannot support this amendment.

But my message to Members of this Assembly, and the Scrutiny Management Committee in particular, is to monitor progress closely. The annual update to the P&R Plan should enable this Assembly to determine whether the right approach has been taken and to make changes, should that be necessary. Everyone here needs to be actively engaged; not just now, but throughout the rest of this term.

**The Deputy Bailiff:** Deputy Gollop.

**Deputy Gollop:** Yes, thank you, sir.

When, I believe, Deputy Prow decided to change his position on the amendment I would have been willing to second the amendment as well but I was pleased that the Vice-President of Employment & Social Security filled the gap ably. Because it is interesting that this amendment is put forward by two of my colleagues on Employment & Social Security and it is fair to say we have spent a lot of time rewriting and considering in depth our submission for the policy planning process and for this debate.

Perhaps the outlook we took was more of achievability rather than aspirational desirability. And, of course, we know that there are still some significant workstreams to fund, one of them being SWBIC, another one being the implementation of the Disability Strategy in law, the Equalities Commission and indeed other workstreams perhaps on issues like CEDAW, SLAWS and longer working lives.

I believe that we should support this amendment because it will incentivise prudence and Principal Committees to look to their estate to pursue efficiencies and then get a chance to maybe

spend the monies raised on extended service to the developments or, as is implied by the wording of the amendment, go back to the centre, but in a more generous and less parsimonious way than the Policy & Resources approach.

2135 I was intrigued to hear a BBC report of our activities at lunchtime which suggested that the 12 who supported the last amendment were all tax and spenders and the other 27 were prudent conservatives. (*Laughter*) Well, it is not as simple as that, not at all, because in reality Policy & Resources would admit that there are strategic needs for greater funding and that some commitments we have made have yet to happen.

2140 One factor that still has a long way to go in this process is how we reprioritise the States' funding across departments and that is a problem with the current system because we never really had zero-based budgeting, despite the reorganisation. But I think this amendment goes some way to giving Committees the incentive to work together and find savings.

2145 Of course, it does not go perhaps far enough, it is not as far reaching as some of the other amendments. And as Deputy Parkinson has identified, it does not necessarily reprioritise funding at a deeper level but I will support it at this level.

**The Deputy Bailiff:** Deputy Fallaize.

**Deputy Fallaize:** Thank you, sir.

2150 Deputy Langlois said before lunch that in the long term the amendment now before the States did not envisage raising as much revenue as the previous amendment which, of course, is true, because this envisages £18 million per year recurring and the previous one envisaged £25 million, or thereabouts, per year recurring.

2155 But, of course, as he acknowledged, the big difference is what happens over the course of the next four years. Whereas over the course of the next four years the previous amendment envisaged possibly as little as £12 million additional revenue on top of what was proposed or is proposed by Policy & Resources, this amendment envisages an extra £28 million over the course of the next four years compared to what Policy & Resources is proposing.

2160 I believe that it is necessary for the States to raise additional revenue, as do Policy & Resources, but I think it is necessary to raise more revenue than they think it is necessary to raise. But what concerns me about this amendment is that the scale of the additional revenue that would need to be raised in each of the next four years, I think, is going to be very difficult to achieve, because if there is going to be a structural change in public finances and the collection of taxation that is a major undertaking and you cannot do that – now that we are in the middle of  
2165 2017, and nobody is even thinking about it, quite honestly – it could not be done for 2018. It probably could not be done for 2019.

2170 So if the States agree to a course of action which requires significantly greater increases in taxation in the next year or the next two years above and beyond what Policy & Resources is proposing, I think the only way they are going to be able to achieve that is to – well, it would be more than tweaking – but it would be making adjustments to the existing framework of taxation. Now, that is likely to be stealth taxes. I do not know where that will come from but it will not be some kind of intellectually credible basis for raising additional taxation. It will be tactical – perhaps would be the right word to use – rather than strategic, and I do think that is the problem.

2175 I actually do not think Deputy Yerby is going far enough in terms of what it is necessary to raise in the long term, but I think in the short term the amendment goes too far.

The other thing is that Deputy Langlois did say that it would be possible to achieve the sort of principles outlined here without necessarily raising the additional revenue or all of it by adjusting capital expenditure. And, of course, his calculations are correct when he compares us with the UK but I think one thing that has to be taken into account is that our costs are greater in the UK.

2180 It costs more to build a school in Guernsey than it costs to build it in Dorset or Northumberland or wherever it is. I know that half the States is anticipating that the Committee for Education, Sport & Culture is going to be able to rebuild La Mare de Carteret for about £28.60!

(*Laughter*) But really they are not and whatever ... I do not know if that is even in their proposals, but if it is whatever they have managed to value engineers out of the proposals, it is still going to be tens of millions of pounds and there will still be lots of people outside the States who say why is it costing this when in Northumberland or Dorset or wherever there was an equivalent project carried out for less. But it costs more to carry out the same project in Guernsey, so I do not think the comparison with the UK is quite fair.

And in any event, there is some conflict in the argument that this amendment could become more palatable if the 3% capital expenditure policy is relaxed or made tighter, whichever way you see it, but reduced from 3% when the proposer of the amendment has an amendment later in the running order which tries to tie the hands of the Policy & Resources Committee a bit more in its own endeavours to be allowed not to spend 3% of capital expenditure in the short term. Now, I happen to agree with Deputy Yerby and I shall vote for that amendment which she is proposing so I do not quite think that the argument that Deputy Langlois was putting forward, though it was coherent and intellectually sound, I do not think that it bore much relation to what would actually happen in practice.

The other thing is – and the Financial Transformation Programme has been mentioned here – I, as other Members did, sat here today, lived through all of that process. I heard at the very beginning of the programme a lot of the savings identified are cross-cutting, they are cross-Committee and that is why it would be possible to deliver £30 million plus of savings annually without cutting services. Well, that was not really true. What happened in the very early days of the programme is that it got almost nowhere. The only way that it picked up momentum, which was from 2012 onwards really, was by giving Committees targets. I am not sure quite what the science was behind it, I am not sure there was much science behind it, but Committees' budgets were just cut and there was a sense that, 'Well, we will not take too much notice of what were the original FTP projects but we will just make sure that we do not overspend our budget,' and that produced all sorts of short term decisions to make cuts or savings depending on which way one sees it, and it delivered in that sense.

So the most effective and efficient way of reducing expenditure is for the Policy & Resources Committee to propose budget cuts to the budgets of Principal Committees. I hope that can be avoided, but I doubt it can. It is okay to sit here today and say many of these savings will be cross-cutting and it creates the impression that it can almost be done painlessly, it does not need to come off the bottom line of *my* particular Committee. Somewhere else, someone else can feel the pain and can deliver the savings. If it can happen, great, but after the experience with the FTP I am highly sceptical. I do not say that there are no savings that can be generated that way; I think there are, but I think if there are going to be material savings made. It is going to have to be by cutting Principal Committee's budgets in a very overt way.

I do not want to do that, although I am not sure I can go quite as far as Deputy Yerby suggests and effectively eliminate the savings targets altogether. I do not think that that is going to be a very sensible message for Government to send out.

I think what is needed is a combination of expenditure savings, not to the extent that P&R are suggesting because I think that is unrealistic and if it is not unrealistic it would damage public services and raising additional revenue and more revenue than is suggested in P&R's Plan.

Was it Deputy Langlois, I think, who said ... or somebody said to me, this amendment is better than P&R's original Plan. Well, I am not sure about that, I am probably 50:50 on that. At the moment, the way I feel about all of this, I think, I will probably vote against the amendment. I may well vote against P&R's substantive Proposition.

I have actually become even more sceptical as the debate has gone on that we even need a medium term financial plan. I am not sure why we just cannot react to the economic circumstances and the circumstances in public finances year-by-year. I do not say that there is no merit in setting up principles in a medium term financial plan, but we are really debating things here that are quite prescriptive and I am not sure that there is very much merit in that. No doubt

2235 Deputy St Pier is going to tell me I said something differently at some point in the past, but I am not terribly keen on his Plan or their Plan or the table set out in this amendment.

**The Deputy Bailiff:** I turn to the President of the Policy & Resources Committee, Deputy St Pier, to reply on the amendment.

Deputy St Pier.

2240

**Deputy St Pier:** Thank you, sir.

I am going to avoid tedious repetition of going through all the same points that I made in opening – or I should say closing, perhaps – on the previous amendments and will just confine myself really to responding to the debate on the points raised in this particular debate.

2245 Sir, Deputies Yerby and Langlois have made a seductive argument that it is only an additional £4 million with this amendment and that in some way that makes this amendment significantly more attractive. They did not say that, but that was implicit – significantly more attractive than the last amendment.

2250 And what I would like to do is just ask Members please to turn to the table on the back of the amendment, which is marked table 2A, because I just want to draw attention to three lines in that table. The second line down in the table is 'Forecast income measures' – ignoring 2017 which is obviously the year we are in and which is the current Budget – so we are looking at 2018 through to 2021. As you will see, the forecast income measure for 2018 is £9 million, which sits against the P&R Medium Term Financial Plan, as proposed, of £3.5 million.

2255 I am particularly grateful to Deputy Fallaize for drawing attention to this because it is, I think, *totally* unrealistic to believe that it is feasible to raise an additional £9 million painlessly, which again is perhaps implicit from the amendment, from our community next year. I think to seek to do so would be reckless.

2260 But what we then see is not only do we do an additional £9 million in 2018, but an additional £9 million again on top of that £9 million in 2019, so we are extracting an additional £18 million recurring from thereon in. And as Deputy Fallaize said, that amounts to an additional £28 million extracted by Government out of the economy and out of taxpayers' pockets between now and the end of the planned period.

2265 So this is not, in any way, more attractive than the last amendment and my plea to the 27 who rejected that last amendment – do not – and I am particularly appealing, I think, to Deputy Lester Queripel – be tempted by this amendment. Those figures alone should be enough to put you off seeking to support this amendment. It is a scary amount of tax which P&R has been told to go away and extract from taxpayers in the Budget that will need to be presented in a couple of months' time.

2270 Sir, I think this amendment also totally ... and I am going to draw your attention now to the very last line on that table, which is the overall surplus/deficit, and as you will see, in essence, we move from a budgeted expectation of £5.5 million this year to, in essence, a flat position for the next four. And I think it misses the point of trying to return to financial balance.

2275 Financial balance is not simply about matching income and expenditure to zero in any given year; it is about the reserves are part of that equation, as Deputy Roffey has quite rightly pointed out. And they have been depleted over the recent years, the deficit, not as much as was anticipated, but they have been and they must be replenished and we must plan for this. This is part of attaining what we define as being a balanced position, and that is completely absent from this Plan.

2280 Sir, I think also, if I can just address some of the comments raised in debate. Deputy Prow – I am particularly grateful to Deputy Prow for engaging with Policy & Resources on this amendment, and I absolutely accept the point that he makes, sir, that transformation is a challenge. I have never shied away from that. I have said that several times in the various debates up to now, sir. But I am up for it and I am glad he is up for it. I would rather fail trying than not try at all.

2285 Deputy Tindall – I do apologise if I have missed this from the previous debate – in essence makes the question or queries around the Transformation and Transition Fund and I was grateful to Deputy Kuttelwascher for referring to that in his speech because this is about the cost of doing things differently and managing that transition from one business model or one operating model to another operating model. £25 million was put aside, as Deputy Kuttelwascher said, and we are  
2290 starting to allocate sums to enable, for example, the work within Health & Social Care and other areas.

Deputy Hansmann Rouxel said, sir, that this is just a ‘little bit more’. Well, as I hope I have demonstrated, it is not just a little bit more, it is a whole lot more. She said we need to offer solutions. Sir, this, I am afraid, is no solution. She also referred to the ‘managed decline’ of the  
2295 economy. Do not confuse the state of our economy, which as we have noted has grown, albeit more slowly in recent years, but it has continued to grow, with the state of our public finances. Our economy is emphatically not in managed decline. (**Several Members:** Hear, hear.)

I would also make the point, sir, the third line I would like to draw attention to, and others have done so, but it does bear drawing attention to again, is in the middle of the table, impact of  
2300 expenditure savings, it is just above the first line in grey, all of those have been drawn to zero so there is absolutely no expectation of being able to make any savings in the operation of Government in this period. And as I described before, sir, that is planning to fail.

Deputy Soulsby, quite rightly, said that savings can be made. Again, she, quite rightly, identified some of the challenges, not least in her area of delivering that.

2305 But if we talk about some of the so-called cross-cutting that Deputy Fallaize referred to; property rationalisation, the first phase, is expected to produce £500,000 a year recurring and that is before any capital receipts and it is only the first phase. The service redesign that has already started to take place, and we are only at the very beginning of that within the HUB and within Income Tax, is anticipated to produce savings at the moment of between £0.7 million and £1.3  
2310 million a year, recurring. So we are only at the beginning of that journey in one or two small areas of Government. In other words, that is all about the deployment of IT that a number of Members referred to.

Procurement, again, only in the last couple of months has begun to pick up pace, but £100,000 a year recurring has been saved there as well. So undoubtedly, there are opportunities that were  
2315 not picked up in the last round of the Financial Transformation Programme that are now available for us to take.

Deputy Yerby also said that the Plan ignored Economic Development’s plans for growth. Well, to be fair, those plans were not available at the time that the Medium Term Financial Plan was being drawn up and put to bed. And, of course, the plans, as presented by Economic  
2320 Development, are largely untested and un-costed at the moment, so that is further work that needs to be done, and hopefully that will help us on the upside.

She also said that we had not investigated the cost of delivery ... sorry, we need to invest ahead of the delivery of savings. That is specifically referred to in paragraph 5.40 and, of course, underpinned, as I have said in response to Deputy Tindall, the establishment of the  
2325 Transformation and Transition Fund.

She also made the point about this was all about fees and charges, a stealth tax was used; it is a nice, easy and quite emotive term to use, ‘stealth taxes’; but, sir, in the context of the work undertaken within Home and Education, Sport & Culture, is it a stealth tax for us to be saying to the commercial users of the Guernsey Trading Agency that you should be paying a commercial  
2330 rate? Or for those who are in risk of breaking the law in relation to the importation of goods subject to excise duty that they should not be paying fully for the cost of that or that those who unnecessarily call out the fire service repeatedly should not be subject to charges. I think it is entirely reasonable that the user pays in some of those circumstances. That is why we have policies that over the years have moved us from a position where if you wanted a housing licence  
2335 or if you wanted a planning application you did not pay anything for it. Now none of us would

accept that that is sensible and that is all that is being made here. So let's move away from the emotion of stealth taxes and deal with it at the level that we should deal with it.

On that basis, sir, I do, again, strongly encourage all those who rejected the last amendment plus others, to also reject this amendment, sir.

2340

**The Deputy Bailiff:** Deputy Yerby, as the proposer of this amendment, to reply to the debate on it.

Deputy Yerby.

2345

**Deputy Yerby:** Thank you, sir; just a few points to respond to.

Notwithstanding what Deputy Fallaize said in his speech, I would invite him and Deputy Roffey and others who are not sure where they stand on this amendment to imagine what it would have been like if this had been the baseline included in P&R's Medium Term Financial Plan.

2350

There would, no doubt, have been amendments against it. Others do not see the financial world exactly as I see it, but one cannot amend an amendment.

2355

The extent to which this discussion can reach a conclusion with which we are all happy is limited and that is the case with every policy change that is brought in by amendment. But I argue that we would be in a much better place, nevertheless, if this were the baseline, and if we saved the amendments that we might have made in this debate, instead, for the Budget debate in three months' time. If P&R were to bring forward proposals which were constructed around the guidelines that are set down in this amendment then there is room for manoeuvre, for example, for Deputy Langlois around his concerns about capital if he wishes to pursue those or for Deputy Roffey with his concerns about surplus if he wishes to pursue those at Budget time. But we have got something more meaningful and more realistic to work with in the first place.

2360

As an aside, I note that going into surplus is balancing the books when it suits Deputy St Pier, putting money into our reserves is balancing the books when it suits Deputy St Pier, or creating a surplus when it suits him. I would argue that balancing the books is exactly that, achieving a balance.

2365

What has really surprised me most about this debate, and to some extent its predecessor, is the extent to which most Members of this Assembly seem willing to swallow Policy & Resources' proposed £14 million increase in taxes, as if that was somehow the universal and only answer to our financial situation – not a penny more but not a penny less either. No amendments have come forward to the contrary. (**A Member:** Hear, hear.)

2370

Why? Why do we suddenly stop trusting our own judgement as soon as numbers are involved? And similarly, what have we heard that makes us think that £3.5 million in taxes next year is credible but £9 million is not? No more proof has been advanced for P&R's case than has been for the case in this amendment.

2375

I would also remind Deputies who have been throwing around a term 'tax and spend' not to forget why we are here. Government exists to provide services to the community where the market fails. (**A Member:** Hear, hear.) It does not exist to compete with the market – that happens fine. But we are all tax and spend Deputies. We raise the money to provide the services that no one else is going to do that we know are essential for the public. We are all tax and spend or else we can just go home. (*Laughter*) (**A Member:** More!) (*Laughter*)

2380

In answer to the two questions raised, Deputy Tindall asked whether there was a transformation and transition fund, and she is right, although it is somewhat impregnable, but it will also cover only a fraction of what needs to be done over the few years.

2385

Deputy Queripel asked how I envisaged that any savings would be reinvested in public services and whether I felt there would need to be a whole review and prioritisation process. My answer to him is really that it is six of one and half a dozen of the other. Ideally, we would have been further along in this Policy & Resource Plan debate. The idea was that Phase 2 would be around a prioritised set of Government actions and that would have made it far easier for us to say what is going to be vitally important over the next four years. But, of course, we are not quite there and

we already acknowledge that there will be more prioritisation in the next phase of this work, more prioritisation working towards the Budget.

2390 But, what I really envisage, as I set out in my opening speech, is that there will be ongoing, mature dialogue between Policy & Resources and the Committees which makes it possible to save and reinvest as we go along in a very sensible and pragmatic way.

In response to the one additional point that Deputy St Pier made, yes, of course, it is reasonable that the user pays in certain circumstances and I never sought to argue against that.  
2395 What it is not reasonable to do is to call new charges 'savings' because they are not. (**A Member:** Hear, hear.)

In response to Deputy Soulsby's comment that the central initiative achieved by the FTP, the HUB is now proving to be a success, that is as it may be, but it is the one central initiative achieved by the FTP because central initiatives are hard to do. Procurement, which is a feature of this  
2400 Medium Term Financial Plan was also, if I remember rightly, a significant feature of the FTP. The savings achieved there were on nothing like the scale envisaged because they are not easy to achieve and they will not prove to be easy to achieve over the lifetime of this Plan either.

Finally, and in response to a point raised by Deputy Fallaize, I agree that there was not really ever any call for P&R to bring a medium term financial plan to the States. The direction that they  
2405 have in the fiscal framework is to bring a credible fiscal strategy to the States. This is neither credible nor a fiscal strategy, (*Laughter*) but it is what we have got and we ought to make the best of a bad job, as Deputy Hansmann Rouxel pointed out.

Like Deputy Fallaize, if this amendment loses I will vote against the Propositions because I do not think that they are anything like credible, but I think that that would be something of a  
2410 pathetic position to be in and I would far rather be putting something constructive forward and having that to build on.

So I would urge Members to be honest with themselves and with the public and to support this amendment.

2415 **The Deputy Bailiff:** Members of the States, we turn to the vote on amendment number 12, proposed by –

**Deputy Lester Queripel:** Could I have a recorded vote please, sir?

2420 **The Deputy Bailiff:** Please do not interrupt me, Deputy Lester Queripel.

Proposed by Deputy Yerby and seconded by Deputy Langlois, and there is a request for a recorded vote please, Greffier.

**Deputy Lester Queripel:** Thank you, sir.

*There was a recorded vote.*

2425 **The Deputy Bailiff:** Hon. Members of the States, I think that was lost. I will declare the result formally, as has become the pattern, in due course, but I would invite you to turn reasonably swiftly to the next amendment to be placed, which is amendment number 3, to be proposed by Deputy Roffey.

Deputy Roffey.

2430 **Deputy Roffey:** Seconded by Deputy Fallaize, sir, yes.

**The Deputy Bailiff:** Do you wish to have it read by the Greffier?

*Amendment 3.*

*To insert a new Proposition 5A between Propositions 5 and 6 as follows:*

5A. a) *To instruct the Policy & Resources Committee, in consultation with the Committee for the Environment & Infrastructure, to consider and review the best way of raising revenues from motoring in future, taking into account the ongoing reduction in fuel sales.*

b) *To agree that the focus of the review shall be on how to achieve the maximum sustainability of this source of States' revenue rather than on increasing the total amount of taxation levied on motoring in Guernsey.*

c) *To instruct the Policy & Resources Committee to report back with its conclusions in sufficient time for any proposals flowing from the review to be included in the budget for 2019.*

**Deputy Roffey:** No, I am assuming that people will have read it and be aware of it.

2435 It has been drawn to my attention over lunchtime, something I must admit I was unaware, that Policy & Resources are not resisting this amendment and therefore my beautifully long-crafted speech can be cut far shorter! But I cannot get rid of it all together. Just because the five Members of P&R are not opposed to this does not mean that there aren't other people around the Chamber who are.

2440 So briefly, sir, there is only one motivating factor behind this amendment and that is the complete unsustainability of our current way of raising revenue from motoring. The consumption of petrol and diesel has entered the early phases of a terminal decline and to some extent that relentless trend is illustrated by a graph in this report. But even that really understates the problem because it shows a straight line decline. The reality is not only will that trend accelerate  
2445 but the rate of acceleration will increase.

This will suddenly become a very large problem indeed. Why? Because most of the reduction so far has been due to the internal combustion engine used in cars becoming more fuel efficient but now we are starting to see something very different.

2450 More and more Islanders are buying hybrid cars, which use far less fuel, and we are now even seeing the modest start of a new trend toward fully electric vehicles in the Island. Will this continue? Well, yes, of course it will, and it will gather pace. And I do not need to be prescient to know that, because Guernsey is very at the forefront of this revolution and we only have to look at what is happening elsewhere.

2455 So, what should our response be? Well, of course, we could simply allow the amount that we generate to general revenue from motoring, about £20 million at the moment, to decline. But if we have learned anything from the last day and three quarters of debate, it is surely that we cannot afford to allow any source of revenue to decline.

2460 Alternatively, I suppose we could just increase the duties on fuel to maintain income from this source, despite falling fuel sales, but that strategy has a number of fatal flaws. Firstly, it is not politically deliverable. Most other places do not have this problem because most other places tax motoring in a number of different ways, so our fuel would rapidly become the most expensive in Europe and public resistance would become intense, particularly from commercial road users. Frankly, sir, I do not find this Assembly to be *that* good at resisting public lobbying, (*Laughter*) so I doubt it would be able to drive through that particular policy.

2465 Secondly, such a strategy would actually be self-defeating because as the price of fuel sky rocketed, more and more people would be incentivised to go for hybrid or electric vehicles and the decline in fuel sales would accelerate even more quickly. That in turn would mean that we would have to put up the duties even more to maintain the £20 million income which would cause even more people to swap and it would be, as I say, a vicious cycle.

2470 Environmentally, I suppose you could see it as a very virtuous cycle because it would be encouraging people to move towards the cleaner way of propulsion. The trouble is, as a way of maintaining public revenues, it is absolutely bonkers.

2475 It would also be completely unfair and regressive. Now, it may not always be the case in the future, but at the moment while the running costs of electric and hybrid vehicles are far less than those with internal combustion engines, the initial capital costs are *much* higher. That means that the first people to swap are the better off and the last people to swap will be those on low

incomes. And yet we will be piling more and more taxes on the owners of traditional internal combustion engine vehicles while not raising a penny from the relatively wealthy owners of those expensive electric cars. It would be the motoring equivalent of doubling the impôt on Côtes du Rhône while making Nuits-St-Georges completely duty free – not a policy that I could live with, well, the second part of it I probably could actually! *(Laughter)*

So what is the answer? Well, we cannot tax electricity that the electric cars use because then we would have to tax all electricity, hardly a progressive or socially inclusive move. I suppose you could say – sorry, Deputy St Pier, through you, sir – I suppose you could say they are expecting Guernsey Electricity to return dividends at a higher level to general revenue is effectively doing just that, taxing electricity, but that is an argument for later in the debate when we get on to general debate.

Back to this £20 million that we currently raise through fuel duties, I am not trying to increase it. I know there are Members of this Assembly who believe we should be. We know we need more revenue, some people feel that the motorist should be a cash cow. I can see two of them sitting on my left, sir.

This is not what this amendment is about. There is nothing, whatever our system for raising money from motorists, to stop P&R trying to raise more if they want to, whether that is from duty on fuel or through some new system, but this is about swapping from an unsustainable system to a sustainable system. It is not about trying to raise more revenue in itself.

Sir, we clearly need a new strategy. It is clear that the old one is unsustainable and that is all this amendment puts forward.

It does not propose a particular replacement, it does not propose what you all probably know Deputy Roffey would quite like to see as a replacement; it just asks for this whole area to be looked at and for us to come up with something sustainable. I understand P&R already are doing some initial work with this and I think it makes absolute sense that Environment & Infrastructure should be involved in that as well.

I hope that this can be a relatively quick debate, but who knows.

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

**Deputy Fallaize:** Yes, sir.

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

Members, the voting on amendment number 12, proposed by Deputy Yerby and seconded by Deputy Langlois, was as follows: Pour 7, Contre 33. I declare the amendment lost.

*Not carried – Pour 7, Contre 33, Ne vote pas 0, Absent 0*

POUR	CONTRE	NE VOTE PAS	ABSENT
Deputy Dorey	Deputy Graham	None	None
Deputy Yerby	Deputy Green		
Deputy Langlois	Deputy Paint		
Deputy Brehaut	Deputy Le Tocq		
Deputy Tooley	Deputy Brouard		
Deputy Gollop	Deputy Dudley-Owen		
Deputy Hansmann Rouxel	Deputy De Lisle		
	Deputy Soulsby		
	Deputy de Sausmarez		
	Deputy Roffey		
	Deputy Prow		
	Deputy Oliver		
	Alderney Rep. Jean		
	Alderney Rep. McKinley		
	Deputy Ferbrache		
	Deputy Kuttelwascher		
	Deputy Tindall		

Deputy Parkinson  
Deputy Lester Queripel  
Deputy Le Clerc  
Deputy Leadbeater  
Deputy Mooney  
Deputy Trott  
Deputy Le Pelley  
Deputy Merrett  
Deputy St Pier  
Deputy Stephens  
Deputy Meerveld  
Deputy Fallaize  
Deputy Inder  
Deputy Lowe  
Deputy Laurie Queripel  
Deputy Smithies

**The Deputy Bailiff:** Deputy St Pier, do you wish to exercise your entitlement to speak at this stage?

2515 **Deputy St Pier:** I do, sir.

**The Deputy Bailiff:** Thank you.

**Deputy St Pier:** Thank you, sir.

2520 I am rising to indicate the Policy & Resources Committee's support for this amendment. It is not enthusiastic support in the sense that –

**A Member:** Oh, come on! *(Laughter)*

2525 **Deputy St Pier:** – we particularly want ... let me clarify this. In the sense that we particularly want to do this work, but we recognise we have to do this work. That is the reality and that is reflected in sub paragraph (a):

... taking into account the ongoing reduction in fuel sales.

2530 That is an issue which myself and other members of Policy & Resources have identified as being an ongoing trend. Consumption is falling about 2% or 3% a year so this is a problem that simply has to be tackled. It is inevitably politically controversial, we all know that.

2535 So it is simply the inconvenient truth that possibly the impact of raising fuel duty combined with the improved efficiency of engines is leading to the reduction in the consumption which, of course, produces environmental benefits, so we are kind of the victims of our own success in terms of reduced fuel use but the inconvenient truth is we need the revenue to fund our other services on which we all rely and enjoy.

It is a challenge which has to be faced. It is one that we had already accepted was something that needed to be looked at, which is why we are very happy to endorse or to support the amendment.

2540 I should say, for the avoidance of doubt, and again to neutralise external comments that merely because we are supportive of this does not mean that those who are proposing and seconding this either are necessarily supportive of any of the solutions that have already been put out there such as width taxes and so on. There is no presumption in supporting this amendment that we are moving straight to that kind of solution which has been debated with such contention over the last couple of years.

2545 So we support the amendment simply because we recognise the work needs to be done because of the trends in fuel sales over the last few years.

**The Deputy Bailiff:** Before I call the next Member to speak, is there any Member who was just about to stand or who was going to stand in future who wants to speak against the insertion of Proposition 5A into the set of original Propositions, because I will take them next?

Deputy Lowe.

**Deputy Lowe:** Thank you, sir.

Yes, I am going to vote against this one. I understand the review is going to take place and it is already taking place but I am going to vote against it because I just think this is going to hit businesses. Where we are having another look at this, it is an open secret about the wishful width tax to come back, Deputy Roffey has made that public before, where he thinks that is a good idea, it should come back. It is because it has been successful, because of modern cars that the duty has gone down.

So we have to make up our minds really. It is the same as duty on alcohol – that has gone down. That is because we have a Drug & Alcohol Strategy, so if you do not want the duty to go down you could save money and not have the Drug & Alcohol Strategy of staff going out there trying to get people not to drink so much and have a healthier lifestyle. So you cannot have your cake and eat it really. We do need a complete overview of what we were doing regarding duty, with regard to fuel because, again, I just think this is going to be an area which will cause a lot of concern to many people.

The numbers on the buses have gone up – that is great news – and we welcome that. Now, that is heavily subsidised so it will be hitting the numbers of vehicles, those are the motorists again for the fewer, because the numbers are down on those that have got vehicles because they are using the bus service. So it is hitting again a smaller number rather than the larger number that we had previously, because we are encouraging them to go on the subsidised bus service.

Again, I just think that we probably do need a review, but Policy & Resources are already doing it. I think it is much wider than that and I have serious concerns about the ramifications for businesses.

**The Deputy Bailiff:** Deputy Gollop.

**Deputy Gollop:** Sir, I am not going to vote against this because it is an issue that we tried to grapple even in the last States and many before that. But I would point out that when I said, in the spirit of semi-mirth, that motoring is a 'cash cow' it referred not just to one of the Island's national iconic symbols but also to, I think, the management consultancy group, the Boston Matrix, who had stars that were going upwards that you could raise revenue from and dogs that you were becoming a bit extinct in terms of their ability to generate surplus.

And a cash cow is a product that you can use as your staple money-making endeavour. Now, actually it is possibly no longer an apposite thing to say about the motorists, because if what Deputy Roffey is saying is completely true, and the trends back him up, we are seeing a declining amount of revenue from motoring for some of the reasons himself and Deputy Lowe have raised.

What I do hope, when this amendment is passed, Policy & Resources do, in conjunction with other States' Principal Committees, is to approach the subject perhaps in a different way than their predecessors, because in the past we have seen a lot of brave environmental thinking and work and new approaches stated, but you have then got populist push back. I think if we work in conjunction with business organisations and the motoring industry – which does employ many hundreds of people, many thousands – it would be perhaps easier to get consensus rather than what amounted to yo-yo governance in the past.

To put it simply, if one can reach arrangements with the motor traders of what they would find a useful way forward might be easier than something that puts that industry at odds with us.

But I would say, despite what Deputy Roffey says, that we are still under charging the motorist in many ways. Deputy Roffey said we have almost got some of the highest fuel levies around the western world – well, Alderney is much worse. In Alderney the price of petrol is about 40p more a

2600 litre than here and, of course, we do not have, as Deputy Kuttelwascher reminded us and others, GST on fuel or VAT on fuel. So, all of our mounting on fuel goes in a particular way. I have some other points on GST but may make them in a different amendment.

But I think we do have to grasp this particular nettle and support a review that actually delivers sustainability.

2605

**The Deputy Bailiff:** Deputy Fallaize.

**Deputy Fallaize:** Thank you, sir.

2610 We are, of course, an Island with a narrow tax base, we have been for a long time. Despite that fact, a decade or so ago the States decided, in their wisdom, that it would be a good idea to narrow it further and to eliminate altogether one form of tax that was collecting several millions of pounds a year – motor tax – and transfer it onto another existing tax, fuel duty. And even then I think it was predicted that fuel duty or consumption of fuel would be in terminal decline and therefore the collection of duty would be as well. It was not perhaps in as sharp a focus as it is today, but it was still predicted and that has now, of course, become more apparent.

2615 Deputy Lowe, in a sense, makes a fair point because fuel duty is a consumption tax and therefore in distributional terms it is regressive, in that it takes no account of ability to pay, at least if one excludes the fact that the poorest members of our society are very unlikely to drive.

2620 But the amendment actually does not even go as far as Deputy St Pier suggested. Not only does it not set out the way in which taxes should be raised from motoring in the future, it does not actually say that the same amount must be raised. It might imply that in (b) but it does not actually say that.

In (a) it asks P&R to consider:

... the best way of raising revenues from motoring in the future

2625 In (b) it says the focus should be on achieving 'maximum sustainability'. Well, that does not have to mean continuing at the present level, if P&R reach different conclusions. And (c) instructs P&R to come back with conclusions.

2630 At the very least, even if P&R were to reach the view – I think it might be a slightly bizarre one – that it would be a good idea to allow taxes from motoring to decline, at the very least this amendment identifies that they need to address the effects of that. In other words, they would need to propose compensating revenue-raising measures elsewhere.

2635 So I cannot see the reason for voting against this amendment unless the view is that we should accept the decline in motoring revenue and we should do absolutely nothing about it, either by raising more revenue or raising the same revenue in different ways from motoring, or raising the same amount of revenue but in a different way from some other source. Unless one takes that view, there is no reason to vote against the amendment.

2640 There are really three choices that face the States with motoring revenue: either the States can increase revenue from motoring – I do not think there is going to be very much appetite for that, certainly there is not publically, I doubt there is going to be in the States; or the States can deliberately allow the revenue from motoring to decline, in which case the States do not need to do anything in terms of policy because it is declining today and accept the consequences, it means there will be less revenue coming in to the Exchequer and there will be less revenue to spend on services; or take the view that as a general principle it is a good idea to raise roughly the same amount of revenue from motoring that we do today. Well, if that is the decision then it is going to be necessary to change at least an element of the way in which we collect tax from motoring because it is in terminal and structural decline.

2645 Lastly, I think the timing is quite important because this is not a problem for the long term; this is a problem that exists now. In fact, it is a problem that has existed for the last few years and it needs to be dealt with now. P&R needs to come forward with proposals as soon as possible and

the timeline in this amendment is effectively 15 months because it means that in the Budget that is presented next year they would have, at least, to start making proposals.

I cannot see any alternative to this amendment. Whether it is desirable or not is another matter, but it seems to me essential.

**The Deputy Bailiff:** Deputy Trott.

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

I will be very brief because I think this is as much about price elasticity as anything else. Consumption of fuel purchases in Guernsey is falling and, with it, tax revenues. However, usage probably is not and if it is, it will be very marginal.

Sir, in yesteryear local cars travelling back from France or the UK came back on fumes, or at least my father's did, being a good old traditional Guernseyman! But not anymore, sir.

Taxing fuel at the levels we have has been a moderately successful policy at best and here is why: I was fortunate enough over Easter to travel to the UK with my car, wife and family, and then to France. Now, in the UK diesel was 5% cheaper, despite the fact that there is 20% value added tax on diesel in the UK; and in France it was even more noticeable because in France the price of a litre of diesel was the same in Euros as it was here in Sterling, or if you prefer, some 16% or 17% cheaper. That is why our revenues are falling, because Guernsey folk come back with full tanks, so the environmental success of the policy has been marginal at best whereas the effect on tax revenues has been noticeable.

That is not to say I am not going to support the amendment, because I am, but it is to say that I agree with Deputy Roffey, that we have reached the point now where taxing fuel is – without very significant increases, which are extremely unlikely to be palatable to the community – of no use.

I can tell you what would be a more effective policy – it would not affect consumption because it would remain the same but it would certainly affect tax revenues – cut the price of fuel by 5p because then it would be equivalent with the UK, there would be no benefit in filling up and it would only be those travelling back from France who would sensibly take advantage of the 17% discount that a French garage would offer.

Thank you, sir.

**The Deputy Bailiff:** Deputy Merrett.

**Deputy Merrett:** Thank you, sir.

I would welcome the review, and I welcome the fact it is about sustaining the tax intake, not necessarily increasing it, but I am really confused as to what we could do, what examples of sustainable revenue could be.

I really do believe quite strongly in the user pays model, for example, so the user pays. If we are talking about taxing motorists by – I do not know – paid parking, are we talking about a tax on the car? I just do not know what P&R could come up with; that is why I welcome the review.

But I do echo some of the concerns of Deputy Lowe and that is: I would urge P&R, when doing this review, just to consider the leisure versus the commercial usage of vehicles to ensure that commercial vehicles, vehicles that are needed and required for business on the Island, are not unfairly affected by any particular tax or potential increases. So there is a potential there to look at leisure usage of vehicles compared to commercial and I would really like to see that come through in the review.

Thank you, sir.

**The Deputy Bailiff:** Deputy Brehaut.

**Deputy Brehaut:** Thank you very much, sir.

For anyone who did see the hydrocarbons presentation, there was a pie chart or a wagon wheel diagram that was described and it showed very graphically that consumption of both diesel and petrol are going down.

2705 The point being made was that a vehicle purchased now is 30% more fuel efficient than a vehicle purchased in 2007, so those are petrol and diesel vehicles. Then you have got hybrids, then you have got electric vehicles so the revenue obviously is falling away. People say, 'But isn't that the behaviour you wanted? Didn't you want people to buy more fuel efficient cars? Didn't you want them to change their behaviour?' But actually it is markets outside of Guernsey that have dictated that, because of legislation in other places, for example, cars we import have become more fuel efficient.

2710 This idea that it hits businesses ... a business of any size, from the vehicle fleet owner to the jobbing electrician or plumber that is going round and round this Island every day, petrol hits them; it hits them very hard. If you had an annual tax, for example, and it could be width, it is a possibility. We could look at that, squaring width and emissions to give us a number possibly and annualise that to get the revenue in. But for the small businessman and the big businessman, it is hitting them now very hard because of the mileage that they put in.

I do need to say for clarification, Environment & Infrastructure do not receive the revenue from fuel sales. People always think that, they think that; the money taken at the pump comes to E&I and we then spend it on road infrastructure and things, which we do not.

2720 I was interested to hear that alcohol consumption is going down. That was not my understanding. I do not know whether Deputy Soulsby could add anything on that. *(Laughter)* I can't imagine ... Sorry! *(Laughter)* Let me be clear! – The point I am making, in her capacity, through you, sir, as President of the Committee for Health & Social Care, they may have a view – and possibly the committees of the ownership of the Alcohol & Drug Strategy – as to the Island's overall consumption of alcohol, including that of Deputy Soulsby. *(Laughter)*

2725 Can we just not, please, in debate take every opportunity to have a wry aside at the expense of the bus service? The bus service is fantastic. Yes, it is heavily subsidised; we know that. We know that ridership is up and we know that people who use the bus service contribute to the community in so many different ways. Let's not take every tangential opportunity to have a stab at the bus service, please.

2730 And there is an interesting ... with regard to the Halcrow formula that is used, for example, with regard to taxis. It is frequently revisited but, of course, if you are a taxi driver with a hybrid, and there is a formula for that, then presumably if you are the owner of a taxi that is either diesel or petrol, it may impact on your cost disproportionately. So that is something else we have to bear in mind.

2735 I will be supporting this amendment, sir, thank you.

**The Deputy Bailiff:** Deputy Leadbeater.

2740 **Deputy Leadbeater:** Sir, I would just like to pick up on a couple of points that Deputy Brehaut made there actually about business users. Deputy Lowe and Deputy Merrett are concerned about any changes in the way that we tax motoring that would affect business users.

I have got to agree with Deputy Brehaut: as a business owner for 15 years, when they changed to taxing at the pumps it hit everybody really hard. **(A Member:** Hear, hear.) Commercial vehicles have got to move around the Island, they have got no choice, that is the only way that they can get their jobs done, and I will welcome a change in our motor tax revenue-raising measures.

**The Deputy Bailiff:** Deputy de Lisle.

2750 **Deputy de Lisle:** Sir, I just want to express the point that I look on this as an environmental positive. As a community, we are benefiting from more fuel efficient cars and reduced pollution emissions, and I think we should be hailing this as a real positive in this community where we are

concerned about all the health effects from pollution and the fact that we are always striving for more efficiency.

2755 I would not want to see that we damage an environmental positive by increased taxation elsewhere, so I think we have to be very careful in whatever we do in reviewing this particular area of Government.

Thank you, sir.

2760 **The Deputy Bailiff:** Deputy Parkinson.

**Deputy Parkinson:** Sir, can I invoke Rule 26 (1)?

2765 **The Deputy Bailiff:** Can I therefore invite those Members who wish debate to continue to stand in their places. *(Laughter)*

On that basis, there is no need for Rule 26 (1), Deputy Parkinson!

Deputy Roffey, as the proposer of the amendment, to reply to the debate.

**Deputy Roffey:** Thank you very much, sir.

2770 I think, at your invitation, there was only one person that spoke against it. Deputy Lowe did leave me slightly confused; I think she said something like, 'What we need is a real review of this whole area. This amendment is sort of calling for a review of this whole area.' *(Laughter)* So I hope I can persuade her to change her mind.

2775 Deputy Gollop says really what you need to do is go and talk to the motor traders and find out what is acceptable to them. Well, Deputy Kuttelwascher and I did that last November, brought an amendment to the Budget, which had the full support of the motor traders and it did not get supported, so I am not sure that is always the right strategy. Nor am I sure they should be given any kind of veto over Government policy either. But, yes, if we can find a way forward that has general support across the community, including the motor traders, then obviously that is a good thing.

2780 Deputy Trott gave us his experience of taking his car first to England and then to France. I think he carried on; I think he went along that road to Damascus, *(Laughter)* because he has always been a big supporter of putting everything on fuel in the past and I think he has seen the light.

2785 A number of people mentioned commercial vehicles. To some extent they have been answered by Deputy Brehaut and Deputy Leadbeater, actually – they are the ones that are being hit by the current policy because they use more fuel than anybody else. I would just add, it is not just them. They do not absorb these costs – they pass them on. It is actually adding to the cost of doing business in Guernsey which is adding to the bills of consumers.

2790 Deputy Merritt did say, 'Can we have some ideas?' I would love to do that. Let me confess, if P&R and E&I invite States' Members to make suggestions I will suggest that one way to go might be to have an annual motor tax instead of a tax on fuel and I might suggest that rather than doing it by weight, which is the way we used to do it, there might be some sense, given the growing size of vehicles and our skinny little road system, to look at whether width might be a basis. But there is nothing inherent in passing this amendment that suggests any kind of support for that

2795 whatsoever. It is absolutely a blank sheet of paper saying what is happening now cannot carry on; let's find a new way forward. And what I think may well be in a minority of one. She asked for an idea, so I give her my idea, but she should not conclude from that, sir – I say 'she', that was through the Bailiff, I would be saying 'you' if I was talking to you ... I would be saying 'you' if I was speaking to her. *(Laughter)*

2800 So, sir, there has only been one person against and I think she is really in favour, so let's get on and vote on this *(Laughter)*.

**The Deputy Bailiff:** Members of the States, we turn to the vote on amendment number 3, proposed by Deputy Roffey and seconded by Deputy Fallaize to insert a new Proposition 5A into the set of original Propositions.

*Members voted Pour.*

**The Deputy Bailiff:** I declare that carried.

The next amendment, Members of the States, on the Agenda is numbered 18, to be laid by Deputy de Sausmarez.

Do you still wish to lay your amendment, Deputy de Sausmarez?

**Deputy de Sausmarez:** No, sir, I do not see any need.

Thank you.

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

We will move swiftly on to amendment numbered 6, to be proposed by Deputy Yerby. Deputy Yerby.

*Amendment:*

*A new Proposition 1A as follows:*

*'To direct the Policy and Resources Committee, in developing its proposals for new income measures from 2018 onwards, to examine the merits and disadvantages of the following forms of taxation (listed at a-f below), with a clear presumption that over this period the tax base will diversify into at least one or two such taxes, which are consistent with the principles of seeking a greater contribution from those most able to pay and recognising the need to look beyond the in-work population in order to do so (especially in light of the island's changing demographics):*

*a. Land;*

*b. Property;*

*c. Capital assets;*

*d. A banded system of income tax, to include a top band at either 21%, 22% or 25%;*

*e. Luxury goods;*

*f. Environmental taxes;*

*Or any other form of taxation or duty which the Committee considers will achieve the principles set out above.'*

**Deputy Yerby:** Thank you, sir.

Deputy de Sausmarez will second the amendment.

Sir, I will be brief, as much has already been said in the debate on the very first amendment, but I am continuing to lay this amendment because I think what will be said is still worth saying.

The challenge in the debate on the very first amendment was the question around what P&R intend to do to diversify the tax base. There was maybe a flimsy answer to that but not really anything at all. This amendment spells it out and spells it out in a way that ensures that whatever P&R do, it must target those who can most afford to pay.

Now, in the debate on the first amendment, Deputy Le Tocq suggested my innocence. He referred to a prior debate on the Open Market and suggested that whatever triggered that, those who were involved in it were unaware of the consequences. Well, I wish I could claim innocence on this but I am afraid that is not the case. I am conscious of what I am doing and I think it is worth putting it to the test.

My question to this States is why we should treat the sensitivity of the rich with kid gloves when we walk all over the life of the poor. Members should recall that for people on benefits who are earning, after the first £30 of earning above their requirement we remove benefit pound for pound. Imagine if we taxed the rich pound for pound on any proportion of their earnings? Or

2835 imagine if we treated savings through taxation in the same way as we treat savings and nest egg  
caps for those in social housing. We have a complete double standard in the way we approach the  
financial affairs of our society, depending on whether the people whose lives we are affecting are  
the richer or the poorer in our society.

And, sir, human behaviour and the things that incentivise us as humans to work, to engage in  
our community, to save, whatever, do not radically change depending on the amount of wealth  
2840 that we have. Sure, they change a bit because of loss aversion, but fundamentally we are still the  
same people.

It seems to me, sir, that many of the taxes listed in this amendment, and especially as  
demonstrated by the earlier debate, taxes associated with capital, are the taxes that dare not  
speak their name and I ask why that must be so? Because if we cannot talk about investigating  
2845 them there is no way we will ever be able to talk about actually raising them. (**A Member:** Hear,  
hear.)

If we ever, genuinely, want to diversify our tax base, and we want to do it in the way that we  
claimed in this debate in the first phase of the P&R Plan, in our budgets and elsewhere, then we  
have to break this taboo. And the first step is to dare to spell out what kind of taxes would be the  
2850 taxes that affect those who can afford to pay; what kind of taxes P&R should therefore investigate  
when they say they are going to diversify the tax base.

It was abundantly clear from the first debate that there is a group of Members in this Assembly  
who genuinely do want to diversify the tax base in that way, but who are particularly averse to the  
question of capital taxes. To those Members, I would suggest voting to insert this amendment in  
2855 the Propositions, in the P&R Plan; and then when it comes to the Propositions, Members will see  
that the various taxes to be investigated are itemised. There is precedent from the last debate that  
we can vote on sub-Propositions individually and Members who wish to do so may want to vote  
separately on sub-Proposition (c) on capital assets and to vote it out of the list. Now, I will not be  
doing that but, of course, other Members can and that would be the way forward that is most  
2860 consistent with what we have already decided in the debate on the first amendment, whilst still  
very clearly holding Policy & Resources to account for properly diversifying the tax base in the  
way that we have already said, towards those who can most afford it.

What are Policy & Resources afraid of? Sir, I ask Members to support this amendment.

2865 **The Deputy Bailiff:** Deputy de Sausmarez, do you –

**Deputy Kuttelwascher:** Sir, can I invoke Rule 26(1) please, which I think I can at this stage, or  
is it 24?

2870 **The Deputy Bailiff:** Deputy Kuttelwascher, if you would just wait a little bit!

Can we have the amendment seconded first, please?

Deputy de Sausmarez, do you formally second the amendment?

**Deputy de Sausmarez:** I do.

2875 **The Deputy Bailiff:** Deputy Meerveld.

**Deputy Meerveld:** Sir, I would like to invoke Rule 24(4).

**The Deputy Bailiff:** Very well.

2880 Rule 24(4) is the one that you are familiar with, Members, that if there are fewer than seven Members standing when invited to do so, the amendment will not be debated and no vote taken thereon.

So the Members who wish to debate this amendment should stand in their places now, please ... quite a few more than seven.

2885 Deputy St Pier, do wish to exercise your right to speak at this stage?

**Deputy St Pier:** I do not, sir.

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

2890 So nobody wishes to speak on the amendment! *(Laughter)*

Deputy Kuttelwascher.

**Deputy Kuttelwascher:** Sir, if this is the right time I would still like to invoke the guillotine motion. It is 26(1) or 24(1) – it is 26(1), I think.

2895

**The Deputy Bailiff:** It is 26(1).

Accordingly, will those who wish to speak in this debate stand in their places.

Do you still wish to invoke Rule 26(1), Deputy Kuttelwascher?

2900 **Deputy Kuttelwascher:** I do, sir.

**The Deputy Bailiff:** Right, I am going to put the motion that debate be closed to you. Those in favour; those against.

*Some Members voted Pour, other Members voted Contre.*

**The Deputy Bailiff:** I think we might have to have a recorded vote on that basis, please.

*There was a recorded vote.*

2905 **The Deputy Bailiff:** I think we are going to have to wait for the result there because that was on a knife edge, Members of the States!

*Not carried – Pour 19, Contre 20, Ne vote pas 1, Absent 0*

POUR	CONTRE	NE VOTE PAS	ABSENT
Deputy Le Tocq	Deputy Graham	Deputy Brouard	None
Deputy De Lisle	Deputy Green		
Deputy Soulsby	Deputy Paint		
Deputy Prow	Deputy Dorey		
Deputy Oliver	Deputy Dudley-Owen		
Alderney Rep. Jean	Deputy Yerby		
Alderney Rep. McKinley	Deputy Langlois		
Deputy Kuttelwascher	Deputy de Sausmarez		
Deputy Tindall	Deputy Roffey		
Deputy Le Clerc	Deputy Ferbrache		
Deputy Leadbeater	Deputy Brehaut		
Deputy Mooney	Deputy Tooley		
Deputy Trott	Deputy Gollop		
Deputy St Pier	Deputy Parkinson		
Deputy Stephens	Deputy Lester Queripel		
Deputy Meerveld	Deputy Le Pelley		
Deputy Inder	Deputy Merrett		

Deputy Lowe  
Deputy Smithies

Deputy Fallaize  
Deputy Laurie Queripel  
Deputy Hansmann Rouxel

**The Deputy Bailiff:** Members of the States, on the motion pursuant to Rule (26)1 of the Rules of Procedure, proposed by Deputy Kuttelwascher, they voted in favour of ceasing debate on this amendment 19, against 20, one abstention. I declare the motion lost, debate will continue.

Will those who wish to speak stand in their places?

Deputy Dudley-Owen.

**Deputy Dudley-Owen:** Thank you, sir.

I cannot understand, sir, why we are fettering ourselves and only looking at tax takers as the sole route to providing public services. We do need to broaden our view.

A lot has already been said during this debate about ways to raise revenue, focusing on taxes and this amendment is entrenching us further down this route. In my view, given the nature of our current tax take and our reliance on it to fuel our economy, it is also very misguided.

I supported the P&R amendment on the 26th, which we tackled first in this debate and in the context of our current tax structure, I support the premise of taxing those better able to shoulder the burden in terms of individuals and entities, and was pleased that this initiative had been raised in the Medium Term Financial Plan. I do caveat that support though, as, like other Members, such as Deputies Guille and Kuttelwascher, I did find the wording in the Plan rather vanilla and on the face value it can be construed as just rhetoric.

Deputy St Pier has now gone on record and provided clarification, cutting through some of the woolliness of the language therein.

I am very sure that we do need to reduce the gap between those who are at least well off in our community and those who are wealthier. I am not convinced, however, that in general it is the significant diversification of taxes that will achieve this. In relieving people of the heavy burden of the pennies in their pockets by taxing them, they will have less disposable income and therefore less to spend. This, we know, has a negative knock-on effect in the economy. It is the gap in disposable income that is the biggest problem between sections in our community – denying the opportunity for many to save and structure their household finances for the rainy days, for the big capital outlays or the nicer things in life.

I do support limited changes to our existing Income Tax system to seek greater contribution from higher earners such as the reduction or removal of allowances, or 20 Means 20, or looking at the introduction of Income Tax banding for different levels of annual earnings. I would expect, though, that these are all within the gift of P&R to explore and some of these measures would form part of their commitment to raise further revenue using our current tax mechanisms.

What also disturbs me about this amendment is how any measures introduced as a result of the requested review will hit Guernsey lower and middle income earners hard. I am not so interested by arguments using comparisons with other jurisdictions, as we have heard in debate this afternoon. To me, that is not really relevant. I am interested in how much money we are demanding from the public that is in context with how we are doing things here.

I suspect that the ideals of the authors of this amendment and their supporters are so strong that it could be said that the Members themselves are almost blasé and unfazed about the damage that could be done to Guernsey if the root and branch examination that is called for and the possible introduction of these measures is approved.

I am sure that I do not have to remind Members, but I will anyway, to emphasise the points that Deputies Trott and Ferbrache graphically spelt out to us earlier in debate yesterday, about the importance of the finance sector to our Island. Sir, the finance sector, together with directly related professional services, makes up approximately 50% of our GDP. I now ask Members to please keep that figure in mind, because, given that the sector and support services make up half our economy, this serves to underline the folly of the various amendments, the suite of measures set out to broaden our tax base. Our tax framework is evolved and is structured so that residents,

including Guernsey-registered companies, are not subject to taxes charged elsewhere, such as inheritance tax or capital gains. We have created an attractive offering in tax neutrality in line with other Crown Dependencies and, indeed, onshore jurisdictions globally, for wealth management products and services.

These amendments, and others laid by Deputy Yerby, are designed, I think, to stretch and test the appetite for changes to our tax structure locally, I think this form of testing is quite reckless and threatens the very core of our economy and our Island's prosperity. Let us not underestimate the benefit that we have derived from the finance sector. There is not one other sector in the Island that has not benefited directly or indirectly from the multiplier effect of that industry.

Deputy de Sausmarez has stated again during debate her displeasure with the way this matter has been handled by P&R, saying they confused and conflated the suite of tax amendments laid. Deputy de Sausmarez was also at pains to point out during a recent *BBC* interview that this was an academic exercise to look into alternative forms of tax in the Island, yet she ended by saying that this work would be undertaken with a view to introducing one or even two of the research measures. This gave me no comfort at all, because of course this then ceases to be a purely academic exercise if tax measures would be expected to be implemented as a result of the review. What would be the point of an academic review anyway? We want action, not theory.

I am one of the few in this Chamber who has direct experience of working in the finance industry at the coalface, and because of this, I am all too aware of the negative views and often unfounded criticism that we as an international finance sector have faced over the years. Many come from international charities and so-called tax justice campaigners. I understand many of their arguments despite not being based on the fact, and I think these amendments have a flavour of the principles expunged by these campaigners – from Members who themselves have benefited, and continue to, from the tax structure that we have here in Guernsey.

I do not think the idea of academic research into broadening our tax base is a particularly creative one. I am not convinced that our preoccupation with the diversification of our tax base is right for our 21st century society. I have thought long and hard about how we can raise additional revenue by sticking rigidly to the traditional or variations of tax-take measures, such as the increasingly popular Tobin tax which seeks to tax international financial transactions, especially Forex transactions; or as unrealistic as this, why not move away from tax and see if we can look at enabling everybody to receive the same rates of pay, such as a universal maximum wage system. I have also wondered if we can make taxes optional so that those who can most afford it are able to contribute if they want in a philanthropic way towards the provision of public services.

There are so many things that we can explore which will help to provide cash for public services, but this is where I start to wonder why we as a Government are the ones who are always looking to fund service. The community, the public, want the service and this is right that we should facilitate, but is it right that we continue to be the ones who demand the cash and manage that cash and directly provide the services required? I do question the reliability of Government to effectively and efficiently spend taxpayers' money. Worldwide and historically, there is not a great track record on this.

I would therefore strongly support a broadening of our minds in this respect and for us to place more emphasis on researching and implementing social impact investing and commissioned States' models to deliver services which have traditionally been delivered by Government. Indeed, we need to strengthen our third sector compact and embrace all charities, not just a handful locally. These have provided much valued volunteer support to so many in our Island and beyond. We say we will do it, but there are not too many case studies to evidence it has truly been embraced.

After all, we are living in the 21st century, not the days of Pitt the Younger who first introduced Income Tax to fund his war against Napoleon. Aren't we more sophisticated and better informed today? Don't we appreciate good governance and transparency? Aren't we led by efficiency and value for money? Then why are we constantly trying to retain control when others could do it so much better?

3010 This is not some sort of pie in the sky new fad that will blow Members' minds, sir. We are already working successfully with commissioned models within the States where we have facilitated the creation of arms' length structures such as the Youth and Arts Commission. Education, Sport & Culture have supported the set-up of the fantastic new facility, Bright Beginnings, at the old St Sampson's Infants School, by providing the charity with the premises free of charge. From there, they will deliver a variety of services to our Island families and initiatives with identifiable outcomes which translate into savings and which would have been very expensive for us as the States to fund directly.

3015 The States have also looked at, and still have not been brave enough to enter into social impact investing; and this is such an easy one for us here, given our local financial services and our knowledge. This would be a viable alternative way perhaps to fund the Overseas Aid Commission – some low hanging fruit, as they say, which would help us fund programmes such as MESH for Maternity Services, which supports families in need in crisis.

3020 Some of us in the Chamber have even been involved with the Chamber of Commerce's Social Impact Investing sub-group and the work that they are doing to try to raise awareness and to introduce this to Guernsey. So I am surprised that we are still running shy on more sustainable, less burdensome and more creative ways to provide services to the public which are facilitated by Government, rather than directly being delivered by Government.

3025 I hope, sir, that today I have served to highlight for Members that there are some alternatives to the measures listed in this amendment, which exist here and now in Guernsey, and are already being used by the States, and that they support me in voting against the inclusion of this proposal in the Plan.

Thank you.

**The Deputy Bailiff:** Deputy Paint.

3035 **Deputy Paint:** Sir, in my view this is a very socialistic amendment, *(Laughter and interjection)* and we all know that socialism has fallen throughout the world; it has never supported its people, it has always lost out. Just look at many countries to the east of us and you will see what I mean.

3040 People in this Island have worked really hard to support their families and to gain wealth for them. This amendment will wreck that; it will be absolutely no good for that at all. It will no doubt stifle just about everything this Island has lived for for centuries.

I cannot in any way support this. I supported hearing it because this is what I wanted to say.

Thank you, sir.

3045 **The Deputy Bailiff:** Deputy Leadbeater.

**Deputy Leadbeater:** Thank you, sir.

I would just like to say that when I first read this amendment a quote came to mind which I think was attributed to Winston Churchill, and I think it was:

For a nation to contend that it can tax itself for prosperity, is like a man standing in a bucket trying to lift himself out by the handle.

3050 And I am certainly not going to be supporting this amendment.  
Thank you.

**The Deputy Bailiff:** Deputy Brehaut.

3055 **Deputy Brehaut:** Sir, I stand on behalf of the 'St Peter Port South Maoist Collective', *(Laughter)* because, boy, is this a socialist amendment that would scare the pants off anyone.

A great speech from Deputy Dudley-Owen and actually a very good speech from Deputy Paint for an amendment that is not in front of me.

It says: '... to examine the merits and disadvantages of the following forms of taxation ... (a). Land.' Well, '(a). Land' and '(b). Property', we have TRP now; are we never going to re-examine the basis of that tax; is it something we are never going to do in any four-year term? '(c). Capital assets' – and this is the trigger I think that will get most people to their feet, and that is the real opposition to this and that is the point I made yesterday: this is a mature democracy; we should not be frightened to talk about issues like this and I think that has probably been the knee-jerk reaction to this amendment.

'(d). A banded system of income tax ...', is that really so radical? It is something that is frequently discussed pretty much every time we discuss any medium-, short-, long-term or budget.

'(e). Luxury goods.' When the former Environment Department were looking at the width and emissions I was amazed how many vehicles ... for example, you can buy vehicles valued at £85,000, £90,000 and £99,000. Are we saying that ... I know there is a broader debate about what is a luxury, but are we saying that if somebody is able to purchase something at £99,000 at no stage, with the impact it may have – and that is the last bit of this amendment; 'the impact it *may* have' – on these very thin roads that Deputy Roffey has spoken of, are we never going to look at that possibility?

Of course, '(f). Environmental taxes' – if we are serious, whether it is out of Kyoto obligations, whether it is just instinctively what we value around us and want to protect, wouldn't we want to do something to influence behaviour to ensure that people make the right –

I will give way to Deputy Leadbeater.

**Deputy Leadbeater:** Sir, I thank Deputy Brehaut for that.

Honestly, it is (a), (b) and (c) that I have an issue with. He has just mentioned the banded system of Income Tax and luxury goods and environmental taxes, which have been mentioned before, but would Deputy Brehaut agree that (a), (b) and (c) – Land, Property and Capital assets – should be taxed, or not?

**Deputy Brehaut:** Sorry, which side is he –?

**Deputy Leadbeater:** Sorry, I disagree.

**Deputy Brehaut:** Yes, I agree they should be, so I am not clear as to what your question was. I do beg your pardon, if you could say –

**Deputy Leadbeater:** Sorry, sir, Deputy Brehaut was saying about the banded system of Income Tax not being radical and went on to mention (e) and (f) – Luxury goods and Environmental taxes – but he failed to mention his feelings on Land, Property and Capital Asset Tax.

**Deputy Brehaut:** This is asking for those to be explored and I support that; I would like them to be explored. It would be for another Committee, obviously, to bring those back, but I am supporting this amendment so I embrace the recommendations within this amendment.

But we should not shy away from ... The speeches I have heard are as if we are taxing tea, bread and books, and we are not. We, through you, sir, are looking to ... is it £168 million we intend on our schools build programme, possibly. We have to plan for the future and ensure that not only we construct these things, but we maintain them in the long term and we have a more diverse tax base. That is a debate I want to have, it is a conversation I want to have; and why, as a democrat, I do get a bit frustrated when we have guillotine motions to close debate on things as fundamentally important as this.

Thank you, sir.

3110 **The Deputy Bailiff:** Deputy Oliver.

**Deputy Oliver:** Sir, I feel this is a bit *déjà vu* from amendment 26, from memory.

I think the only difference really this amendment has to amendment 26 is the taxes on capital, so I think really I will not be voting for this, but I think people just need to decide do they want to look at the banded Income Tax or not? It is quite as simple as that, because all the land, the property, potentially the luxury goods and the environmental taxes will be looked at in amendment 29.

Thank you.

3120 **The Deputy Bailiff:** Deputy Trott.

**Deputy Trott:** Thank you, sir. I shall be brief.

Deputy Oliver, of course, is quite right. Yesterday 85% of this Assembly voted for an amendment that did everything in this amendment, apart from with the exception of an investigation into taxes on capital. It sent a strong message to the international community.

What Deputy Yerby and others will say is, 'No matter. Vote for this, then when we get to the substantive Propositions you can ask for 1(c) to be taken separately and if you do not like it vote it down.' What happens in the intervening period – as highlighted by Deputy Dudley-Owen – are detractors – and I am only having this conversation, sir, because Deputy Brouard implored us – not Deputy Brouard, Deputy Brehaut implored us – to have an open discussion about these things, otherwise I would not bother – so here is the open discussion.

A hiatus would exist between now and the time we got to the substantive Propositions, which would be manna from heaven to our opponents, to our competitors, to our detractors! It is stupidity beyond comprehension that this Assembly could do that. I hope this Assembly will vote this amendment down by greater numbers than it supported amendment 26 yesterday!

Thank you, sir.

**The Deputy Bailiff:** Deputy Fallaize.

3140 **Deputy Fallaize:** Thank you, sir.

I had stood earlier, but if I had not I would be now, because that must be challenged – what Deputy Trott has just said. I mean yesterday, possibly with a bit of exaggeration, but fundamentally he made – and others made – some interesting, useful and persuasive arguments against any notion of taxing capital in Guernsey.

But to stand here and suggest that if the States vote for this amendment overnight – and it might just be overnight – or in the course of the next 24 or 48 hours there will be some sort of catastrophic consequence to our economy is just absurd, it really is absurd. The idea that anybody *even in Guernsey*, let alone outside of Guernsey, is following debate so closely that they know in absolute detail every word of every amendment that has been passed until we get to the substantive Propositions, I just do not think that is critical. I think it would be better for Deputy Trott to argue against the inclusion of capital assets – I am not giving way at the moment, but I will in a moment – as a principle, rather than trying to make the argument that he has just made.

I am happy to give way to Deputy Merrett.

3155 **Deputy Merrett:** Thank you, Deputy Fallaize.

There are people that are listening to this debate. I have been contacted by several people who own finance companies; they have made it quite clear that any uncertainty will affect their businesses and they have made it quite clear to me that they are very mobile, they are very wealthy and they will not take the risk. So they are following debate. It is publicly and live streamed. So I do take concern that there are people listening and we should take that into account.

Thank you.

**A Member:** Hear, hear.

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**Deputy Fallaize:** Sir, there is no uncertainty; the chances of the States voting in favour of capital taxes – whether it is now or tomorrow or in a year's time, or frankly, in 10 years' time – are not just negligible, they are zero! Deputy Trott is trying to shoot a fox which has already been killed a long time ago – and I am not talking about the gentleman two seats away to his left! (Laughter) So I do not think that alone can destroy this amendment.

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What is quite interesting about this amendment is that it seeks to insert a Proposition which says: 'To direct P&R, in developing its' – *its* – 'proposals for new income measures from 2018 onwards.' These are not anybody else's proposals, these are the additional income proposals which the Policy & Resources Committee itself is proposing – £14 million a year – and I am going to keep repeating that until the end of the debate!

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**The Deputy Bailiff:** Not if I tell you not to, Deputy Fallaize! (Laughter)

**Deputy Fallaize:** Not tediously, no, sir!

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They have already said, and the States have committed to diversifying the tax base, so there is going to be more tax raised and it is going to be from a more diverse base. The States have already decided that, the P&R is already of that position – they keep telling us that, they put it in their proposals. So what are they going to diversify into? How are they going to raise the additional £14 million if it is not going to be through land or property or Income Tax or luxury goods or environmental taxes?

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That, I think, is the reason to support this amendment. I think the words that we got to yesterday in P&R's own amendment, 'We will diversify the tax base,' are completely meaningless. I do not think they will come forward with any proposals to diversify the tax base or to broaden the tax base, and I think it would be helpful for the States to provide some list of ways of diversifying the tax base which have to be investigated and the investigation of which has to be set out in a report, rather than simply leaving it at the amendment that we got to yesterday.

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We already tax land, we already tax property through TRP. I cannot believe there are too many Members who are going to get too violently opposed to taxes on luxury goods – I am not sure it is even a practical thing to do, but in principle it is probably not going to generate huge opposition, and of course if it is some kind of consumption ... Whatever the merits of consumption, the advantages and disadvantages, what one cannot say is that it makes us uncompetitive. We could have a 5% general consumption tax – probably 10% – and we would not be uncompetitive, because almost every other jurisdiction in the world has that. So that cannot be argued against on those grounds.

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Environmental taxes: well, the States actually – the last States – voted to direct the old T&R, I think it was, to investigate environmental taxes and I do not think that our competitors have a field day, I do not think that our economy fell off the edge of a cliff when the States passed a Proposition to that effect.

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So what it comes down to is: part (c) 'Capital assets' – well, if this amendment is successful, clearly that will lose when we go to vote at the end of general debate; and 'a banded system of income tax' – well, there are lots of Members – if I can put it this way – when the pressure is not on during an election campaign or during general debate in the States when we are not really debating tax matters, who say, 'Perhaps we ought to investigate slightly higher rates of Income Tax for higher earners. Maybe we should put a penny on Income Tax, on earnings above £100,000 or £80,000, but then when it comes to even an investigation of it into an amendment, apparently it is going to scare the horses.

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So if this amendment is successful I have no intention of voting for part (c) of it, but the rest of it, I think, is reasonable and would take the argument forward.

**The Deputy Bailiff:** Deputy Ferbrache.

**Deputy Ferbrache:** Thank you.

Sir, I have got to take issue with a part of what Deputy Fallaize has just said, because in my capacity as President of the Economic Development Committee, I sit as a Director of Guernsey Finance and when the issue of any kind of capital taxes is raised the horses are very much frightened, the pigeons fly off, the boat is rocked. So we have got to kill that now! (**A Member:** Hear, hear.) I thought we had done it yesterday. We have got to kill it now, because they owe no allegiance to Guernsey and it is a point very ably made by my colleague on Economic Development, in a very good speech, Deputy Dudley-Owen, about the value of the finance sector. It is not only the 33 point-whatever-it-is percent directly in relation to gross domestic product; it is the other bits. She is right: it is at least 50%; it might even be a little bit more.

So I very much – *very, very* much – like my colleague Deputy Paint –disagree with him about the evils of socialism (**A Member:** Hear, hear.) in relation to some of it, because it has done much good; it prescribed ways for the world. (**A Member:** Hear, hear.) But we are not talking about that today. But I also commend Deputy Yerby, because she has at least – not only with this amendment, but with some of her other amendments – given some thought to it. (**Several Members:** Hear, hear.) She is saying let's give it a try, let's do something, because there are 40 of us – well, there are not at the moment because some people are outside the room but there are 40 of us in this room over the last day or two – and not many of those 40 have come up with any ideas, frankly. She has come up with some.

The fatal flaw in this amendment, for me, is the reference to capital and I am afraid, I know we can vote it down later, but that might not be tomorrow- unless Deputy Fallaize is not going to make a speech anymore – which I would take a bet that that would be the case, that he will make a speech; and I will have a bet with him now – perhaps that might mean he will not make a speech. But he will make further speeches, others can make further speeches, we can actually be here until September – all be it a matter for the Deputy Bailiff, due of course to where we get later in the week, before these issues are determined.

So, sadly, for that reason, I will not be voting in favour of this amendment, although I fully accept the intellectual integrity of Deputy Yerby in bringing it. It is no criticism of her that I will not be voting for it. But we have got to kill now and forever, if possible, any issue of capital taxes.

**A Member:** Hear, hear.

**The Deputy Bailiff:** Deputy Meerveld.

**Deputy Meerveld:** Thank you, sir.

I will raise the point I raised previously under the debate on amendment 26. The issue, sir, I think, is the fact that discussing the ideas of any form of taxation, even in this Assembly, is not particularly an issue, but as soon as we go to any form of formal consultation and it gets put into the plans to be examined that is when we set the hares running. So that is the issue.

The fact that if this amendment is successful, if it goes through to debate that is partly damaging; if it goes to the point of going into the future plan for consideration at any level, even if we think we are going to dismiss it, that will set the hares running and cause serious problems.

As an example, in December 2010, previous Deputy Bernard Flouquet announced that he was going to do a review of Open Market properties; that caused a certain amount of panic. By January, the then Chief Minister, Deputy Trott, stood up and said there were no plans to abolish the Open Market; but by then the damage was done and to this date the Open Market property sector has not fully recovered. So that is the damage that this Assembly can do by deciding to consider and consult on an issue and taking it forward in an official capacity.

That is why I will not be supporting this amendment and I do not think anybody else should.

Thank you, sir.

**The Deputy Bailiff:** Deputy Roffey.

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

3270 I have absolutely no doubt that in his speech just before the summing up, Deputy St Pier will be trying to kill this amendment dead. He has got two ways of doing that and I invite him to do the one that I think can forestall a lot of the division and move us forward.

3275 Yesterday, we passed an amendment put forward by P&R which directed 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.

3280 If Deputy St Pier will say on the record that that will include *inter alia* all of the points raised in the Yerby amendment, with the exception, obviously, of capital taxation, i.e. the other five points, then we do not need to insert the amendment and delete capital taxation as an option on Friday afternoon; we can vote down the amendment knowing that the other five points have been inserted. It seems to me the pragmatic way forward and I would invite him to do it.

**The Deputy Bailiff:** Deputy Gollop.

3285 **Deputy Gollop:** It is an interesting amendment, this, but I would take up some of the points Deputy Leadbeater made back to Deputy Brehaut earlier today, because of course many of these taxes are already part of our portfolio. We know that TRP is not a particularly effective way of raising money in contrast to council rates in many UK boroughs, but we also know that it hits Alderney disproportionately hard because of their lower level of footfall. That is just one example.

3290 I can think of certain capital taxes Guernsey has had in one way or another. You could argue that Document Duty is a form of capital tax, because it is a tax on the purchase of property. There was a time when the Island, wisely or unwisely, effectively ended feudal dues and took away the Seigneurs' right to have as an asset the fiefdom that was a capital asset, and of course we had, until recently – and that caused a flurry of disagreement in the States – a rather anti-speculation property tax that if you sold a house within a year and a day or within five years, actually, if there was not a personal arrangement, you could be taxed, and you were actually, up to 100% of any value over its ... So we had a few.

3300 I would also mention that an interesting capital tax idea is if you take, for example, we still have the redoubtable Ecclesiastical Court as part of our structure, which does an excellent job efficiently in its way, but it is a historic remnant of a previous era with its make-up of ecclesiastical dignitaries and a registrar who is an office holder for life and so on.

3305 I believe it charges £35 on each £10,000 of probate asset, for example. You could argue that if you followed our sisters or brothers in Jersey and had what amounted to a fee on the processes of estate, is that a service charge or is that a capital tax? Is the Ecclesiastical Court a capital tax? In a sense, it is.

3310 So I feel that the foxes have almost got frightened because they imagine the hunts have been back on the ball and no longer stopped, but I do not think anywhere in this amendment we are talking about simplistic forms of capital gains tax or taxation on funds or fiduciaries or any form of tax on transactions or a wealth tax like France has. That is not mentioned here. Clearly, it would be against the interests of the economy and many thousands of people who are extremely successful in their careers and will be a massive own goal for the Island.

3315 I think this is more of a theoretical exercise to look around at our competitors and many other places and see what forms of taxation could we charge that would work for the Island in its current economy. So I am not as frightened by it as many others. I think it is the way you tell them. Perhaps some of the more passionate speeches have gone on about the rich and we are seeing a little bit of Jersey style politics there. But what we need to consider is you can put a cost to this in many ways. We talk about a standard taxation rate at 20%; why do we have that?

Couldn't we look at a standard rate of 10% or 15% and at banded rates that effectively were more generous to lower to middle earners, for example.

3320 Deputy Kuttelwascher was concerned – and rightly so – that we could be pricing ourselves out of high net worth individuals, of competitive businesses and so on. The reality is, I think, we are already expensive from the point of view of lower to middle earners on the Island – you can hear that from finance professionals to public sector professionals – and we have to ensure that we do not see a brain drain from the Island. Why is our population dropping a bit or staying the same, and Jersey's going up? That is a major strategic question.

3325 Deputy Dudley-Owen raised a number of really interesting points, but it reminded me a touch of some of the message that David Cameron had where he saw the third sector as an answer to everything – and there has been a degree of loss of momentum on that in the United Kingdom, as the recent political situation has shown; and there has been here too.

3330 Deputy Le Tocq did the compact with the third sector, but we know from the meeting that we had with them that there has been a certain sense of disappointment. There have been success stories like the Employment Trust, but it is not an answer, a panacea to everything. Maybe we should be looking at a higher minimum wage, which would reduce the amount of welfare we have to pay hard-working families – to use a political quote – a minimum income, but I think we need creativity with our fiscal thinking and to actually have less of a closed mind. The open-mindedness that we need in order to grow our economy and reform the public sector is obvious and therefore I support the amendment, even if I would not necessarily support every idea or comment attached to it.

3340 **The Deputy Bailiff:** Deputy de Sausmarez.

**Deputy de Sausmarez:** Thank you, sir.

I am just going to start with one clarification. I decided to second this amendment, not because of any political ideology, but on point of principle – it is as simple as that – and I still am staggered at how much confusion there still seems to be about the concept of tax-based diversification. I am still hearing comments which conflate it with the idea of tax rises, which Deputy Fallaize has set straight again today. Tax-based diversification is actually something that Deputy St Pier has been on about like a broken record, and actually we hear very few arguments against it – and for good reason. We do not usually hear people saying, 'A narrow tax base, that is the sign of a strong and resilient economy. It's brilliant. Let's make it even narrower.' It does not make sense. So the arguments in favour of tax-based diversification are overwhelming and I think there is generally a consensus on this.

I think we also need to recognise that our tax base – which, as Deputy Fallaize helpfully pointed out earlier, has actually been narrow for quite some considerable time – got even more significantly narrower within the last decade, and that shifted a lot of the tax burden – or a significant chunk of the tax burden – from corporations onto individuals. So I think it is really important to stress that one of the main benefits that I see from tax-based diversification is in fact to redress that balance.

3360 People stand up and say, 'Oh no, stop placing more of a burden on individuals and hard-working families,' but, 'Oh, hang on, wait, think of the businesses; think of the businesses – don't increase their burden.' I think it is about the balance between those two and in my personal opinion we have shifted too much towards the individual and I think we need to at least investigate measures to address that balance in a way that is fair and effective. (**A Member:** Hear, hear.)

3365 I am not comfortable with everything on this list, but this is what tax-based diversification looks like and I do not think we can get ourselves out of a structural deficit by cruising along in our comfort zone – I really do not. I think we need to do more than tinker around the edges and I think this amendment has been actually very helpful because it has made explicit some of the things that we have just been given in generalities from P&R. We have heard this assertion so

3370 many times, 'We are going to broaden the tax base, we are going to diversify,' but we have never had any concrete suggestions on how they are looking to do that. They say that is their intention, but they have never given us specific examples to actually hang a hat on.

This is, as Deputy Brehaut pointed out, asking for an investigation. Deputy Dudley-Owen referred to my calling it an academic exercise; I was calling it an investigation and if anyone would  
3375 like to read the wording of the amendment it says:

... to examine the merits and disadvantages of the following forms of taxation ...

So that is the investigation bit.

... with a clear presumption that over this period the tax base will diversify into at least one or two such taxes ...

So I do not see that there is any point in carrying out a purely academic exercise – that would just be a blatant waste of taxpayers' money; it would have to have a purpose.

On the issue of capital taxes, Deputy Trott has once again preached from the high altar today  
3380 on this issue. I, for one, have to say I am not convinced he is the Messiah; I am rather more inclined to think that he might just be a very naughty boy. (*Laughter*)

I actually will not be supporting capital assets – he might be interested; oh he is looking at me like that again – but in any case, the reason I stress my opinion that he might be being a bit naughty is because actually the wording is not nearly so prescriptive as people are making out.  
3385 The last line of this amendment says, after the list – as I said, I am not entirely comfortable with everything on the list either, but I would like to see the facts, I would like to see an investigation so we can make informed decisions on these things, not just go by intuition, '... or any other form of taxation or duty which the Committee considers will achieve the principles set out above. P&R is very welcome to rule out capital assets themselves, but please, let's hear a suggestion of what  
3390 might replace it. We are just not getting those definitive answers and I would support Deputy Roffey's call for Deputy St Pier to give us a confirmation that investigations will be taken up on the elements that are not capital assets here. I think he is absolutely right; that is the way to do it, because I think that is the strength of this amendment over the amendment – was it 26 or 29? – yesterday, is that this actually makes explicit various areas and that is what I think we have been  
3395 missing. I would urge P&R to take up that challenge.

Thank you.

**The Deputy Bailiff:** Alderney Representative Jean.

3400 **Alderney Representative Jean:** Thank you, sir. My speech is not going to be a long one.

I think this is a very dangerous amendment. I was very interested in the speeches from Deputy Dudley-Owen, Deputy Merrett and Deputy Trott. This is dangerous for Guernsey. It sends out a message – a *very clear* message – and even the fact that that message is coming out of this Chamber is not good; and as for saying the people are not listening, well, they do, and I believe  
3405 that thousands of people tune in and listen, and I believe that people in the finance sector will be listening, people who have investments in Guernsey will be listening.

It is so dangerous that I could not possibly support an amendment like this. There are other ways to do this. We heard a brilliant speech this morning from Deputy St Pier on the whole of these proposals. I think to a degree we should trust him this and this is certainly an amendment to  
3410 be avoided, in my book. Wow!

Thank you, sir.

**The Deputy Bailiff:** Deputy Le Clerc.

3415 **Deputy Le Clerc:** Sir, I am not sure I can agree with Alderney Representative Jean that thousands of people will be listening in, (*Laughter*) but I do agree that the message does eventually get out there.

I have just got a couple of questions, and it is the concern really of the wording – and I think they are for Deputy Yerby, if she would explain what she means by this, and perhaps even Deputy St Pier, his understanding – and the words are:

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... with the principles of seeking a greater contribution from those most able to pay and recognising the need to look beyond the in-work population in order to do so ...???

It is the understanding of what Deputy Yerby means by 'beyond the in-work population', because I think perhaps that is where the danger is in this amendment.

Thank you, sir.

3425 **The Deputy Bailiff:** I turn to the President of the Policy & Resources Committee, Deputy St Pier, to reply on this amendment.  
Deputy St Pier.

**Deputy St Pier:** Thank you very much, sir.

3430 I thought Deputy Dudley-Owen's speech was excellent and I thought it was very thought-provoking and I think her comments about looking at alternative ways of focussing really on outcomes, rather than delivery, and her references to social impact were, in particular, what I think were really very pertinent; and Deputy Leadbeater's Churchill quote, I think, was also very apt in this context.

3435 I think Deputy Ferbrache, clearly, he and I do not always agree on everything, and even within this debate we have clearly not agreed on everything; but I think his intervention was particularly pertinent and relevant, and I think the fact that this could be laid over until September remains a very real risk – and that is a risk. My understanding, sir, is that Guernsey Finance have been fielding questions from the international media on this question, so this is not idle talk.

3440 Deputy Roffey said that a division could be avoided if I would merely make some confirmations in relation to the list. I hope very much that there is not division and it will be a substantial majority against this amendment. But in relation to commenting, sir, on this list, it would be, I think, completely incoherent for the States today to approve this amendment, having yesterday approved amendment 26 with the express exclusion of capital assets; it would make no sense whatsoever.

3445 In relation to –  
I will give way.

**Deputy Roffey:** Thank you.

3450 I think perhaps Deputy St Pier is misunderstanding what I was saying. I was not wanting this Assembly to pass this amendment; I just felt it would be easier for us to all vote it down unanimously if he would interpret amendment 26 which was passed yesterday, asking you to look at all forms of new taxation other than capital, to include examining the items on this list that are not capital. That way if it is not inserted it does not have to be removed; it is just all done by amendment 26 which was passed yesterday.

3455

**Deputy St Pier:** Sir, there are other elements of this amendment on this list which I do not think we would be looking to look at again.

3460 I was just about to turn, before that intervention, sir, to the question of the banded system of Income Tax to include a top tier at 21%, 22% and 25%. Again, I did address that in the debate yesterday. That was examined by the last States just over two years ago in the Personal Tax, Pensions and Benefits Review by amendment, but it was also looked at extensively by the joint board of the Social Security Department and the Treasury & Resources Department leading up to

the policy letter that was presented to the States, and I see very little point in, just over two years later, the States directing Policy & Resources to go away and do that work. The papers which underpin this report, the consultation and all that went with that, is there; it is there to be seen – the impact of having a banded system.

Similarly, in relation to luxury goods, Deputy Brehaut said there was a broader debate as to what a luxury good was. Again, Deputy Kuttelwascher, Deputy Le Clerc and others will remember this was looked at as part of the Personal Tax, Pensions and Benefits Review.

The complications of defining luxury goods is when does a car stop being a necessity and become a luxury good? Is it at a particular level? Is it whether it has four-wheel drive or does not have four-wheel drive? Is a hatchback or a utility vehicle, with or without a hatchback, a luxury good? When does a boat become a luxury good? Is it a luxury good if it is only not used by somebody who goes fishing for their income? What about a watch? When does a watch become a luxury good? Is it simply by value?

So what you do is you create a massive complicated system of regulation and of administration to define what is in scope and what is not in scope, and at the end of the day you end up raising tuppence and ha'penny as a result; which is why the conclusion was that if you go for consumption taxes you keep them low and you have it broad, and I will come back to that in a moment.

The environmental taxes, we are already looking at as a result of direction anyway from the States.

So Deputy de Sausmarez said, sir, that this list is what tax-based diversification looks like. No, it is not, because the most obvious diversification is missing from this list, and in that sense this list lacks the courage which might otherwise be there, which is consumption taxes, goods and services tax. The repos to that is it is regressive. That is the standard line: consumption taxes are regressive. Well, they are proportionate actually and actually high income earners and those with great wealth consume more, they therefore contribute more; and the way you deal with a regressive element is through the benefits system. The last States, just over two years ago, rejected that. We are not going to look at that again; that is quite clear. That has been made very clear. So that is off the table.

Deputy Gollop said that Document Duty was a capital tax; no, it is not, it is a transaction tax. He referred to the dwellings profits tax; well, of course that was never actually ever used. He referred to the Ecclesiastical Court probate fees; that is a private revenue stream which we are looking at. It is very unusual in any jurisdiction for that service to be provided for the benefit of a private institution. And I think he has forgotten, again, sir – and I will remind him because he was a member of the joint board – that we did look at lower rates of taxation for lower- and middle-income earners. That was part of the work of looking at a banded Income Tax system.

So much of this work, sir, has already been done. The amendment also – and the reason why our amendment yesterday, sir, was better was because it inserted the word 'broaden' and we had the discussion yesterday about the distinction between broaden, in other words increasing the scope of an existing tax, as opposed to 'diversify in to new'. The reality is we are probably going to have to do a little bit of both, but certainly we are going to have to rely quite a lot on broadening existing taxes, sir.

**The Deputy Bailiff:** Finally, Deputy Yerby, as the proposer of amendment number 6, to reply to the debate.

Deputy Yerby.

**Deputy Yerby:** Given Deputy Roffey's suggested way out, I kind of hoped that I might have an easy summing up speech, and in a way I suppose I do and I suppose I ought to thank Deputy St Pier for making the case for voting for this amendment far more strongly than I could hope to myself.

3515 Just a few comments in response to the debate. First, in respect of P&R's behaviour, now and in the lead up to this debate. P&R have said we must not scare the horses. They have said it at the top of their voices, repeatedly shouting about what is inside this amendment. P&R have created the scare which they wish to avoid. Deputy Trott said that if this amendment were passed it would be manna from heaven to our competitors. It will only be manna if he feeds it to them – as I have  
3520 no doubt he may wish to do so, but that would be his prerogative.

I would inform Members Deputy St Pier said yesterday, 'What a pity that Deputy de Sausmarez and Deputy Yerby did not sit down with P&R before they laid this amendment and perhaps we would have come to some accommodation.' Well, I made it quite clear to Deputy St Pier before laying this amendment that we would not have come to some sort of accommodation because an  
3525 itemised list was exactly what I intended to lay and exactly the kind of debate I intended to promote. But in any event, Deputy St Pier and Deputy Le Tocq met with Deputy de Sausmarez and I before all the amendments, before the debate began for a talk about whether that kind of accommodation could be reached, at exactly the same time as P&R released a press release which said:

We are firmly committed to a 20% personal income tax rate, no inheritance tax and no capital taxes.

3530 Despite the pretence of negotiations, the debate was already closed. P&R have made it quite clear that they may talk the talk but they have no wish really to make any of the ground which this amendment seeks to make.

Similarly, Deputy Ferbrache said, 'We must kill the debate on capital taxes now'. While I do hear where he is coming from, there were equally valid points made by Deputy Parkinson and  
3535 Deputy Dorey yesterday, saying, 'We are already aware that we can be creative and thoughtful with the way we construct our tax regime. We have corporate tax regimes that have various exemptions. We would of course do what is competitively necessary in respect of capital taxes too.' It is somewhat worrying that the most senior members of Policy & Resources and, forgive me, to some extent, also Economic Development, lack the imagination to see that this would be  
3540 possible.

In respect of Deputy Leadbeater's comment that we cannot tax ourselves to prosperity, granted that may be his economic philosophy, but this is the wrong debate for that. If he believes that to be the case then I trust he will vote against P&R's Proposition seeking to raise £14 million in taxes! **(Several Members: Hear, hear.)**

3545 Deputy Dudley-Owen asked why the debate was focussing on raising taxes. This part of the debate is focussing on raising taxes because I think that is an important thing for this Assembly to concentrate on. Deputy Dudley-Owen only needs to find one other Member of this Assembly who believes her ideas are credible in order to bring them to this floor for debate on other ways of organising States' expenditure.

3550 In respect of Deputy Le Clerc's question, 'What does it mean to look beyond the working age population?' Well, that is sort of what is inherent in the concept of diversifying the tax base. We have a tax base which is predominantly reliant on Income Tax and therefore predominantly reliant on the working population. If we start thinking about where wealth as opposed to income is concentrated, it is not all in the hands of working people. Taxes on land and property, if  
3555 investigated, would invariably take in a greater swathe of the population than simply those who are in work.

Deputy St Pier said that the list lacked courage by excluding any form of goods and services tax. I appreciate that it took him courage to bring that forward as part of the personal tax and benefits review. **(A Member: Hear, hear.)** Nevertheless, it also takes some courage to go up  
3560 against the senior Committee and the combined voices of the media in this way; and I strongly take issue with his suggestion that GST is in any way proportionate. Yes, of course wealthier households consume more but that which is consumed by poorer households is restricted more to the necessities of life. So taxes on that form of consumption are regressive; there is no way around that.

3565 Sir, Deputy St Pier's response shows that P&R still firmly have their blinkers on. Yesterday's amendment was just a sop; there is no intention to go down the routes that we lay out in this amendment; there is no intention to meaningfully diversify the tax base. Therefore I would urge any Member who thinks that is an important part of this Government's business to vote for this amendment.

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**The Deputy Bailiff:** Members of the States, we go to the vote and I have already had a request for a recorded vote on amendment 6, proposed by Deputy Yerby and seconded by Deputy de Sausmarez, which would have the effect of inserting a new Proposition to be numbered 1-something in due course.

*There was a recorded vote.*

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**The Deputy Bailiff:** Members of the States, I will declare formally the impression that I got, that that amendment was lost, in a moment.

Can we move on now, please, to amendment 19, which is proposed by Deputy Soulsby. Deputy Soulsby, the name of the seconder and do you want it read?

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**Deputy Soulsby:** No, I do not think so, sir.

**The Deputy Bailiff:** I invite you to lay your amendment then, please.

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**Deputy Soulsby:** Sir, a bit of light relief compared to the quite heavy amendments we have had to contend with today. This is a second amendment intended to give some clarity around expectations both to the Committee for Health and Social Care and the States as a whole, which I understand is supported by Policy & Resources.

3590

In the last couple of years there have been a number of different figures bandied around in relation to the savings expected from Health & Social Care, these include £8.2 million, £7.4 million, £5.2 million and even £24 million per annum, as Deputy Roffey mentioned yesterday. In 2016, the States agreed to increase HSSD's budget in line with the recommendations of BDO, arising from their costing, benchmarking and prioritisation report.

3595

At the same time, in the 2016 Budget, first mention was made of the figure of £8.2 million of temporary funding. This was news to everyone at HSSD, but we later understood it represented the estimated cash limit that appeared in the 2015 Budget, which was calculated in 2014, of £110.35 million.

Bear with me.

3600

With a budget of £118.5 million, this gave approximately £8.2 million. However, as for every other Department at the time, this took no account of inflationary pay awards; neither did it, in the case of HSSD, include the extra approximate £3 million granted by the States to the Department as a result of the investment required in Maternity Services following the NMC review as well as for Children's Services and recruitment and retention.

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In their report, BDO said that they had identified specific HSSD annual savings of £7.4 million, deliverable over a three- to five-year period. At the same time, they said that there was a potential for up to £24 million of non-risk adjusted savings over seven to 10 years, including expenditure that came from the then HSSD. Whether £24 million is in any way achievable is what will be addressed by the strategic transformation work currently being undertaken with KPMG. It is evident from that work that we have the potential for a more efficient, effective and equitable model, but that has to be balanced with the growing demands of an ageing demographic, medical inflation and public expectations – something BDO themselves said.

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Going back to the three- to five-year programme, BDO said that to achieve the £7.4 million would require £3.3 million of one-off costs and recurrent costs of £2.2 million. In other words, under the current model of care, HSC can expect to make annual recurring savings of £5.2 million.

The purpose of amendment 19 is to ensure that it is this reality that is understood by changing the wording within the Medium Term Financial Plan to what the actual wording is by BDO. This amendment really is only about changing some of the wording within the Plan; it does not mean the Committee is not trying to make savings or avoiding unnecessary costs. As the amendment passed yesterday shows, we are committed to doing so, but the Medium Term Financial Plan is a public document and the Committee believes it is important that it reflects reality.

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

**Deputy Tooley:** I do, sir.

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

Deputy St Pier, if you wish to exercise your right to speak at this time.

**Deputy St Pier:** Yes, please, sir.

Thank you, sir. Yes, just to rise very briefly to confirm that the Policy & Resources Committee is supportive of this amendment, for the reasons which Deputy Soulsby has outlined.

There has been a huge amount of confusion, I would suggest, over the last 18 months or so, with lots of different numbers banded around. Therefore, the use of the consistent language which was identified in the BDO report does make a lot of sense, which is why we can support it, and obviously we are always appreciative of Deputy Soulsby's constant reaffirmation in relation to the work which is going on in relation to the transformation following that report, sir.

So we do encourage Members to support this amendment, sir.

*Amendment 6:*

*Not carried – Pour 9, Contre 31, Ne vote pas 0, Absent 0*

POUR	CONTRE	NE VOTE PAS	ABSENT
Deputy Yerby	Deputy Graham	None	None
Deputy de Sausmarez	Deputy Green		
Deputy Brehaut	Deputy Paint		
Deputy Tooley	Deputy Dorey		
Deputy Gollop	Deputy Le Tocq		
Deputy Lester Queripel	Deputy Brouard		
Deputy Fallaize	Deputy Dudley-Owen		
Deputy Laurie Queripel	Deputy de Lisle		
Deputy Hansmann	Deputy Langlois		
Rouxel	Deputy Soulsby		
	Deputy Roffey		
	Deputy Prow		
	Deputy Oliver		
	Alderney Rep. Jean		
	Alderney Rep. McKinley		
	Deputy Ferbrache		
	Deputy Kuttelwascher		
	Deputy Tindall		
	Deputy Parkinson		
	Deputy Le Clerc		
	Deputy Leadbeater		
	Deputy Mooney		
	Deputy Trott		
	Deputy Le Pelley		
	Deputy Merrett		
	Deputy St Pier		
	Deputy Stephens		
	Deputy Meerveld		
	Deputy Inder		
	Deputy Lowe		
	Deputy Smithies		

**The Deputy Bailiff:** Let me just, Members of the States, declare the result in respect of amendment 6, which was proposed by Deputy Yerby and seconded by Deputy de Sausmarez. There voted Pour 9, Contre 31. I declare the amendment lost.

3640 Deputy Tindall.

**Deputy Tindall:** I have a question for H.M. Comptroller.

Just trying to understand quite what this amendment has ... and what effect it has on the original Proposition, because as far as I can see, the only reference to putting paragraph 6.15 into the Medium Term Financial Plan has relevance to Proposition 1, which of course is what it is referring to, but it is talking about 'to approve the approach detailed in the Medium Term Financial Plan in the original Proposition 1', and I cannot see how this particular paragraph actually affects the approach. It recites facts, it recites information, but does not actually change the approach.

3645 I just really want to understand rather than make any big deal about it, because, if I may say, I do not have any objection to it in principle.

**The Deputy Bailiff:** Mr Comptroller, do you want to think about that for a moment or are you ready to answer it?

3655

**The Comptroller:** I would like to think about that, please, sir.

**The Deputy Bailiff:** Very well.

There is nobody else wishing to speak (*Laughter*) in respect of this. Is it possible that it is the reference to appendix 1 collectively that is the issue there? So if anyone wanted to substitute wording in the context of appendix 1 then that is the place to move this amendment, which is why Deputy Soulsby is doing it.

**Deputy Tindall:** If I may, I totally agree with that point, but I cannot see how it actually reflects on the approach.

3665

**The Deputy Bailiff:** I understand that, Deputy Tindall, but there is no other way (**Deputy Tindall:** Okay.) to change the wording of appendix 1.

Deputy Tooley, if you wish to speak.

3670

**Deputy Tooley:** Yes, just to clarify or query. I believe the approach mentioned might relate to the amendment that was changed within amendment 20, which became amendment 27, where the Policy & Resources Committee agreed to the approach of holding the £2 million worth of savings made this year against next year's target. I believe it is that approach to which it applies, but in fairness it has been a long week. (*Laughter*)

3675

**The Deputy Bailiff:** Mr Comptroller, is there anything further you wish to add, because we are likely to finish this amendment quite quickly?

**Deputy Soulsby:** Sir, all we are doing is just changing one aspect of the wording, we are not impacting on Propositions at all. It is just, as I said in my opening speech, about clarification.

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**The Comptroller:** Sir, I am not sure I can help very much. Proposition 1 is to approve an approach detailed in the Plan, subject to substituting this particular paragraph of the Plan. I am not sure – as you have already pointed out, sir – how else it can be dealt with other than as per the amendment that has been laid by Deputy Soulsby.

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**The Deputy Bailiff:** Yes, thank you, Mr Comptroller.

Deputy Soulsby, do you wish to reply to the debate?

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**Deputy Soulsby:** No, I do not think so, sir.

**The Deputy Bailiff:** Members of the States, this is amendment 19, proposed by Deputy Soulsby, seconded by Deputy Tooley, which will have the effect of adding some words to the end of Proposition 1, principally to substitute a new paragraph 6.15, or an amended paragraph 6.15, into appendix 1 to the Policy & Resource Plan Phase Two, otherwise known as the Medium Term Financial Plan.

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Those in favour; those against.

*Members voted Pour.*

**The Deputy Bailiff:** I declare that carried.

3700

The next amendment that has been submitted and included on the Agenda is number 20, to be proposed by Deputy Soulsby. Do you wish to lay that amendment?

**Deputy Soulsby:** No, sir, I would like that one withdrawn, please.

3705

**The Deputy Bailiff:** Thank you very much. We will not proceed with that one.

So we move swiftly on to amendment 21, proposed by Deputy Fallaize, signed by Deputy Fallaize, to identify the seconder, the effect it has and whether you want it read.

*Amendment 21:*

*To insert a new Proposition 1A as follows: '1A to agree that the Policy & Resource Plan annual review of 2019, which the Policy & Resources Committee must submit to the States in June of that year in accordance to Rule 23(5)(d) of the Rules of Procedure, shall include a Proposition which allows the States, in light of two years' experience of the Medium Term Financial Plan, to determine whether to maintain or amend the anticipated value and timing of the savings targets set out in appendix 1 and the contribution which reductions and expenditure should be expected to make to returning public finances to surplus.'*

**Deputy Fallaize:** Thank you, sir.

Deputy Roffey, and I think I can read it – or may I read it, please, sir?

3710

**The Deputy Bailiff:** Of course you may.

*Deputy Fallaize read the amendment.*

**Deputy Fallaize:** Sir, I know that Deputy St Pier will probably say, 'Well, by the middle of 2019 we will not actually be two years into the Medium Term Financial Plan,' and I accept that, although of course we are being asked to approve the Medium Term Financial Plan today, or this week or whenever we get to the substantive Propositions; and I assume that the Medium Term Financial Plan will have effect immediately, because P&R want to base some of their proposals in the Budget report in November on what is in this document, so I think it is reasonable to say that by the middle of 2019 we will have had around two years from the point that the Medium Term Financial Plan approach has become active.

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Obviously, this concerns the proposals in the Plan that relate to reductions in public expenditure of £26 million per year, every year, by 2021 and thereafter, and that requires – and I do not think anybody has spelt this out quite so explicitly so far, and I apologise to them if they have – but what that means is £5.5 million of annually recurring reductions in expenditure by 2018, a further £6.2 million of annually recurring reductions by 2019, a further £7.1 million of

3725 annually recurring reductions by 2020 and a further £7.3 million of annually recurring reductions by 2021. Those obviously are not accumulative, in the sense that in each of those years they would be the new savings or reductions in expenditure that would have to be realised on top of what had been realised in previous years.

3730 As has already been said by me and others, around two-thirds of general revenue expenditure is in the areas of Home Affairs, Education, Sport and Culture, and Health & Social Care. So it is certainly possible, at least, notwithstanding the points that have been made about cross-cutting or cross-Committee savings, it is possible, and I would say it is likely, that those Committees are going to have to bear the brunt of these £26 million per year of annually recurring reductions; and there is no question that although it may be a noble objective, and I think there is certainly room for some reductions in expenditure, and it runs into the millions of pounds, but I do think there are reasons to be cautious about whether we can reach £26 million per year. That is not admitting defeat; I am not saying we will not reach £26 million – I am sceptical – but I do think there are reasons to be cautious.

3740 Very quickly, I will run through four. We have had the Financial Transformation Programme which has eliminated some of the low hanging fruit, so some of the savings which have to be made henceforth are going to be more difficult than those which were made previously.

3745 Secondly, public expenditure has already reduced as a proportion of the size of our economy and I entirely accept the point that Deputy St Pier makes: we have somewhat – we did it deliberately – detached the issue of public finances from our economy, because we no longer collect very much tax by taxing company profits. So we can these days experience economic growth without proportionate growth in tax revenue, but nevertheless our public expenditure has been falling in relation to the size of our economy over the last 10 years, and it is now some way below the limit of 28% established by the last States.

3750 Thirdly, the Presidents of the three major spending Committees ... and I exclude from this Deputy Le Clerc, not because I am a member of her Committee, but simply because the general revenue expenditure of that Committee, other than formula-led expenditure, is very small in comparison to the three larger spending general revenue Committees and the Presidents of all of those three Committees have raised very real concerns about whether it is possible to deliver savings which may be expected of them.

3755 And fourthly and finally, the timetable for the delivery of savings has already been extended. We know that this time last year there was talk of doing it over the next two years – this 3%-5%-5% arrangement – now sort of in a concession, but in a pragmatic move, I think, Policy & Resources has suggested that the timeline for these expenditure reductions ought to be lengthened.

3760 So I think that is enough of a basket of reasons why we should be at least cautious about being too over-optimistic or exceedingly optimistic that we can make the reductions that are set out in the Plan.

3765 If we do not review the figures – and I know the Policy & Resources Committee will say, 'Well, look, of course they will be reviewed anyway,' but what I am suggesting is a little bit more than, 'We will keep it under review'; what I am suggesting is that two years from now the whole States completely need to take stock of these reductions or the profile of these reductions and say, 'Look, let's have a debate, let's look at the evidence, let's consider what has happened over the past two years, or 18 months if it is from 1st January 2018, and based on that evidence, let's see whether the timetable for the expenditure reductions which are to come remains realistic.'

3770 Because if we do not amend targets in the light of evidence, we can come up against the problems that the FTP did, and the first thing is there are a lot of people – and this was reflected in media reports at the time – who portrayed the Financial Transformation Programme as a failure, not because they think that it caused some actions which were damaging, but because they say the States did not reach the target which they set themselves, which may be true, but anybody who understands anything about public finances and Government expenditure will understand that what was actually achieved through the Financial Transformation Programme was very

substantial. Certainly, in terms of the reduction in expenditure element, it ought not to be considered a failure.

The second thing is if you have targets which no longer appear to be reasonable in the light of experience but you do not amend them, you provoke very ill-considered actions in order to meet the target. Committees would start doing counterproductive things that in the short term might realise the savings targets, but in the long term would be damaging.

So I do think it is necessary, as well as just this general sense that we will always keep these expenditure reductions under review, I think it is necessary for us to say today that two years from now when we debate the Policy & Resource Plan annual review, which the States have to do every year – hence the term ‘annual review’ I suppose! – that we say at that stage in 2019, let’s have a very thorough self-contained examination of the performance against the expenditure reductions anticipated for 2018 and 2019 and let’s see whether they need to be amended, whether they still remain relevant, whether the period of time needs to be extended ...

**The Deputy Bailiff:** Do continue, Deputy Fallaize.

**Deputy Fallaize:** I did not know that my speech was exciting enough that Deputy Trott would fall off his chair! (*Laughter and interjection*) But at least it woke him up, I suppose. (*Laughter*) What was that about a healthy weight strategy? (*Laughter*)

**A Member:** Where did the woodworm come from?

**Deputy Fallaize:** But that, sir, is the reason for my amendment and I hope that the Policy & Resources Committee feels they will not oppose it, even if they are not opposing it unenthusiastically.

Thank you, sir.

**The Deputy Bailiff:** Deputy Roffey, do you formally second this amendment?

**Deputy Roffey:** I do, sir, and would like to speak, unless Deputy St Pier is about to.

**The Deputy Bailiff:** Deputy St Pier, do you wish to exercise your entitlement to speak at this point?

**Deputy St Pier:** Sir, I think I will. It is probably helpful to do so. (**The Deputy Bailiff:** Very well.)

Sir, I think the position that Policy & Resources are adopting on this particular amendment is, in essence, one of neutrality – I guess is probably the best way to describe it. As Deputy Fallaize said, yes, an ongoing process of review is clearly absolutely essential to any plan and I sense what underpins this amendment, is perhaps a fear in some sense that the Plan, if approved – and it may well be opposed by Deputy Fallaize in general debate over the next couple of days – should not be cast in stone – absolutely.

He referred to a concern that the percentages between savings and tax would be ‘hard and fast’ – was the expression he used in the previous debate, sir. It is categorically P&R’s intention not to use the Plan in that way; it is simply a guide to help us inform the Budget decisions that we will need to make over the next four years and we will need to reflect the changes in circumstances that we experienced over that time.

Indeed, as we come to prepare the Budget 2018, in the third quarter it will be informed by the second quarter’s experience, and obviously we will need to keep it under constant review as we move ahead in the next couple of years – particularly, of course, with the impact of Brexit and, as we have already identified in debate, sir, we have amended as a result of experience our expectations around the so-called 3%-5%-5% to now 3% this year and then 7% over the next four years.

3830 So I would fully expect this to remain under review, which is why we have no objection to this, in essence, coming back to the States. We have identified, as Deputy Fallaize has said, some concerns as to actually how much data we would have available to us by the time a policy letter needs to be signed off to come back for a debate in June 2019. That is our reservation. I make that point on the record so that it does not become a point of contention, if this amendment is approved, when we come to the debate in June 2019, sir.

3835 **The Deputy Bailiff:** Deputy Roffey.

**Deputy Roffey:** All I was going to say, sir, is I hope this does not turn into a mini debate on how achievable the financial savings in this report are. This amendment asks for one thing and one thing only: a formal reality check in two years' time. I think it makes absolute sense and we should move onto something more controversial.

**Two Members:** Hear, hear.

3845 **The Deputy Bailiff:** Deputy Yerby.

**Deputy Yerby:** In the spirit of Deputy Roffey's brevity, I would just mention to him and Deputy Fallaize, exactly what will happen in two years' time? The Committees will say, 'These targets are not working, they are unrealistic, they are unachievable; let's keep them'.

3850 I will vote for the amendment, but I hold absolutely no hope it will achieve what the Deputies think that it will. *(Laughter)*

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

3855 **Deputy Le Tocq:** Yes, I am restricting my comments in this debate, but something that Deputy Fallaize said in laying this amendment makes me rise to my feet.

I concur obviously, as my other colleagues do, with what Deputy St Pier said on behalf of our Committee, but the important thing is this is not the same as the FTP and there will be monitoring in any case. As to whether in two years' time we will have the data that the proposer and seconder of this amendment – the details that they are looking for, is another question.

3860 However, Deputy Fallaize made some comments with regard to the FTP. He said it was, I think, a considerable achievement despite the fact it did not meet its targets. Well, of course it did not meet its targets, but it came very near the target and it did achieve far more than many people thought it would. But in my mind he has underestimated that because what I saw and what I think we can do through the Medium Term Financial Plan is build on a far greater achievement in the FTP, and that was the change in culture and attitudes; because to begin with, sir, the FTP was resisted. In fact it did not really begin to take any traction until the beginning of the last term, and during my time as Minister for the Home Department and as Chief Minister I saw a change in attitude and culture towards a can-do attitude: we can achieve things, we can do things differently, we can achieve them and get a better value for money than we have before.

3865 That is what I hope this Plan that we have before us will achieve, but it requires us to support it in that way. Obviously, monitoring is part of that and perhaps there will be need to change, in the way that some have spoken, as we move forward, but that is down to this Committee and down to the States, sir. One of the things that we need to do is certainly to support targets so that we know what we are heading for. If we do not have a plan – Deputy Fallaize suggested that before, that we perhaps not have it at all – in my mind, that is giving up before you have even started. We need to work on that particular target so that we can build on that cultural change so that our community knows that we can deliver the best quality services for the best value for money.

3880 **The Deputy Bailiff:** Deputy Tindall.

**Deputy Tindall:** Thank you, sir.

I actually wish to vote against this amendment, simply because I do feel it is unnecessary because we have the reassurance of it happening anyway. It is also obviously slightly flawed because of the fact of the two years, but also because we have already had a demonstration, in my mind, of these reviews being there already. For example, we were looking at a 3%-5%-5% and that has now changed potentially to 3%-2%-2%, so I have to say that I just will not vote for something that is superfluous.

Thank you, sir.

**The Deputy Bailiff:** Deputy Brehaut.

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

Now I have put my hacksaw away!

This is probably a speech for a President possibly. It is no good us Presidents conveying a message to the Assembly saying we face significant challenges ahead, things are going to be different, we are struggling with savings targets and then vote down every initiative that comes from the floor of this Assembly in an effort to help us and the Assembly out collectively.

I understand the intent behind this amendment and I will support it. Deputy Le Tocq was absolutely right: the FTP targets were hugely inflated and exaggerated, unrealistic, overly optimistic, not workable. However, over a period of time some of the initiatives did deliver.

But I see this as an open-handed approach to assist all of us in our decision-making and that we all collectively understand where any one Committee is with regard to saving targets with any single snapshot in time.

So I will support this.

Thank you.

**The Deputy Bailiff:** I invite Deputy Fallaize, as the proposer of the amendment, to reply to the debate.

**Deputy Fallaize:** Thank you, sir.

Deputy Tindall was the only Member who spoke against the amendment and, first of all, I do not think it is wrong, I do not think the claim of a two-year review in 2019 is wrong, because it will be two years after the States have approved – because I am sure the States are going to approve the Medium Term Financial Plan. It will be two years after it has been approved, so I do not think that is wrong.

I do not think it is unnecessary, bearing in mind the Financial Transformation Programme – and I take Deputy Le Tocq's point that this is not the same thing, but the last significant savings programme the States embarked upon – was not reviewed. Although the senior committee of the day said, 'Of course it will be reviewed. We will keep it under review', it was never reviewed. He will remember, soon after the election in 2012, it became a real issue for States' Members – not particularly for me but for Members who were newly elected to the States at that election who wanted to re-examine the Financial Transformation Programme, who wanted to re-debate it; and essentially it was closed off. We were part way through the Programme, it was not possible to disrupt it and that created a great deal of frustration. I think if this is going to work it is going to have to be a very open and collaborative process and I think what is proposed in this amendment can contribute to that.

Particularly because Deputy St Pier said the figures in the Medium Term Financial Plan are simply a guide. I accept that. We can understand that, but that is not necessarily how they will be reported. We will end up being judged against these figures; our performance will be judged against these figures. That is not necessarily a bad thing, but it will create in the minds of other people outside this Chamber the impression that the figures are much more than a guide, and I do think it is important for us formally, halfway through the savings programme that is set out, to

say clearly, 'Look, the figure that we previously had ... if it remains right, then it needs to be reconfirmed by the States.' In my view, there needs to be another iteration and the States can reconfirm their decisions this week, if it will be this week, or they can amend the targets if they see fit.

Deputy Yerby said, amusingly, that the Committees in two years' time will say, 'We have not met the expenditure reduction targets, we cannot meet them and we will vote for them'. That is a very cynical view and perhaps she is right! I hope they do not. Actually, I do not think that will happen and I do not think it will happen for this reason: this is, in terms of budget planning, a major, substantial policy planning; this is the first time this Assembly has done it. I think there is a sense amongst newly elected Members, in particular, that we need to be positive about this – we can do it, we can achieve what is set out in this Plan. But we do not know what the mood will be in two years' time. Once the Committees have had a year and a half of trying to implement the proposals that are set out in this Plan, I do not think we can forecast exactly what the mood will be and how that might affect the decisions that will be taken.

So I do think that it is important that we place a mid-term review on a formal basis, and I thank Deputy St Pier and the Policy & Resources Committee for not opposing this amendment; and I ask the States to support it.

Thank you, sir.

**The Deputy Bailiff:** Members of the States, we turn to the vote on amendment 21, proposed by Deputy Fallaize, seconded by Deputy Roffey, which will have the effect of inserting a Proposition 1-something in due course. Those in favour; those against.

*Members voted Pour.*

**The Deputy Bailiff:** I declare that carried.

Members of the States, I had always envisaged taking stock at this time during the course of this week. As I understand it, because of the effect of an earlier amendment that was approved, amendment 1 can no longer be placed by Deputy Roffey because the words it seeks to substitute have gone. There is one amendment left in respect of Propositions 1 to 10, broadly called the Medium Term Financial Plan, and that is amendment 13, to be proposed by Deputy Yerby and seconded by Deputy Soulsby.

It is 5.30 p.m. now. I take the view that you have made reasonable progress today. If you had got through that amendment as well I think that would have been no further than I expected to get today. The other amendments hopefully will not be quite as lengthy in debate.

Therefore it is my proposal that we adjourn now until 9.30 a.m. tomorrow morning.

**Deputy Roffey:** Sir, I totally concur with your rule. I just wonder whether we could give consideration to maybe reducing our lunch period to one and a half hours tomorrow, and maybe Friday, to make sure that we can finish in time? I do not want to make the suggestion tomorrow, because people will have made plans by then.

**The Deputy Bailiff:** Yes. Deputy Le Pelley.

**Deputy Le Pelley:** Sir, I have meetings on behalf of Education, Sport and Culture tomorrow and I will also have a meeting on Friday within the lunch hour. We are going to find it very difficult to reduce our lunch break because we are working through our lunch break.

**A Member:** Hear, hear.

**The Deputy Bailiff:** Deputy Tooley.

**Deputy Tooley:** Sir, I appreciate and understand the comments made by Deputy Le Pelley and I appreciate also that you are in a very difficult position trying to predict the unpredictable in terms of how long debate will take. There are a number of us who have outside commitments going into next week but also going into the evenings, which we can rearrange in order to make staying on later, or whatever, practical and possible, but the more notice we have to make that possible the better.

So if it is in any way possible to give an indication of whether we are likely to work late on any of the remaining days this week then it would be helpful to have that indication.

Thank you.

**The Deputy Bailiff:** Deputy Lowe.

**Deputy Lowe:** Sir, is it possible to consider starting earlier than 9.30 a.m. tomorrow morning? I mean 9.30 a.m. is quite late actually for most people.

**The Deputy Bailiff:** I do not sense a general will for me to adjourn to anything earlier than 9.30 a.m. tomorrow. What I will test with you now is whether you are minded to reduce the lunch hour so that we break from 12.30 p.m. to 2 o'clock tomorrow.

I will give an indication to you that it is my hope and expectation that the amendments will be cleared tomorrow to allow general debate to run throughout the whole of Friday, potentially for however many hours is needed for general debate. It is general debate that really matters, ultimately, because that is going to be dictating how you decide to vote on the Propositions as they then stand. So that is why it will be desirable to try to get through the amendments tomorrow. If we start general debate tomorrow that will be even better, but the view I am taking at the moment is let's try to get the remainder of the amendments at least cleared by the time we rise tomorrow.

Let me put to you the motion that the lunch break will be from 12.30 p.m. or thereabouts, depending on where we are to, until 2 p.m. Those in favour; those against.

*Members voted Contre*

**The Deputy Bailiff:** I do not think that has been carried today, but it can be tested again tomorrow, depending on progress, if necessary.

We will now adjourn until 9.30 a.m. tomorrow morning.

*The Assembly adjourned at 5.33 p.m.*