



OFFICIAL REPORT

OF THE

STATES OF DELIBERATION

OF THE

ISLAND OF GUERNSEY

HANSARD

Royal Court House, Guernsey, Tuesday, 6th November 2018

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Present:

Sir Richard J. Collas, Kt, Bailiff and Presiding Officer

Law Officers

R. M. Titterington, Q.C. (H.M. Comptroller)

People's Deputies

St Peter Port South

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

St Peter Port North

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

St Sampson

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

The Vale

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

The Castel

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

The West

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

The South-East

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

Representatives of the Island of Alderney

Alderney Representatives L. E. Jean and S. D. G. McKinley, O. B. E.

The Clerk to the States of Deliberation

Ms C. Foster (H.M. Deputy Greffier)

Absent at the Evocation

Miss M. M. E. Pullum, Q.C. (H.M. Procureur)
Deputy L. C. Queripel (*relevé à 10h 34*); Deputy P. R. Le Pelley (*indisposé*); Deputy S. T. Hansmann
Rouxel (*relevée à 10h 25*)

Business transacted

Evocation	1987
Convocation	1987
Billet d'État XXIV	1987
I. The States of Guernsey Annual Budget for 2019 – Debate commenced	1987
<i>The Assembly adjourned at 12.32 p.m. and resumed its sitting at 2.30 p.m.</i>	<i>2031</i>
The States of Guernsey Annual Budget for 2019 – Debate continued	2031
<i>The Assembly adjourned at 5.30 p.m.</i>	<i>2074</i>

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States of Deliberation

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

[THE BAILIFF *in the Chair*]

PRAYERS

The Deputy Greffier

EVOCATION

CONVOCATION

The Deputy Greffier: Billet d'État XXIV and XXVI of 2018.

To the Members of the States of the Island of Guernsey, I hereby give notice that a meeting of the States of Deliberation will be held at The Royal Court House on Tuesday 6th November 2018 at 9.30 a.m. to consider the items listed in these Billets d'État which have been submitted for debate.

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Billet d'État XXIV

POLICE & RESOURCES COMMITTEE

I. The States of Guernsey Annual Budget for 2019 – Debate commenced

The Deputy Greffier: Billet XXIV, Article I – The States of Guernsey Annual Budget for 2019.

The Bailiff: Deputy St Pier will open debate.

*[See full text of original Propositions including Schedules at:
<https://www.gov.gg/CHttpHandler.ashx?id=115715&p=0>]*

Article I.

The States are asked to decide:

Whether, after consideration of the States of Guernsey Annual Budget for 2019, they are of the opinion:

- 1. To immediately transfer the sum of £1.5million from the General Reserve to the Future Guernsey Economic Fund.*
- 2. To approve the immediate establishment of a Brexit Transition Fund within the General Reserve with an allocation of £3million and to delegate authority to the Policy & Resources Committee to approve uses of this Fund.*

3. To rescind States resolution 3 of Article VIII of Billet d'État XXI, 2017 entitled 'Overseas Aid & Development Commission: Funding Arrangements and Future Developments'.
4. To approve the immediate establishment of an Overseas Aid & Development Impact Investment Fund within the General Reserve with an allocation of £1million and to delegate authority to the Policy & Resources Committee to approve investment of this Fund.
5. To approve the immediate establishment of a Participatory Budgeting Fund within the General Reserve with an allocation of £1million and to delegate authority to the Policy & Resources Committee to approve uses of this Fund.
6. To note the use of £3.92million of the General Reserve to increase the 2019 budgets of the Committee for Education, Sport & Culture (£3.62million) and the Committee for Home Affairs (£300,000).
7. To immediately transfer the sum of £12.9million from the General Reserve to the Core Investment Reserve.
8. To amend the Income Tax (Guernsey) Law, 1975 to provide the ability for the Policy & Resources Committee to make Regulations requiring companies carrying on or undertaking relevant activities or other specified activities to have a substantive presence in Guernsey by meeting 'substance requirements' in the manner outlined in section 5, and making provision for the activities subject to substance requirements, the detailed substance requirements applicable, sanctions and enforcement measures, the obtaining and exchange of information and supervision, monitoring and verification of compliance.
9. To amend the Disclosure (Bailiwick of Guernsey) Law, 2007 to enable the disclosure of information by the Guernsey Financial Services Commission to the Director of Income Tax where this would assist the Director in performing her functions.
10. To note that a political commitment will be given, to introduce legislation enabling real-time or close to real-time access to beneficial ownership information by EU tax and law enforcement authorities, on a reciprocal basis, subject to ensuring appropriate data and security safeguarding measures are in place.
11. To note that a political commitment will be given to introduce legislation implementing mandatory disclosure rules by 31 December 2019 aligned to the OECD work on mandatory disclosure rules for the Common Reporting Standard Avoidance arrangements and opaque offshore structures.
12. To amend the Income Tax (Guernsey) Law, 1975 to provide the ability for the Policy & Resources Committee to make Regulations to implement any international tax measure described in section 5, provided that the measure has been specified by Resolution of the States.
13. To extend the company intermediate income tax rate (10%) to income from the regulated activity of operating an investment exchange under the Protection of Investors (Bailiwick of Guernsey) Law, 1987, and to direct the preparation of such legislation as may be necessary to give effect to this decision with effect from 1 January 2019.
14. To extend the company intermediate income tax rate (10%) to income from compliance and other related activities provided to regulated financial services businesses, and to direct the preparation of such legislation as may be necessary to give effect to this decision with effect from 1 January 2019.
15. To amend the Income Tax (Guernsey) Law, 1975 to provide that with effect from 1 January 2019, a company which is treated as non-resident under the terms of a double taxation arrangement with a country or territory where the highest rate at which any company may be charged to tax is 10% or higher will not be considered tax resident in Guernsey for domestic tax purposes, and to make any consequential amendments to the anti-avoidance provisions of the Law as required.
16. To reduce the threshold for withdrawal of personal allowances to £100,000, decelerating the withdrawal ratio to £1 for every £5 a person's calculated income increases above the threshold with effect from 1 January 2019.

17. To increase the Income Tax Cap referred to in paragraph 6.30 of this Report from £110,000 to £130,000 on qualifying income and from £220,000 to £260,000 on worldwide income, updating section 39B(1) and the Sixth Schedule of the Income Tax (Guernsey) Law, 1975 accordingly.
18. To amend the Sixth Schedule of the Income Tax (Guernsey) Law, 1975 to:
 - a.clarify that income from land and buildings in Guernsey or Alderney will not be excluded from the income tax cap, when the income is derived from an exempt body;
 - b.amend the open market tax cap such that it may be claimed by an individual resident in Guernsey;
 - c.extend the permitted period for an individual to purchase an open market property in order to be eligible to claim the open market tax cap from 6 months to 12 months;
 - d.enable an individual to claim the Alderney income tax cap in any year of charge from 2016 to 2025.
19. To propose that in future the annual tax-free lump sum limit for a pension scheme is set annually as part of the Budget by Resolution of the States, with the limit for 2019 being set at £198,000.
20. To note that guidance will be issued setting out what is an acceptable contribution to a pension scheme eligible for tax relief as set out in paragraph 6.40 of this Report which will apply from 1 January 2019.
21. To amend the conditions for triviality payments from pension schemes in the Income Tax (Guernsey) Law, 1975 in the manner set out in paragraph 6.41 of this Report:
 - a.triviality is increased for members aged 50 or over to £50,000 per scheme taxable at 20% in the year of charge in which it is paid; and
 - b.triviality is introduced for schemes in drawdown where either the aggregate value of the fund attributable to the member at the time of the request is no greater than:
 - i. £50,000 or
 - ii.£100,000 and the individual member has a guaranteed minimum retirement income of £20,000 per annum.and to direct the preparation of such legislation as may be necessary to give effect to this decision.
22. To amend the Income Tax (Guernsey) Law, 1975, such that there is a 10% charge on an outward transfer of funds to a UK pension scheme, unless the transfer is made in respect of an individual resident in the UK except where the individual has not been resident in Guernsey at any time.
23. To amend section 40 of the Income Tax (Guernsey) Law, 1975 to introduce an exemption for regulated end of service/gratuity schemes where the beneficiaries are non-resident and all income of the trust is non Guernsey source income apart from Guernsey bank interest.
24. To amend the Income Tax (Tax Relief on Interest Payments) (Guernsey) Ordinance, 2007 to make it clear that Mortgage Interest Relief is not available if the loan on a principal private residence is from a trust, with effect from 1 January 2019.
25. To amend the Income Tax (Guernsey) Law, 1975 to provide that relief for the underlying tax suffered by a company flows through to the beneficial member on distribution, if the company is either incorporated or controlled in Guernsey, with effect from 1 November 2015.
26. That,
 - (a) subject to the provisions of the Income Tax (Guernsey) Law, 1975 and to the provisions of this Proposition, the allowances claimable for the Year of Charge 2019 by an individual solely or principally resident in Guernsey by way of relief from income tax at the individual standard rate, shall be the allowances specified in the First Schedule to this proposition;
 - (b) the allowances specified in the First Schedule to this Proposition shall only be granted to an individual who has made a claim in accordance with the provisions of the Income Tax (Guernsey) Law, 1975 and who has proved the conditions applicable to such allowances and prescribed in the Second Schedule to this Proposition have been fulfilled;

(c) "Family Allowances" means Family Allowances payable under the Family Allowances (Guernsey) Law, 1950 as amended; and

(d) "the income Tax (Guernsey) Law, 1975" means that Law as amended, extended or applied by or under any other enactment.

27. That the rates of excise duty in Guernsey and Alderney on the under mentioned goods shall be varied as follows:

With immediate effect:

a	Cigarettes	£364.98 per kilogram
b	Cigars	£364.98 per kilogram
c	Hand rolling tobacco	£346.22 per kilogram
d	Other manufactured tobacco	£300.30 per kilogram
e	Tobacco leaf – unstemmed	£333.37 per kilogram
f	Tobacco leaf – stemmed	£336.71 per kilogram
g	Petrol other than any fuel used for the purpose of air navigation	70.1p per litre
h	Petrol used for the purpose of marine navigation where supplied by an approved trader	47.0p per litre
i	Gas oil	70.1p per litre
j	Biodiesel	70.1p per litre
k	Beer brewed by an independent small brewery exceeding 1.2 per cent volume but not exceeding 2.8 per cent volume	25p per litre
l	Beer, other than beer brewed by an independent small brewery, exceeding 1.2 per cent volume but not exceeding 2.8 per cent volume	51p per litre
m	Beer brewed by an independent small brewery exceeding 2.8 per cent volume but not exceeding 4.9 per cent volume	41p per litre
n	Beer, other than beer brewed by an independent small brewery, exceeding 2.8 per cent volume but not exceeding 4.9 per cent volume	83p per litre
o	Beer brewed by an independent small brewery exceeding 4.9 per cent volume but not exceeding 7.5 per cent volume	52p per litre
p	Beer, other than beer brewed by an independent small brewery, exceeding 4.9 per cent volume but not exceeding 7.5 per cent volume	£1.04 per litre
q	Beer exceeding 7.5 per cent volume	£1.20 per litre
r	Spirits £37.44 per litre of alcohol contained in the liquor.	
s	Cider brewed by an independent small cider-maker exceeding 1.2 per cent volume but not exceeding 2.8 per cent volume	25p per litre
t	Cider, other than cider brewed by an independent small cider-maker, exceeding 1.2 per cent volume but not exceeding 2.8 per cent volume	51p per litre
u	Cider produced by an independent small cider-maker exceeding 2.8 per cent volume but not exceeding 4.9 per cent volume	41p per litre
v	Cider, other than cider produced by an independent small cider-maker, exceeding 2.8 per cent volume but not exceeding 4.9 per cent volume	83p per litre
w	Cider produced by an independent small cider-maker	

	<i>exceeding 4.9 per cent volume but not exceeding 7.5 per cent volume</i>	<i>52p per litre</i>
x	<i>Cider, other than cider produced by an independent small cider-maker, exceeding 4.9 per cent volume but not exceeding 7.5 per cent volume</i>	<i>£1.04 per litre</i>
y	<i>Cider exceeding 7.5 per cent volume</i>	<i>£1.20 per litre</i>
z	<i>Light wines not exceeding 5.5 per cent volume</i>	<i>65p per litre</i>
aa	<i>Light wines exceeding 5.5 per cent volume but not exceeding 15 per cent volume (including sparkling wines)</i>	<i>£2.64 per litre</i>
bb	<i>Other wines</i>	<i>£4.21 per litre</i>

28. *To approve the draft Ordinance entitled "The Excise Duties (Budget) Ordinance, 2018" and to direct that the same shall have effect as an Ordinance of the States.*
29. *To approve the draft Ordinance entitled "The Taxation of Real Property (Guernsey and Alderney) (Amendment) Ordinance, 2018" and to direct that the same shall have effect as an Ordinance of the States.*
30. *To agree to introduce increased Tax on Real Property tariffs in 2020 for properties with a TRP rating between 200 and 499 as set out in paragraph 6.80 of this Report.*
31. *To approve the draft Ordinance entitled "The Document Duty (Rates) (Amendment) Ordinance, 2018" and to direct that the same shall have effect as an Ordinance of the States.*
32. *To approve the draft Ordinance entitled "The Document Duty (Anti-Avoidance) (Rates) (Amendment) Ordinance, 2018" and to direct that the same shall have effect as an Ordinance of the States.*
33. *To delegate authority to the Policy & Resources Committee to approve funding from the Transformation and Transition Fund of up to £8million to fund the programme of organisational and service design.*
34. *To increase the authority delegated to the Policy & Resources Committee to approve funding from the Transformation and Transition Fund for Transforming Health and Social Care Services by £1.8million to £5.3million.*
35. *To increase the authority delegated to the Policy & Resources Committee to approve funding from the Transformation and Transition Fund for Transforming Education and Training Services by £750,000 to £3.5million.*
36. *To increase the authority delegated to the Policy & Resources Committee to approve funding from the Transformation and Transition Fund for Public Service Reform by £500,000 to £2.1million.*
37. *To approve the cash limits for ordinary revenue expenditure for 2019 totalling £404.72million as set out in paragraph 8.8 of this Report.*
38. *To approve that returns of capital from the States' trading assets and capital income in 2019 be transferred to the Capital Reserve.*
39. *To transfer the sum of £54.5million from General Revenue to the Capital Reserve on 1 January 2019.*
40. *To authorise the Policy & Resources Committee, to whom the States have delegated authority to approve the use of the Future Guernsey Economic Fund (previously the Economic Development Fund), to delegate (and subsequently to modify or withdraw) that authority in whole or in part, subject to such terms, conditions, limitations or restrictions as that Committee thinks fit, and without prejudice to the power of that Committee to continue to exercise that authority, to the Committee for Economic Development.*
41. *To agree the revised arrangements for consideration of Non-Contributory Benefits as set out in paragraph 9.34 of this Report, with any modifications necessary to ensure that the Committee for Employment & Social Security can continue to discharge its legal responsibilities concerning non-contributory benefits, are implemented from 2019; and to*

direct the States' Assembly & Constitution Committee to make any necessary changes to the rules of procedure.

42. *To agree that with effect from and following submission to the States of the States' Accounts for the year ended 2018, the proposition relating to the Accounts in question shall be "to note that the Policy & Resources Committee has approved the States of Guernsey Accounts for the year ending [insert year]"*
43. *To agree that the mandate of the Policy & Resources Committee be amended so that its existing function specified in item (b) 3. of the "Duties & Powers" of "preparing the States' accounts and submitting them to the States annually" is expanded to "preparing the States' Accounts and submitting them to the States annually or arranging for the States' Accounts or any part of them to be prepared and submitted to the States by such other Committee of the States as the Committee, following consultation with the committee in question, may determine."*
44. *To agree that the mandate of the Policy & Resources Committee be amended by deleting "annually recommending" from item (b) 10. of the "Duties & Powers" specified in its Mandate.*
45. *To note that Guernsey Waste will be established, from 1 January 2019, as a trading business unit, forming part of the States' Trading Supervisory Board, to carry out operational functions of the Waste Disposal Authority including administering the Solid Waste Trading Account.*
46. *To rescind States resolution 3 of Article I of Billet d'État II, 2014 entitled 'Public Services Department: Implementation of the Solid Waste Strategy' and to delegate authority to the States' Trading Supervisory Board to approve revenue expenditure from the Solid Waste Trading Account and opening capital votes for any solid waste project with a value not exceeding £2million, funded from the Solid Waste Trading Account.*
47. *To endorse the decision of the Policy & Resources Committee to make available a temporary overdraft facility for 2019 of £15million to Aurigny Limited.*
48. *To authorise the Policy & Resources Committee to guarantee external overdraft facilities of Aurigny Limited up to 31 December 2019 of a maximum of £15million.*
49. *To approve the following Expenditure Budgets for the year 2019:*
 - (a) *Policy & Resources Committee*
 - (b) *Committee for Economic Development*
 - (c) *Committee for Education, Sport & Culture*
 - (d) *Committee for Employment & Social Security*
 - (e) *Committee for the Environment & Infrastructure*
 - (f) *Committee for Health & Social Care*
 - (g) *Committee for Home Affairs*
 - (h) *Scrutiny Management Committee*
 - (i) *Development & Planning Authority*
 - (j) *Overseas Aid & Development Commission*
 - (k) *States' Trading Supervisory Board*
 - (l) *Royal Court*
 - (m) *Law Officers*
 - (n) *Pooled Budgets*
 - (o) *States of Alderney*
50. *To approve the following Budgets for the year 2019:*
 - (a) *Corporate Housing Programme*
 - (b) *Solid Waste Trading Account*
 - (c) *Guernsey Registry*
 - (d) *Ports*
 - (e) *Guernsey Water*
 - (f) *States Works*
 - (g) *Guernsey Dairy*
 - (h) *States Capital Investment Portfolio – Operating Costs*

- (i) *Superannuation Fund Administration*
- (j) *Committee for Employment & Social Security – Contributory Funds*

10 **Deputy St Pier:** Mr Bailiff, in accordance with Rule 17, I declare an interest in Proposition 24. In accordance with the Rules, of course, I recused myself from my Committee's discussion and decision. I will be voting for the Proposition.

 It is an honour to present the States of Guernsey Budget for 2019 on behalf of the Policy & Resources Committee. I would like to begin by thanking all across the States involved in preparing
15 this Budget, particularly of course the States' Treasurer and Assistant States' Treasurer. My thanks too to my fellow Committee Members, not only for this Budget but their camaraderie and commitment over the last year.

 I want to spend a few minutes looking at the current economic climate against which the Budget has been prepared. Since publication of the Budget Report, there have been a number of
20 releases of economic data which are worthy of mention.

 Net immigration for 2017 was more than 200 people, which just compensates for the ageing of our working age population. If this level of migration could be sustained, our future policy challenges would be more manageable. Whilst only one year, taken in combination with our positive GDP figures and employment numbers, this is encouraging and a positive sign for the
25 strength of our economy.

 In respect of employment, the signs again are largely positive – our participation rate – the percentage of people in our population working – continues to grow. The rate of increase may be slowing, but this is somewhat inevitable since we already have higher than average participation rates. Employment in the construction sector is finally showing some consistent signs of recovery;
30 we have real earnings' growth.

 Finally, although not due for formal release until later this week, the latest residential property data will show a significant increase in the number of Local Market transactions during the third quarter of 2018. This quarter has been the busiest quarter for Local Market property sales since 2011 and, for only the second time since before the financial crisis, more than 250 Local Market
35 houses have been transacted in a quarter. There were 21 transactions of £1 million or more, including 12 of the 17 Open Market properties sold in the third quarter.

 Before we look forward to 2019, I want to look back for a moment to 2017; 2017 was a *very* good fiscal year. I remind Members that there was growth in many sources of revenue income – personal income tax, corporate income tax, Document Duty receipts and investment returns; there
40 was collective underspending of budgets and a real-terms' reduction in expenditure compared to 2016. Of course, there were a number of one-off receipts and exceptionally good investment returns that contributed to this positive contribution – and these are unlikely to be repeated – and certainly we cannot budget for them to be repeated. So far in 2018, overall we are slightly ahead of budget but we will not repeat the 2017 outturn.

45 However, the 2017 success means that there is £23.3 million available for appropriation. This Budget recommends how that surplus is appropriated. The largest tranche, £12.9 million, is being recommended for transfer to the Core Investment Reserve, increasing its value to 41% of the 2019 revenue budget – another step, albeit relatively small, but an important step nonetheless, towards the Medium Term Financial Plan target of 100%; or, in other words, one year's spending. This step
50 adds further resilience to our overall financial strength and contributes to ensuring sustainable public finances. I very much hope that it will be possible to recommend more transfers in the coming years.

 We are also recommending funding for replenishing the Future Guernsey Economic Fund. It is so vital that this is successful as the continued strength of our economy is a critical foundation to
55 supporting our quality of life and community. We are recommending establishing a Brexit Transition Fund – needed to support urgent and necessary measures to manage Brexit in a controlled and timely manner and mitigate risks that may arise. It is frustrating but obviously unavoidable that we have had this cost and disruption imposed upon our community. (**Several**

Members: Hear, hear.) But I am really pleased that there is this opportunity to establish two new and exciting funds that seek to deliver Policy & Resource Plan objectives in a progressive and innovative way.

Firstly, the Overseas Aid & Development Impact Investment Fund is an opportunity to make investments that could make a different, more lasting impact in the world's least developed countries and with sustainable objectives in mind. The £1 million fund will complement and be in addition to the nearly £3 million budget for grants by the Overseas Aid & Development Commission.

Secondly, a Participatory Budgeting Fund, also with £1 million, is being established, having been flagged in last year's Budget. This will enable the *community*, rather than Government, to decide on projects that they assess will address the greatest community need. For this initiative to succeed, it is vital that it is run by the community for the community; and therefore we intend to partner with a third-sector organisation to undertake the process of seeking, receiving, assessing and prioritising ideas from the community.

The role of Government in this matter is limited to making funding available; setting the framework within which the scheme will operate; and ensuring that we are able to learn from this pilot, before deciding whether to continue or expand it in the future. We intend to lay an amendment to place beyond doubt that in designing the framework in which the fund will operate, we will consult with all relevant committees but specifically the Committees *for* Education, Sport & Culture, Health & Social Care and Home Affairs.

Turning now to the Budget for 2019. The duties and powers of the Policy & Resources Committee as set out within its mandate include:

To advise the States and to develop and implement policies and programmes relating to: ... fiscal policy, economic affairs and the financial and other resources of the States, which includes ... setting the framework for the planning, approval and control of public expenditure; and preparing the States' budget and submitting it to the States annually.

In carrying out these duties and exercising these powers in respect of preparation of the 2019 Budget Report, the Committee had very firmly at the forefront of its thinking that the proposals it makes must deliver on the various strategies, plans and programmes which have been approved by the States.

Firstly, the Fiscal Policy Framework which sets the parameters agreed by this Assembly within which the States should act. Through this framework we provide a commitment to stability and transparency that offers reassurance to our community and business that Guernsey will retain a prudent fiscal policy aiming for long-run permanent balance.

It incorporates clear limitations on acceptable temporary deficits; a maximum permissible size of the public sector and a commitment to limiting public sector growth; it contains a commitment to sustainable investment in public infrastructure; and limited and clearly defined Government borrowing.

I am, of course, delighted to be presenting, for the second successive year, a *fully balanced* Budget delivered within the boundaries set by the Fiscal Policy Framework. (**A Member:** Hear, hear.) This is *undoubtedly* the reward for the difficult but firm discipline that has been exercised over the last decade in controlling expenditure and increasing income, so returning stability to the Island's public finances.

The return to a modest public surplus position has enabled the allocation of additional funding to committees in order to meet growing service demands and developments.

Excluding the Income Support Scheme, these allocations total £6.1 million – which is nearly £3million *more* than that envisaged within the Medium Term Financial Plan, including £2 million to the Committee *for* Health & Social Care; and nearly £900,000 to the Committee *for* Home Affairs, in order to meet international obligations under the EU General Data Protection Regulation provisions.

At this stage, it is important for me to be clear that the additional funding allocated to committees has, under the Fiscal Policy Framework, *only* been possible as we have a budgeted

surplus. Should the Budget be amended in such a way that results in the elimination of that surplus and a budgeted deficit position, it will be necessary, if the States is to comply with the Fiscal Policy Framework, for measures to be implemented that will at least return us to a balanced Budget – either we will need to propose income raising measures or reduce expenditure budgets. We will move those consequential amendments later in debate, if required.

Whilst we have been able to recommend a full transfer to the Capital Reserve in accordance with the framework target policy, I take this opportunity to reiterate concern that over recent years there has been limited visible delivery on the portfolio of programmes and projects. We must invest in our Island infrastructure; and our public services must have the buildings and equipment they need. Further, it is vital that we do not merely maintain and replace existing assets, but that we invest to enable transformation in the delivery of our services and, increasingly importantly, to facilitate and drive growth in our economy.

The Policy & Resources Committee reiterates its commitment to facilitate acceleration of the delivery of capital projects where it is reasonable and practical to do so; and, in response to feedback from committees, we will now be establishing a small team of capital business partners to support committees' acceleration of delivery of the current portfolio – and to commence detailed planning for the next portfolio period.

Turning now to the Policy & Resource Plan: this Assembly's strategic policy document that determines which policy work should be given priority by Government – and how such work will be resourced. As part of last year's Budget, the States agreed to the prioritisation of 23 specific policies designed to deliver the outcomes detailed in the Policy & Resource Plan. This Budget incorporates provisions within revenue cash limits for progressing delivery of specific elements of the Policy & Resource Plan. The most significant additional expenditure item is the final tranche of funding for the Income Support scheme, which was introduced in July 2018. This scheme costs some £4.25 million more than the Supplementary Benefit and Rent Rebate schemes it replaced, which constitutes a significant commitment in improving the welfare system and will undoubtedly benefit many low-income households.

There are, of course, limited resources available and therefore it is vitally important that resources are focussed on delivering on our agreed policy priorities and not diverted into other matters.

It has become increasingly apparent that there is insufficient resource within the States to deliver the priorities in the Policy & Resource Plan. Therefore, this Budget is providing funding for a small pool of additional policy officers to be recruited and deployed across *all* committees in order to facilitate development and delivery of prioritised policies.

There is undoubtedly currently pressure being experienced by the Law Officers of the Crown in being able to discharge their functions across the Bailiwick and maintain the delivery of a wide range of legal services. There has been a significant increase in the volume and complexity of their workload which is adversely impacting on response times, leading to challenges in the delivery of operational services. It is recognised that these issues need to be addressed through a combination of transformation to create a modern and more efficient service and the provision of additional resources. The Policy & Resources Committee has approved funding from the Transformation and Transition Fund to develop a transformation programme and is also recommending a significant cash limit increase of £460,000, as the *first* tranche of an additional funding requirement of nearly £1 million.

The additional resources recruited will also ensure that there is capacity within the service to implement the transformation programme. Whilst the Committee is unable at this stage to offer a firm commitment regarding future cash limits, it is fully expecting that the 2020 Budget will include a recommendation for a further cash limit increase. The Law Officers and the Committee are working collaboratively to initiate and oversee the transformation and, recognising their success in other areas of the States, have agreed to establish a joint Transformation Oversight Group.

The Medium Term Financial Plan is the States' approved strategy designed to ensure the finances of the States can support delivery of the outcomes set out in the Policy & Resource Plan, whilst ensuring the States achieves and maintains a balanced budget, before moving into a sustainable surplus.

This will also enable further rebuilding of the Core Investment Reserve, which was drawn-down to fund eight successive years of budget deficits.

In accordance with the position outlined in the Medium Term Financial Plan, this Budget includes *modest* increases in taxation, which are anticipated to raise £3.5 million of additional revenue. As directed by the States, these revenue raising measures are predominantly targeted at those individuals and entities considered most able to bear the burden. This year that includes a higher rate TRP band for accountancy and non-regulated financial services businesses. We are proposing a further significant step in making our personal income tax system more progressive, raising over £1.5 million more from those in our community considered most able to pay, through the implementation of the third phase of the withdrawal of personal allowances for higher earners and increases in the Income Tax caps. Those earning incomes of over £100,000 will progressively have their entitlement to personal income tax allowances withdrawn – resulting in a tax system for those in this category, where 'twenty per cent means twenty per cent'. This has enabled another real-terms' increase in the personal income tax allowance, which will most help those on lower and middle incomes. 2019 is the *third* consecutive year in which a £500 increase in personal income tax allowances is being recommended.

Over this period, some £4.6 million will have been redistributed through this process of withdrawing allowances from those most able to pay in order to provide a tax cut for everyone else. The combination of these initiatives has significantly improved the progressive nature of the personal income tax system. It must be acknowledged that our personal income tax allowances – even after a further £500 uplift, remain behind the UK and Jersey – especially given the UK Chancellor's decision last week to increase the UK's to £12,500 from 5th April next year. Such comparisons are easy but false. We must remember that our Government taxes the community at about 19% of GDP; the UK at double that at 38%.

Our room for populist budget 'give-aways' is much more limited. (**Several Members:** Hear, hear.) It is also much easier for those jurisdictions which have more diverse revenue bases than we do – and in the UK's case, a willingness to fund such largesse with more Government borrowing, currently totalling £1.8 trillion. Having said all of that, maintaining our tax competitiveness for low and middle income earners will remain a challenge in the coming years.

In relation to TRP, it is worth pointing out that the States decided in 2015 through the Personal Tax, Pensions & Benefits review to double the contribution in real terms from this source over 10 years by means of a 7.5% real-terms' increase each year. Similarly, the States decided to phase out the age-related tax allowance supplement by freezing it until the personal allowance had caught up. If the States – as is its prerogative – chooses to deviate from those previous decisions, it must do so in the full knowledge that it makes maintaining tax competitiveness, by, for example, raising our personal tax allowances, that much harder, if not impossible.

Whilst speaking of TRP, it is worth putting on record that if Proposition 30 is approved, it is the Policy & Resources Committee's intent to include in the 2020 Budget this time next year, an appropriate impact analysis in respect of introducing graduated TRP for the 30% of properties which have more than 200 TRP units. This will enable the States to have an informed view before considering the requisite Ordinance to put this into effect in 2020.

It is also worth explaining that the annual real terms' increases of 7.5% are part of the assumed base line in the Medium Term Financial Plan; on the other hand, the proposals for a graduated TRP would be one of the measures contributing to raising the £3.5 million of additional revenues envisaged in the MTFP. If the States adopt amendment 3, when laid, they must do so knowing that it puts a hole through the Medium Term Financial Plan.

Whilst the income increases play a significant part in improving the States' financial position, the Medium Term Financial Plan provided that expenditure savings of double their value would be

210 delivered. The delivery of expenditure reductions is *fundamental* to the sustainability of the States' financial position and as a source of funding for coping with increased demographically driven service demand, implementing new service developments, such as an equality and rights organisation, and making changes that deliver on committees' policy objectives.

215 The in-year savings forecast to be delivered in 2019 of £4.6 million does fall short, by £1.5 million, of that estimated for 2019 in the Medium Term Financial Plan.

However, this is a timing delay; the overall savings for the period of the Medium Term Financial Plan, we believe, remain in line with the target at £26 million a year on an ongoing basis by 2021.

220 A key component of delivering these savings is the success of the organisational and service design programme. There is nothing new or unexpected about the proposed changes recently announced. The Framework for Public Service Reform was released and endorsed by the States in 2015. That said that it aimed to deliver:

... an organisation designed around meeting community needs, rather than expecting customers and users to [adopt] the public service's internal procedures and structures.

The Medium Term Financial Plan approved in June 2017 included some £7.5 million of savings to be delivered through service design which, I quote:

... at its core, is about the customer focused review and re-design of services, with the aim of creating an effortless user or customer experience ...

It went on to say that:

... when cost savings are made through changing services, a significant proportion are likely to come from reducing pay costs. In some cases, particularly where services have been digitised, these savings will come from the need for fewer staff in those areas which have been the subject of change and improvement.

225 That is what the Chief Executive is now seeking to do and asking for financial support to implement.

230 The re-design of the Civil Service and the digitisation of services is an *essential* element in the overall reform of public services. Not only is it necessary in order to contribute to the objectives set out and agreed in 2015, but it is also critical in delivering the savings we must deliver – and the savings which we have committed to our community to deliver. These savings are also critical to the very sustainability of our transformation efforts. Without the delivery of savings over the next two years, the Transformation and Transition Fund will be depleted ahead of the fruition of HSC's Partnership of Purpose or the implementation of education reforms through one college on two sites. We *need* to save in order to be able to invest in those and other transformation projects.

235 The Committee is proposing that a 'substance' requirement is introduced into the Guernsey Income Tax Law for companies tax resident in Guernsey undertaking specific 'geographically mobile' activities.

240 I am confident that these proposals *will* dispel the concerns that the EU's Code of Conduct Group for Business Taxation raised. They expressed during review of the tax co-operation of third countries, following which Guernsey had made a high-level commitment in November 2017 to address these, and this lead to a positive review by the EU Council of Finance Ministers, in the first quarter of 2019.

245 The Code Group found that Guernsey was co-operative in terms of tax transparency, fair taxation and anti-Base Erosion and Profit Shifting compliance. However, the review brought forward a wholly new concept of 'economic substance'. The upside to this new requirement is that it will put beyond any doubt that we *are* an economy that relies on real economic activity and where businesses have a substantial presence within our jurisdiction. As Deputy Trott has described it characteristically clearly, we have real people making real decisions in real time.

250 The design of these proposals has followed months of hard work during this year, working closely with the other Crown Dependencies and with complex negotiations with the EU's Commission.

We have sought to liaise and consult with industry – and we are grateful for their advice to ensure that the proposed legislation can work in practice, as well as meet the requirements of the EU.

255 These are important proposals with a need for the legislation to be enacted by 31st December 2018 to ensure that Guernsey meets its commitment. The relevant ordinance is due to be considered at the 28th November States' meeting, following which the Committee will make the necessary regulations.

260 Recognising the need to provide as much information to industry and practitioners about these changes coming into effect in only a matter of weeks on 1st January 2019, the draft legislation and a joint Crown Dependency note on key aspects of the proposals will be published on the States' website this week. Officers will continue to work with their colleagues in the other Crown Dependencies in order to produce further, more comprehensive, guidance as soon as possible. I hope that these drafts will provide further certainty for business to help them adjust
265 where necessary.

Sir, I noted the recent UK Budget being billed as 'the end of austerity'; I considered whether this description could also apply to the Guernsey's Budget – recognising of course that Guernsey's version of austerity was always somewhat different to that of the UK. We have operated a number of years of planned, modest and managed deficits, funded from our accumulated reserves.

270 In some ways – yes, Guernsey has ended austerity. We are in surplus, tax cuts are being recommended through real-terms' increases in personal income tax allowances, expenditure budgets are growing to fund increased demand and service developments; and we are rebuilding our reserves. However, our surplus is small; and it is vitally important that complacency does not set in and we lose sight of the unavoidable demographic changes and the attendant increase in
275 the dependency ratio; we must implement transformation in the way that we deliver our services; and we must invest adequately and smartly in our capital infrastructure to ensure that we are best placed to respond to these challenges.

Looking back over the Budget Reports presented by this Policy & Resources Committee, they have incrementally developed into our current, enviable, financial position – the 2017 Budget had
280 a theme of being responsible, fair, realistic and progressive; the 2018 Budget sought to balance the need to invest in our community's future and health in particular, with the discipline required to maintain financial stability; and this, the 2019 Budget Report, builds on these very solid foundations. It is a Budget which reflects the renewed strength in our economy and public finances; it is the reward for planning and financial discipline which has enabled focused
285 investment in priority service areas and initiatives; and it is one we can all be proud of.

Whilst the Budget is compiled and submitted by the Policy & Resources Committee, as is its mandated responsibility, it is the Budget for Guernsey and it is rightly titled as such, 'The States of Guernsey Annual Budget for 2019'. A budget is defined as a plan for a period of time expressed in financial terms – we all need to take collective ownership of the approved Budget, embrace it as
290 *our* financial plan for 2019; recognise that it is designed to deliver on the direction set by *this* Assembly and undertake our committee work in accordance with its financial terms.

Sir, we believe that the Budget Report being considered today is fair and balanced; fiscally responsible; and good for Guernsey and we wholeheartedly commend it to the States. (*Applause*)

295 **The Bailiff:** Well, Members, a bit of housekeeping first. I have indicated to some they may remove their jackets if they wish and others may do so.

We now have amendments. Like you, I only saw quite a number of them late yesterday. The running order is that proposed by the Committee which has been circulated. It is suggested we take first amendment 15 and it seems to me amendment 16 at the same time – those two run
300 together. So amendments 15 and 16, to be proposed by Deputy Merrett.

Amendment 15

1. In Proposition 26, in the First Schedule:

- (a) in section 1 of the table ("Personal Allowance") for "£11,000" substitute "£12,000";
- (b) in section 2 of the table ("Age-related Allowance") for "450" substitute "£0".

2. In Proposition 16:

- (a) for "£100,000" substitute "£80,000"; and
- (b) for "decelerating the withdrawal ratio to £1 for every £5" substitute "with a withdrawal ratio of £1 for every £3".

3. In Proposition 26, in paragraph (iii) of the First Schedule, for "a ratio of £1 of allowances and withdrawable deductions for every £5" substitute "a ratio of £1 of allowances and withdrawable deductions for every £3".

4. In Proposition 17:

- (a) for "£130,000" substitute "£145,000"; and
- (b) for "£260,000" substitute "£290,000".

5. In Proposition 7, for "£12.9 million" substitute "£9.65 million".

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- (b) for "£260,000" substitute "£290,000".

5. In Proposition 7, for "£12.9 million" substitute "£11.05 million".

Deputy Merrett: Thank you, sir.

305 Firstly, I wish to thank the officers in Policy & Resources and in Employment & Social Security who have tried to answer numerous questions, have responded to my various requests for fiscal modelling, and who tried to do so in a timely manner. I am sure that we have all sprouted a few extra grey hairs in the process. I certainly have.

310 This pair of amendments, sir, all started when I spoke with Deputy Yerby with my very real concerns for the members of our community who are on low and medium incomes; the sectors of our economy that are struggling and the very fabric of our community; the majority of the very people that we serve; the perception that the rich are getting richer and the poor are getting poorer; the concern that many hardworking families that are only just managing.

315 I asked Deputy Yerby, sir, if she shared such concerns and she was willing to work with me on what we commonly referred to as the Robin Hood amendments. What we are seeking to ensure is that there is a greater contribution from those most able to pay. That we do not take tax from people who can least afford it only to give it back in other benefits, and more broadly to help our community have more control over their income. We are trying to get more money in peoples' pay-packets, more money to take home and more money moving around in our local economy.

320 The amendment also seeks to reinstate this Assembly's agreed fiscal policy. Robin Hood is rumoured to have taken from the rich to give to the poor. There are no horses, no highwaymen or women involved in these amendments. I am not sure as to how many merry men there are in P&R

at the moment but I would like to think there is at least one merry woman or one that at least fully understands what is at the very heart of this amendment.

325 Sir, I am not sure who is the Sherriff of Nottingham in this scenario and I will leave that to Members to decide.

In the President's forward to the Budget, he has stated this is the third consecutive year that:

Personal allowances are raised by £500, an above inflation increase of 5%, which will particularly benefit those on low and middle incomes.

Along with the withdrawal of allowances for ... [big] earners ... [which] has significantly improved the progressive nature of [our] personal income tax system.

330 This is welcome news, sir – especially when we compare ourselves to other competitive jurisdictions; especially, sir, when we are trying to attract employees to fill positions that we cannot fulfil on Island. I will come to that further in a moment. But, sir, what I do not understand is when we – and I mean the Assembly, sir, not us although I am sure that we between us could have a most amicable and respectable debate with regards to this; no, sir, I mean this Assembly – when did we decide to decelerate the withdrawal rate for high earners?

335 The States agreed that the personal allowances other than the allowances and deductions would be withdrawn at a rate of £1 for every £3 as a person's income exceeds the upper earnings limits, the UEL, on Social Security contributions this affects in the region of just 3% of tax payers, but raises an estimated £3.8 million per annum – £3.8 million!

340 The 2018 Budget Report set out the third phase of the removal of universality of the personal tax allowances and believes that P&R will consider, sir – *consider* – the threshold at which withdrawal commences and whether this should be lowered. P&R did indeed consider this and are suggesting decreasing the threshold to £100,000, as this would indeed contribute toward the stated direction to raise additional revenues from those most able to pay. I agree, sir, it is a step in the right direction.

345 But Policy & Resources (P&R) also believe that the marginal rates for the total amount of Income Tax and social insurance contributions payable on each additional £1 earned being incurred by individuals who are below the UEL shall have the withdrawal ratio lowered, de-
350 accelerated, to just £1 in £5 to reduce the impact. This means, sir, that if the withdrawal threshold is lowered to £100,000 that P&R would then want the withdrawal ratio to be de-accelerated to a rate of just £1 for every £5 if the personal income exceeds withdrawal threshold. This will benefit just about 150 individuals who all earn over £100,000 per annum. So Deputy Yerby and I have considered it and we simply cannot agree that a deceleration of the withdrawal rate is equitable or justifiable.

355 Remembering that our community's medium earnings are just £33,000, the progressive move to lower the tax cap is welcomed and underpins our proposals would mean that over 1,000 high earners would be making more contribution for only an extra £1 million a year. It is welcome, sir, but does it go far enough?

360 We may be seeing the economy recovering, we may be coming out from behind the shadow of the 2008 financial crash, we are most certainly in surplus. But I do not believe, sir, that low and middle earners are out of that shadow. I do not believe that they are in surplus at the end of the month. But how progressive is it to remove the tax withdrawal rate from a staggering £145,000 to £100,000 when other comparable jurisdictions have an £80,000 allowance?

It reminds me of the time it took the States to move from a final salary pension. The private sector realised that it was simply unsustainable but the States dragged their heels in what was and is an unpopular move, but unpopular as it might be, it has cost the taxpayer millions. It has cost and will continue to cost our community millions.

365 Why do we offer such generous tax withdrawal rates, why have such a generous tax cap? I am pleased that P&R recognise this and wish to cut the tax cap drastically, but does it go far enough? Arguably it would, sir, if it enabled us to then raise the personal allowance for low and middle earners if it helps us to sustain the revenue, if it helps us redistribute some of the wealth. We are

trying to do what Robin Hood was alleged to have done all those centuries ago: take a bit here,
370 give a bit there.

The Medium Term Financial Plan clearly states that we wish to be progressive. That we would seek a greater contribution from those most able to pay, and that is what Deputy Yerby and I intend doing. We do not intend to change the fiscal policy for 150 people and believe that if P&R wish to change the fiscal policy they should do so by a dedicated policy paper in which all the
375 nuances, all the policies can be considered, deliberated and debated. Not a piece, nor snail pace approach to try and placate a minority of our community.

We have been withdrawing mortgage relief and the age-related allowance to compensate some of the tax loss. Is it equitable to withdraw these allowances but then to de-accelerate the withdrawal rate for high earners? No, I do not think it is.

If we do not have a personal allowance at the minimum of at least £11,450, then those that can benefit from the age-related allowance and who are on the full States' pension will actually require to pay tax on their States' pension. That is why I believe we have an age-related allowance. We have an age-related allowance because our personal allowance is so low. How can we reduce mortgage relief and age-based allowances but then de-accelerate the withdrawal rate for high
380 earners? That is definitely inequitable, unfair and I believe unjust.

Voting for either of this pair of amendments, this amendment that will install a personal allowance of £12,000 and if that one falls, the other one, if passed will mean that there is a personal allowance of £11,500. We believe that will mitigate the need to have an age-related allowance for members of our community who receive a full States' pension. Was that what it was
385 there for? Not to enable those over 64 years old who are still working or who have other pensions not to pay their contributions.

It is important to note that the current rate of pension at full rate – *full rate*, sir – is £11,038 per annum. But it will be £11,303 in 2019. There are approximately 18,000 pensioners in payment of which 20% of pensions are paid the full rate, so approximately 5,000 people. If we have a higher
395 personal allowance, higher than the States' pension then we simply do not need an age-related allowance, unless of course we believe that people receiving a States' pension should have a higher personal allowance than people with mortgages; people who bring up children; people struggling to save up enough deposit to rent a home of their own, to move out from living with mum and dad; people who are saving to try and buy a new home for themselves; or people who
400 wish to start a family – our low and middle income earners.

If we have an age-related allowance then we should also have mortgage relief. We have agreed to remove mortgage relief and age-related allowance but can only do so when the personal allowance is higher than the States' pension, and it is with these amendments we will achieve it if Members support them.

I mentioned earlier, sir, the need to be competitive when we are trying to attract employees to fill positions that we cannot fill on Island. Firstly, we should, and I believe we have, ask ourselves why we cannot fulfil such positions. We need to ascertain which sectors of our economy are struggling the most with recruitment and why. Is it Brexit? The weak pound? Our Population Management Law? Are we competitive? Now, let me be very clear here, sir, I think we all recognise
405 the very fabric of our community that the sectors that really are struggling to recruit are hospitality, retail, and care providers. If our construction industry was more buoyant we would potentially have a more pressing issue recruiting for those positions as well.

It is all very well encouraging high net worths and higher earners to the Island, but even they may wish to have a sustainable, diverse, fair and equitable community they may wish to spend
415 some of their disposable income and wealth in the Bailiwick. They may wish to go out for a meal, a coffee, employ care workers. They may wish to wander our beautiful cobbled streets in St Peter Port and have a little retail therapy. They have disposable income, sir, and I would like them to dispose of it on our shores, in our restaurants and our cafes, in our shops, in building or renovating their dream home and employing members of our community in their businesses.

Now, we do not have VAT or GST, we are a safe haven and we are very competitive to other jurisdictions regarding tax base for high earners.

In 2016 in my speech on the minimum wage, I spoke to this Assembly, sir, about the fundamental law of capitalism being if workers have no money businesses have no customers. That is why a widening wealth gap in our economy presents not just a moral challenge but an economic one as well.

In a capitalist system rising inequality creates a death spiral of falling demand that ultimately takes everyone down. The high earners can afford our airfares and will simply fly to London or elsewhere to do a day or weekend's shopping. This does not support our local economy and will ultimately give less choice of retail opportunities for the poorer in our society.

Lower paid workers have to shop locally or on the internet but on limited disposable incomes. This income stream into our economy is low. I also referred to the Trust for London research which has shown that working poverty in London – that is *working poverty* – has risen by 60% over the last decade. In 2016 there were more than a million low income families where at least one adult is working failing to keep pace with rising costs. In-work poverty is now one of London's most significant challenges.

My Committee, the Scrutiny Management Committee, will be bringing a policy paper to this Assembly shortly to allow us to deliberate the in-work poverty that our community faces and we will pose some ways in which we can help our community. Loughborough University, in a report released in 2016, found that parents on the minimum wage cannot meet basic family costs. Produced by Professor Donald Hirsch for the Child Poverty Action Group, the cost of a child in the 2016 report draws on what the public says: every family requires to meet the basic needs to participate in society. The report concludes the pressure on families' budgets looks set to intensify for low and middle income families with child care and housing costs increasingly the deciding factor in whether parents can achieve what the public regard as a minimum standard of living.

These are families with two parents working full time on the national living wage; they were still 12% short of the basic amount needed for a minimum standard of living as defined by the public – there was a gap of £50 per week.

For these families, sir, disposable incomes as a percentage of minimum family costs have fallen by 6% since 2012. Whereas I appreciate the statistics do not relate directly to Guernsey, they are evidence that it is families, *working* families, sir, with children who could benefit from having to pay less tax on their wages.

Sir, other countries have this hard and real evidence. We know that we have in-work poverty in Guernsey, and we know that children, *our* children, local families are struggling. So I have asked for more financial modelling as to how raising the personal allowance will help support those on Income Support. What I mean, sir, is that currently people who claim Income Support are actually paying Income Tax because their personal allowance is so low, so they earn their money, we take it away from them, and then we give it back to them in Income Support. The money is moving around Edward T. Wheadon House and the Government rather than moving around our economy.

The data I have received from officers comes with a warning that they should be treated as maximums. Under the officers' assumptions in the data I am going to share with this Assembly, a change in personal allowance could affect between 700 and 800 Income Support claims. If we stick with P&R's increase to £11,000 the estimate is that will shave up to £70,000 off the total Income Support costs. But that is realistically within a margin of error the budgeting for Income Support. An increase of personal allowance to £11,500, this has a maximum of just under £70,000 so a maximum saving from 2018 rates for £140,000. Or an increase to £12,000 for personal allowances would incorporate an increase for a much larger step and additional £80,000 or £220,000 from the 2018 position. So let me be very clear, sir, that is nearly a quarter of a million less from paying out on Income Support per annum.

Let me put it another way, sir, currently we are taking a quarter million pounds off low income families via personal tax because of our ridiculously low tax allowance, just to turn around and

give it back in Income Support. We are washing money around in the bowels of Edward T. Wheadon House and spending money, lots of money, and resource in doing so.

So although we may raise less revenue we would be paying out less in Income Support, less officer time in dealing with Income Support claims, but most importantly we would be allowing the people who have earned their wages to actually keep them if they are on a low income, rather than taxing them to pay them back in Income Support.

To put this into further context for everybody, sir, about 6% of the Island population receive some level of support, of which over one in four have enough income to pay tax. Sir, we should also consider the families and individuals who are just about managing. Ironically, they are referred to as JAMs. Ironically because jam may well be the one thing they forfeit when deciding what to put on their toast in the morning. Forget about the cherry on the cake or the penny on the bun. We absolutely need to make sure that we are a competitive jurisdiction – is it our job to support the better paid or is it to try to ensure that our tax base is as equitable as possible and that higher earners with the broadest shoulders really do start to pay their contribution?

Are we competitive when it comes to our personal allowances for all sections of our work force, for all sections of our community. Do we want to be able to recruit for all sectors of our economy and have a diverse economy? Do we want to be competitive with other jurisdictions? Of course we do. Personal tax allowances in comparable jurisdictions are far more favourable than ours for low and medium earners.

The 2018 allowance is based on examples from the basic personal allowance for a single individual in Jersey of £14,900, ours is £10,500 with P&R suggesting it rises to £11,000. In the Isle of Man single personal allowance is £13,250. With a taxable income between zero and £6,500, it is 10% and a taxable income above £6,500 is the same as ours, 20%. The United Kingdom personal allowance is up to £11,850 and is about to be raised higher. The basic rate between £11,851 currently in the UK and £46,350 is 20%. The higher rate payable between £46,351 and £150,000 is 40%. Then the additional rate being over £150,000 is a staggering 45%. In the UK, tax allowances are withdrawn at a rate of £1 for every £2 of income above the £100,000 threshold. Therefore individual allowance is nought if their income is above £123,700.

The reality of us proceeding at such a snail's pace with regard to increasing personal allowances is we are not making it meaningful. Each £500 increase is worth about £100 a year; that is just short of £2 a week for a taxpayer which will include medium income earners. The impact is double for anyone with transferred allowance because their spouse is earning less than the threshold. So an increase to £12,000 is worth between £4 and £8 a week for a medium earner above the position presented in the Budget.

If we vote to raise the personal tax allowance to £11,500 an Islander will have an additional £200 in their pocket. If we raise it to £12,000 that is an additional £300 per annum. Times that by the number of taxpayers which is approximately 40,000 and the move to a £12,000 personal tax allowance from P&R's conservative £11,000 could mean up to £12 million more in Islanders' pockets; £12 million extra swilling around in our economy and even if you only increase the personal tax allowance to £11,500 that is still an extra £8 million in our economy – £8 million to £12 million potentially being spent in our local economy. We have approximately 12,000 members of our taxpaying community who are on benefit, who earn between £11,000 and £33,000. That is 12,000 of our community. So those that will really benefit are merely able to buy little extras like that jam I was talking about earlier.

These members of our community could use their earnings as they see fit rather than having to pay tax only to have it given back to them via Income Support. Money they have earned, money we have taxed them on only to ask them to apply for Income Support, because they cannot actually live on what is left. So we then give it back to them via Income Support – money swilling around Edward T. Wheadon House again and not around our economy.

Let us now compare that to the increase in tax cap to £130,000-£160,000 is maintaining the real value increasing to £145,000-£190,000 would mean in real terms an increase of 11.5%. It is anticipated that increasing the tax cap to £145,000-£190,000 would result in a reduction in the

number of individuals taking advantage of a tax cap by five individuals. However, that is difficult to determine precisely because individuals who take advantage of the tax cap do not need to submit full Income Tax return forms and, secondly, the income in this group of individuals does tend to fluctuate. So 40,000 people could benefit: 12,000 that earn less than the medium wage, compared to approximately five high earners who might not be able to take advantage of the tax cap if it is increased.

I certainly know what I would prefer to do. We need to be bold; we need to make a meaningful difference to low and middle income earners; we need to help support retail, hospitality, care workers and our construction industry by being a competitive jurisdiction for all sectors of our economy; we need to have more money swilling around our local economy and less sat at Edward T. Wheadon House. Supporting this amendment really will mean that we are truly seeking a greater contribution from those most able to pay.

Thank you, sir.

The Bailiff: Deputy Yerby, do you formally second these two amendments, 15 and 16?

Deputy Yerby: Yes, sir.

The Bailiff: Deputy Hansmann Rouxel, do you wish to be relevée?

Deputy Hansmann Rouxel: Yes, sir, thank you.

The Bailiff: Thank you.

Deputy St Pier, do you wish to speak on the amendments at this stage?

Deputy St Pier: Not at this stage, no.

The Bailiff: No.

Deputy Roffey.

Deputy Roffey: Thank you, sir.

Obviously, I will save my general remarks until general debate – in several weeks' time probably. But I want to make a couple of general comments about how I am going to view the amendments that we are going to have to discuss. Because I think I need to apply a couple of yardsticks to all of these amendments.

The first is that a lot of people have said that this is the worst States ever, but we are the States that have gone from being significantly in deficit, running through our reserves, to actually having a balanced budget and starting to build up reserves. (**Several Members:** Hear, hear.) I know it is not just our achievement because the States that came before us put the groundwork in there, but I think that is really significant achievement, and I think on that basis alone we did not deserve to be called the worst States ever. But if we leave our grip now, if we get all suddenly excited like the UK Chancellor seems to have done and say, 'Yippee, we are out of the woods,' when we are not, then we *will* deserve to be called the worst States ever. So I think there needs to be a degree of *[inaudible]* now.

The second yardstick I am going to use is that a lot of people say the lack of party politics leads to a lack of cohesive policy. I think that can be overcome, but it can only be overcome if we do not park everything we said in one debate when we come to another debate.

Now this Budget is absolutely prefaced on the Medium Term Financial Plan which came out, I think, it was voting on 30th June 2017 from the policy debate. Now, there was lots in that Medium Term Financial Plan I did not like. I tried to change it quite fundamentally and I had two amendments – I think one with Deputy Ferbrache and one with Deputy Fallaize – but actually what I was trying to do was to raise more money in tax in order to cut public services less, but

575 people did not like that, but they did sign off a Medium Term Financial Plan which had assumptions about how much money we were going to raise. If we come into this Chamber today and totally ignore all of that then I think we are not only doing a disservice to the Island but to our system of government because it shows that it will be dysfunctional if we cannot keep those two things in our brain together at one time.

580 The third thing I am going to have to keep in my mind throughout the next however many days is that in just six weeks' time I am going to be asking the States to commit to what I think will probably be a fairly significant amount of extra spending to correct what I regard as an appalling travesty of policy over the last few years, and how hypocritical would I be if I know I am going to do that and yet for every populist amendment to cut revenue raising over the next few days.

585 All of that said, actually none of those yardsticks rule out these two amendments from Deputy Yerby and Deputy Merrett, or the other way round. Because they do not actually raise less money than is being proposed they do balance the books in a way that a lot of the other amendments do not.

590 As somebody that has always been strongly in favour of those with the broadest shoulders shouldering the most burden, I am initially quite attracted to them. I am not able to vote for them for a number of reasons. No, I am just not, I am sorry.

We are uniquely dependent upon Income Tax compared to other jurisdictions. Now I understand the fragility of that situation but personally I quite like it, because Income Tax actually has far better relationship to people's ability to pay than property taxes do, certainly than sales taxes do, or VAT do or most of the others. I can understand fragility and why one would want to have a broader tax base in order to be secure, which is why we are daft just to have one motoring tax, but that is another matter to talk about later. But I quite like the fairness of Income Tax.

However, when you are hugely dependent upon Income Tax it is far harder than any other territory to raise your basic personal allowances, and also I do not think it necessarily helps those at the bottom in such a unique way.

Now the one thing that I think Deputy St Pier and Deputy Merrett seem to be agreed on is that raising Income Tax allowances is a really good way to help those on modest pay. Deputy St Pier said so in his opening, and Deputy Merrett said it in her speech. Well, if we put up the Income Tax allowance by £500 as proposed, it is £100 extra for every ... Okay not those now right at the top but the person on £20,000 and the person on £90,000 will both get, or under Deputy Merrett, on £75,000 will both get, an extra £100 in their back pocket.

Now Deputy Merrett is right we do have in-work poverty and unless we have got £200 million to throw at it we will need to be targeted in the way we do that, and just putting up personal allowances is not a targeted way to do that, and you will not get the maximum bang for your buck
(A Member: Hear, hear.) in helping the people we really need to help.

I have to correct Deputy Merrett on one other point. She said the reason that we have – I mean this is just conflating a debate that is to come later so I will not take too long on it but the reason that we have additional age-relating allowances was because our basic allowance was so low. No, no, no, not at all. I can remember when our personal tax allowances were far higher than those in the UK, we still had additional age-related allowances because we recognised that older people had additional expenditure: more on heating, more on medical costs, usually more on house maintenance they can no longer do themselves, all those sorts of reasons. It had nothing to do with our personal allowances being generally low. Because they were not, they were far higher in those days than they were in the UK.

I think I could just about have brought myself to vote for these amendments if it was not for maintaining the clawback rate, because I think what P&R have done is really quite brave. Up to now they have said we will only start the clawback of Income Tax when you stop paying Social Security contributions. They pitched the two together. This year they are suggesting bringing it further down the pay scale – or the income scale, it does not have to be pay – and that is quite significant because say you are self-employed like we are all in here, then for every extra pound you earn you pay 20p in Income Tax but you also pay I think it is about 11p in Social Security,

leaving out the phasing out of things like mortgage relief because you may not have a mortgage so we cannot really factor that in, but if you do one-in-three phase out then you are getting close to a 40% marginal rate that you are taking money off people. Now maybe people are happy with that and perhaps in my more radical days I might have been, but I think it is starting to push it too far. (**Several Members:** Hear, hear.)

So I think three cheers for P&R being more progressive than I thought they were going to be by bringing the point of clawback further down the income scale. Traditionally I have said actually additional personal allowances was a pretty useless way of redistributing cash but actually it has started to get a little bit less useless because P&R are starting to use it in a far more progressive way.

So I suppose my question before I totally rule out voting for this – well I think I have – but my question for the President of P&R when he stands is do they believe that their programme of gradualist and incremental and evolutionary change in how we use personal allowances and how we claw it back for '20 means 20' has come to an end or are they intending to continue with that programme over the next few years? Because if they are then I will give them my backing and say that a gradualist approach not to frighten the horses but to move steadily towards a more progressive use of Income Tax allowances is the best way to go. So I hope I hear that, but even if I do not – it is an invitation for it to be rebutted – but if I do not, I do not think I can bring myself to vote for these amendments.

The Bailiff: I will call Deputy Trott next, but first, Deputy Lester Queripel, do you wish to be relevé?

Deputy Lester Queripel: Sir, please.

The Bailiff: Okay.
Deputy Trott.

Deputy Trott: Thank you, sir.

My colleagues on P&R have asked me to use very carefully considered language in responding to some of these amendments and I have heeded that advice.

Sir, this amendment is reckless and, as Deputy Roffey inferred, shockingly populist. Sir, some may see – (*Interjection*) some may see the reduction of the withdrawal of personal allowance threshold from over £140,000 to £80,000 at a withdrawal ratio of one-in-three as attractive and take the view that those with that level of income can easily afford the additional tax they will pay.

However, this could amount to an increase of £4,200 in their annual tax bill, nearly 3% of their income. This compares to an increase of £1,700 under the Policy & Resources Committee's proposals.

Now whilst it may well be that future Budget reports will recommend further expansion of the withdrawal of personal allowances to increasingly move to a 20 Means 20 system, it is important that this is done in a measured and responsible way. We must be mindful of the continued importance of protecting Guernsey's competitive position, especially as these individuals will have high marginal rates, a point that Deputy Roffey carefully referred to earlier. High marginal rates of taxation due to Guernsey's very high tax cap on Social Security contributions.

We must also be mindful not to undermine the ability of our local businesses to recruit and retain the skilled staff they require to grow our economy and increase tax revenues.

This is a very dangerous amendment, Members. I hope it is thrown out overwhelmingly.

The Bailiff: Deputy Kuttelwascher.

Deputy Kuttelwascher: Sir, I just want to ask something about declaring an interest. All these amendments will either benefit or disbenefit all of us to some extent, or members of our family.

680 Do we have to declare such interests whether it does or does not before every vote, (**The Bailiff:**
No.) or can we all assume there will be –?

The Bailiff: That has never been the position in this Assembly, as I understand it, so no.

685 **Deputy Kuttelwascher:** No. I just wanted to confirm that.
Thank you, sir.

The Bailiff: Deputy Gollop.

Deputy Gollop: Yes, thank you, sir.
690 Well, I think on balance this amendment probably would benefit me but that is an intriguing
point because of course in many areas Deputy Kuttelwascher has raised a nice point because
there are some policies or issues that would benefit people on an individual basis, but anything to
do with taxation has a knock-on effect on everybody's income.

I am actually generally minded this year to support most of the populist amendments
695 (*Interjections*) I think people want populist policies. I think if you look around the western world
you have seen a political transformation, not necessarily for the better in many countries. You
have seen curious parties from the alternative, the far left, the far right, the sort of non-intellectual
parts of politics gaining momentum. But I think everybody in this Chamber and elsewhere should
ask themselves why that is. Because we have had really half a century since the Second World War
700 of gradually progressive social democratic cultures and we have seen a reversal of that especially
since the 2008 financial crisis across the world. Social media is probably partly responsible
because it has opened up communications which were before largely controlled by a minority.

But I think there are other factors as well, and one of those factors is, as Deputy Merrett has
pointed out, the perception that the poor are getting poorer, or more accurately the less well-off
705 are getting less well-off.

I think the populist movement despite being often funded by millionaires, billionaires and
other personalities who perhaps are part of an elite themselves, it gains traction precisely because
its message targets another elite in society. That elite tends to be highly educated, knowledgeable
professionals like lawyers and civil servants and senior administrators, because it is felt that those
710 people, not in their ivory towers, not even in the Wheadon Towers, have a different perspective of
life than the average person.

Actually Deputy Roffey has made, as always, a customary brilliant and interesting speech, but
yet again he is focussed really on the need on the one hand to motivate those who are achieving
most for our society financially and probably pay for 40% of our public sector costs and
715 everything else. On the other hand about the need to target the working poor or the non-working
poor, the people who are living in poverty or relative poverty, which is a commitment of course
Employment & Social Security on behalf of the States continues to make.

But the thing is it is the message that one gets from the, if you like, social media world, the
voting public is not just to help those in most need but to help those who are just above that area
720 who are struggling. I do not think we as a States ... partly because we do not have party politics,
there are advantages in that, but there is also arguably the odd disadvantage, and the
disadvantages are that Policy & Resources most of the time, and their predecessors, do not have
to play to the Public Gallery, instead perhaps they have taken a more measured approach and the
contrast between Deputy St Pier today and arguably his contemporary in the United Kingdom is
725 interesting. He did not make any toilet jokes, thank goodness, unlike a certain politician in the
United Kingdom, but there was a sense very much that often HM Chancellor of the Exchequer is
promoting policies that hit the headlines that go for a quick media sound bite or cheering from
seals in the gallery or amongst the ... and we do not do that.

We have in a way more of an accountant's approach. I actually went to a briefing by a well-
730 known firm of accountants, as did one or two other Members here, and I asked a question, 'How

do we compare with Jersey?’ which was not particularly relevant because they were focussed on the United Kingdom comparison, although I think there are, as Deputy Merrett points out, useful resonances for looking at Jersey. But the real point was that the argument coming across from one of the accountants was that actually Guernsey’s competitive position is in danger of being eroded.

Deputy Roffey and probably Policy & Resources have concerns about our competitive sell to the highest achievers, the people who are the engine room of our economy that we do need to protect in one way or another, but their focus in this presentation was more on the head line rates on the data, and perhaps on the offer Guernsey makes to professional employees who are in the middle range, the younger people, the people just starting families, the people maybe 20-something, 30-something, and actually the United Kingdom budgetary process especially since 2010 and the Conservative rise, if you like, has seen an erosion of Guernsey’s advantage for middle earners, even compared to Jersey. Of course, extraordinarily enough, the accountant did not mention the fact that Jersey or the UK have GST or VAT and that does make a difference.

But I have done a few calculations here and would like to point out that if Jersey succeeds in getting its Budget implemented by Deputy Pinel the personal allowance there will be £15,400 for a singleton, assuming a person earns £15,500 and is using all their money spending it in the shops, which I do not think is possible unless they have got a credit card – let’s imagine they are, they will spend on a 5% GST, which is quite ruthless over there, £770 of their hard earned money going straight into the exchequer even though on the superficial surface of it they get a much more generous personal allowance.

On the other hand, in Guernsey with our £11,000 limit and no GST we are quite lucky; or are we, because the same person on the same amount of money earning £15,400 in Guernsey happily living in St Peter Port or the Forest or somewhere like that, is actually paying £880 in tax when you take on board. So actually despite all the propaganda about GST and how our system is intrinsically fairer, we are actually taxing those people a bit more.

So we do need to rebalance and Deputy Roffey said something particularly interesting; he said that our rates of Social Security are on the high side for high earners, and he is right, but he also suggested – what was his phrase? – that it was part of the high marginal rates of taxation, well that is of course something that we rarely talk about, the Social Security has become a kind of taxation.

We are not actually having the bigger debate about where we should be going fiscally and I agree that the Medium Term Financial Plan has its flaws, and we are trying, as Deputy Roffey has pointed out in his upcoming requête, to offer the same or higher standards of public services and medical care and pharmaceutical care of the Island when perhaps we are spending 19% of GDP on States’ services compared to the Plan at 38%. So we have real questions. But the burden of taxation in Guernsey, I would argue, because I think we have moved forward in terms of compassion towards less well-off people, is going very much on the lower middle community, and that is why they are becoming alienated from politics – maybe as a contributory factor to the perhaps unexpected result in our Referendum last month. I think there is a sense in which the States is not listening to the entire community.

One further point I would make is that in the text of the Budget and in Deputy St Pier’s speech today he mentions, what was it, that the Budget wants to be fair, responsible, progressive and realistic. Now, that amused me of course because it gave me an insight into what life might be like round the Policy & Resources debating table because I can imagine Deputy St Pier and Deputy Le Tocq saying we must be fair and progressive and Deputy Trott and Deputy Stephens saying we must be responsible and realistic and Deputy Brouard perhaps wanting a different approach entirely, I do not know. You are combining two concepts because usually politicians that talk about being ‘realistic and responsible’ are fiscal conservatives and people who talk about ‘fair and progressive’ are kind of social democrats. We are trying to do both at the same time and not altogether succeeding.

You have got to ask yourself why have we got 41 amendments and 22, or however many it started on. I remember being chastised when I was a young States' Member back in the late 1990's; some Members may recall Wallace and Gromit when I teamed up with another Member and did 10 unsuccessful amendments. We have actually seen more than that now, I think one Member at one point was signing 11 and Policy & Resources had joined the game. It is because the community is divided and it is not getting the longer term direction it wants.

I think in some ways Policy & Resources is slightly to the conservative right of the centre of this Assembly and that too creates a tension.

So I think we should make progress with Deputy Merrett's amendment, I think in the longer term we will have to be looking at not only a 20 Means 20 policy but a more focussed approach to taxation generally and a better use of indirect taxation as a formula. I think you would see a greater feeling of buoyancy in the community and maybe a little bit more interest in conducting retail therapy if we adopt the Merrett amendment, and therefore I do support it.

The Bailiff: Deputy Ferbrache.

Deputy Ferbrache: Sir, I do not regard, although I am not going to vote for these amendments, but I do not regard them as foolish or reckless and I think it is unfortunate that a senior Member of Policy & Resources should use such intemperate language. (A Member: Hear, hear.) I hope such language is not used in relation to the other 3,623 amendments still to consider over the next 204 years. But I genuinely hope that we can conduct this debate in a civilised fashion. (Several Members: Hear, hear.) It does nobody any good to say it is foolish or reckless, just cast it asunder because they are not foolish or reckless but they are just not in our present state of the economy sustainable.

Because what we want to do is to encourage people to earn money; we want to encourage people to be successful; we want to encourage people to seek to achieve, but where Deputy Roffey was completely wrong, which he sometimes – perhaps more 'sometimes' than others – is wrong, is discounting the extra money that the increase in personal allowances could put into people's pockets, because if you are earning £35,000, £40,000 a year and you are able to increase personal allowances by another £1,000 you are now able to give somebody an extra couple of hundred pounds a year, that is not an insignificant sum and it should be weighed in the balance.

But when you look at the helpful explanatory notes to the two amendments proposed by Deputies Merrett and Yerby there is too much of a gap. We cannot afford it at this stage, and as much tub thumping and we are going to hear, I am sure, in due course from at least one Member of Policy & Resources, perhaps one has already spoken, how wonderful this Budget is, how great we are doing compared with everyone else, how fantastic it is. And compared with lots of places it is, but we have still got a long way to go, and if we think we are coming to the end of the road and success and the green pastures are there now to just be mowed we are not living in the real world. We are not living in a world that I am familiar with.

Now my income from all sources is such that I am not really affected by any of this anyway because I will not get any allowances anyway and I know we do not have to declare that but I think it is only fair that I do mention that in the light of the fact that I am going to be voting against the amendments.

But to criticise Deputies Merrett and Yerby who are two of our, if I may respectfully say so, more intelligent and thoughtful Members for bringing these amendments is unfortunate. We encourage innovative thinking, we should encourage people to come up with solutions and the fact is that people on £20,000, £30,000, £40,000 a year in this Island are struggling. They are just about – or some of them cannot keep their head above water, but those that do are just keeping their head above water. So to discount the efforts made by these two Deputies in the way that it is, as I say, is completely unfortunate, and I think Deputy Trott should regret his comments and Deputy Roffey should have a bit more thought for those who are and would benefit from an increase.

835 But as Deputy Gollop has said effectively we have got to have regard to the realities of the situation and we do pay more tax, the lower earner does pay more tax in Guernsey whichever way you structure it, okay they do not pay GST, they do not pay VAT, but they still pay more tax and this is a very expensive jurisdiction for the ordinary man and woman to live in. Their rents are higher, their mortgage is higher because they have got to pay more because we have 250 conveyances in the last three months, that means there will be a pressure on prices to go up. All the costs are inexorably pointing in the northwards direction. So therefore anything that helps people we have to give due consideration to. But I hope that the Deputies, and I mean by that Merrett and Yerby, will not feel too disgruntled when I vote against their amendment.

845 **Deputy Trott:** Sir, on a point of correction, I did not describe the amendments as reckless and foolish, I described them as reckless and shockingly populist, and I think there is a difference.

Deputy Ferbrache: Okay. I do not see anything wrong in being shockingly populist if it makes good sense and we should be populist when it makes good sense and we follow the will of the people rather than just the will of those that want to make intemperate savings.

850 **The Bailiff:** That was a point of correction and Deputy Ferbrache was replying to your point of correction; he was entitled to do that.

Deputy Green.

855 **Deputy Green:** Thank you, sir.
I will be brief.

I would describe these two amendments as thoughtful, passionate from Deputy Merrett's opening speech in favour of her amendments this morning and well-intended. But I will not be able to support them either.

860 The reason for that, sir, is Deputy Merrett is a valued colleague on the Scrutiny Management Committee, she mentioned the in-work poverty review, as did Deputy Roffey; as I understand the issue of in-work poverty and in terms of remedies for that simply increasing the personal income tax allowance is a very expensive and untargeted way of dealing with the issue of in-work poverty and trying to assist and to help the just-about-managing people, as Theresa May calls them. 865 Those people who are struggling, it is just not the most efficient, effective way of doing it.

Our report, when it does come out, will talk about alternatives which are much more targeted and much more effective. One such example is to return to the system that we previously had in the Income Tax system in Guernsey in the 1980's of additional Income Tax allowances for those at the lower end, I think that would be a much more carefully calibrated and effective targeted way of dealing with the issue of in-work poverty.

870 Another area which is perhaps rather more complex and has had such reputational issues in the UK is the issue of tax credits which is by no means a perfect solution but it is a genuine alternative that would be more targeted and more cost effective than this particular approach.

875 The problem with simply putting up the allowance for a wide spectrum of people – this is effectively what George Osborne used to do quite often in the previous coalition government – is it increases the allowance for everybody but it actually takes in an awful lot of people who perhaps are not in the category of in-work poverty, and if resources are still tight we need to prioritise our resources then we need to be very targeted.

880 The second point I make, sir, is that in my judgement, it slightly pains me to say this but, I think P&R have got the judgement correct in terms of where the withdrawal of Income Tax allowances should be set in this Budget. Their judgement to bring it down to £100,00 and the changing of the ratio to one-in-five to reduce the marginal impact I think is the right judgement and that is set out in the Budget, I think it is paragraph 6.23 which Deputy Roffey made that point. You have to be aware of the potential marginal impacts and by going to the difference in the ratio I think is the way forward.

I think the fundamental point, sir, is this, I think it is right to bring the universal allowances down to £100,000, but I think if you begin to put it down below that to £80,000 or £90,000 I think you are getting to a point where the impact on that would be anti-aspirational it would be difficult for our recruitment in the future.

890 I think all of this is about balance and I think as paragraph 6.28 of the Budget sets out, we all have an Income Tax system that is more progressive as a result of this Budget. I think in the future ... in fact what paragraph 6.28 sets out is that there will be ongoing working in the working group between Policy & Resources and Employment & Social Security on looking at how the tax and Social Security system together can be made more progressive further in the future.

895 But I actually think we have made quite a lot of progress on this, sir, since the debate that we had, I think it was in 2015, when we first talked about the issue of withdrawing allowances, and in fact I believe I brought the amendment to actually direct P&R or T&R at that stage to do this. We are going in the right direction with this. We are going to end up with an Income Tax system that is more progressive, but there is a limit to that and we have to maintain a sense of balance.

900 So I think in summary, sir, there are better ways to help those in in-work poverty than simply putting up the personal allowances for everybody. But we still have to be mindful of the unintended, or perhaps intended, consequences of driving down the withdrawal rate to a level of income that actually will take into account people who we should not be trying to disadvantage unduly.

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The Bailiff: Deputy Fallaize.

Deputy Fallaize: Thank you, sir.

910 First of all, I want to commend Deputy Ferbrache for his unnecessary but, I think, wise declaration. Last year in a debate on the uprating report those of us in receipt of Family Allowance were forced to declare receipt of Family Allowance which was considered to be insufficiently general and yet Members whose earnings would put them, I think, about in the top 5% or 10% of the Island's earnings, their interests on this occasion are not considered sufficiently general to make a declaration, but I think that throughout this Budget debate it is actually quite helpful if
915 Members make the kind of declaration that Deputy Ferbrache has.

To pick up Deputy Gollop's point about why there is this sense of disaffection among people, it is partly because – this is largely a perception not reality – but it is partly because there is a perception that those who make decisions look after their own interests rather than after the general interest. Now, I do not think that is true, but I think the kind of transparency which Deputy
920 Ferbrache has brought to this debate would help us to counter those misperceptions.

Deputy Green, I think I agreed with most of what he said but I thought he lost me a bit when he started talking about 'anti-aspirational'. Whenever people do not want to see any increase in taxation on those whose earnings place them right at the top of the earning bracket they just throw up this argument that somehow it will dampen aspiration, which is meant to conjure up
925 images of people refusing to work a bit harder for a pay rise or move to another job because they will not be interested in keeping presumably about 65p of every one of the additional pounds that they earn. I mean if it was 70p they would be aspirational and they would want to better their circumstances but if it is only going to allow them to keep 65p in the pound well they are really not interested. Clearly that is not true, so I do not think that we should see these amendments as
930 anti-aspirational.

I do, however, think that the States should vote against them. The reason, which has been touched on by others, is because of the very blunt way in which the amendment would allocate, or distribute, or redistribute the additional income it would raise. I have to say I do not have a great problem with the income raising measures set out in this amendment. I do think it is
935 probably slightly unwise to try and clawback personal allowances at the pace that the proposer and seconder of this amendment are suggesting, but I think they are trying to take the States in the necessary direction, which I think we will move in anyway even if we follow P&R's direction of

travel, it is the timetable and the rate at which we get there, or the pace at which we get there that is at issue.

940 The problem though and what has not been articulated so far in this debate is the fifth paragraph of the explanatory note explains what I think the problem is in this amendment. It says:

Finally, the amendment proposes to reduce the amount allocated to the Core Investment Reserve from the 2017 Surplus from £12.9m to £9.65m in order to fund the remaining additional cost in respect of this change.

Well, that is £3.25 million. So the cost of the amendment is £3.25 million and we are told that the purpose of the amendment is trying to assist Islanders on lower incomes. If we have £3.25 million available to assist Islanders on lower incomes, increasing everybody's personal allowance by £1,000 a year is not the best way of doing it. (A Member: Hear, hear.)

945 If there is £3.25 million available to provide, for example, to Deputy Le Clerc's Committee, the Committee for Employment & Social Security, that Committee could do an awful lot more with it on behalf of Islanders who are in the most difficult financial circumstances than this amendment could do. Because the problem with this amendment is that it means that the vast majority of taxpayers all receive an additional £200 per year, and most of them frankly do not need it. If the objective is to assist Islanders who are on the lowest incomes, and we could throw in this term 'middle income earner', because that will sort of sweeten the pill, but actually we know from the figures which Deputy Ferbrache referred to quite rightly in a previous States' meeting, we know what the median earnings are in Guernsey. What about the taxpayers whose income is £50,000 per year, because they are some way above median earnings and £60,000 and £70,000 per year. This amendment provides a £200 increase for them at the same time as providing a £200 increase for people who are earning £15,000 a year, or £20,000 a year, or £30,000 a year.

950 Actually I do not think that this ought to be sold as very progressive, it is not very progressive; it introduces a flat increase in the personal allowance for everybody irrespective of their income. That is not progressive. It would help them but it would help lots of other people who the amendment does not identify as in need of assistance. So if we are going to spend £3 million plus in 2019 trying to assist the people who need the greatest assistance we should not do it by raising every taxpayer's personal allowance, we should do it in more targeted ways.

960 However, I have some sympathy for the proposer and seconder of the amendment, because they did not actually start all of this. This was started or restarted by the Policy & Resources Committee, or actually by T&R under the leadership of Deputy Parkinson, because when Deputy Trott was Treasury Minister personal allowances were being frozen for the very reason that they were considered to be a very expensive way of trying to target financial assistance at those who were in the greatest need, and they are a very expensive way. It costs millions and millions of pounds per year to raise the personal allowance, and if we are doing it in order to provide greater assistance for those who are in greatest need it is an untargeted way of doing it and it is an expensive way of doing it. I think Deputy Le Tocq was on that Treasury Department; I think Deputy Dorey was as well. Now that thinking has been reversed since then, and for various reasons the States have started to increase the personal allowance again. In fairness to Deputies Merrett and Yerby, they are simply trying to take that argument which has been reintroduced by P&R or accelerated by P&R. They are trying to accelerate it still further.

970 The fact is that neither the Policy & Resources Committees' proposals for increasing the personal allowance nor Deputy Merrett's proposals for increasing the personal allowance will target financial assistance at those who are in the greatest need.

980 If the argument is that Deputy Merrett and Deputy Yerby are wrong, it is just that they are slightly more wrong than the Policy & Resources Committee and their amendment deserves to be defeated on that basis.

The Bailiff: Deputy Yerby.

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Deputy Yerby: Sir, where Deputy Fallaize and I differ is that he takes a slightly more paternalistic approach towards Islanders in poverty whereas Deputy Merrett and I, I think, come from a position of trusting Islanders with choice and trusting that they will make the choices that are right for them and their families.

990 So although this is a less targeted measure I do not believe that targeting is the only way that governments can or should make powerful differences and powerful improvements in the lives of Islanders. I think that we can do a lot by putting power into the hands of individuals to make choices about their own lives. This amendment by giving Islanders a little more in their pocket with which they can do as they see fit for themselves and their families would achieve precisely that.

995 So I think we need to move away from the question of whether this is a suitably targeted or not type of amendment and look at some of the other things that it can do.

1000 One of the most critical things that it can do is give us some leverage over recruitment into what are rightly called lower and middle income jobs, than we have through any other route. As was pointed out earlier in the debate, sir, we are becoming increasingly less competitive with the UK and Jersey, and it is not just because of our tax allowances, it is because of the difficulties of jumping through the hoops of our Population Management Regime; it is because of the broader economic context triggered by Brexit which makes us generally a less attractive place to come and live and work; and it is about the high cost of living on this Island for the ordinary person.

1005 Deputy Trott and Deputy Merrett both talked about needing to attract and incentivise people who are willing to work, but whereas Deputy Trott was talking only about the super-rich, Deputy Merrett was talking about the ordinary citizen, and this amendment, sir, gives us some leverage where we do not appear to have it over terms and conditions of employment, over offering particularly attractive recruitment packages, to use the leverage that we do have in our hands through the tax system to make ourselves at least that little bit more competitive.

1010 The merits or otherwise of the amendment have already been sold. I think Members' minds have been largely made up from the beginning, but I would ask Members to look not only at the question of poverty but also at the question of choice of believing in what Islanders can do for themselves and in giving them the economic empowerment and ability to do so.

1015 I would ask Members to support this amendment on that basis.

The Bailiff: Deputy Hansmann Rouxel.

Deputy Hansmann Rouxel: Thank you, sir.

1020 I was swayed by some of the arguments made by Deputy Roffey and Deputy Fallaize and my esteemed colleague, Deputy Ferbrache. And to a degree I actually included the word 'reckless' in my original written speech, part of me does believe it is slightly reckless to use funds from what would be the Core Investment, going in to the Core Investment to use that for this, but the very clear arguments made by Deputy Merrett and Deputy Yerby regarding how, without this being a targeted measure, and the attractiveness of saying we can target measures at individuals and that will have an effect.

1025 My experience and it is only two years' experience in Government is that that attractiveness of targeting the people who most need it comes at a cost, because you have to means-test it, you have to find where those people are in order to target them, and when you are targeting something there are people who fall out of that target, and you are not able to help those people.

1030 I give way to Deputy Fallaize.

Deputy Fallaize: I thank Deputy Hansmann Rouxel and she obviously is right in what she is saying and I agree with it, but would she agree that applies only if the measure is monetary? In other words, the money is going from the States to the individual. If the money is spent on services which disproportionately benefit people who consume them the most which is people

who as you move down the income scale the services are consumed more, it is not so difficult to benefit those people in the way that the Deputy is suggesting.

1040 **Deputy Hansmann Rouxel:** Deputy Fallaize does raise a good perspective. However, those services still end up being means-tested and just going back to what Deputy Trott raised and Deputy Green about this idea that we would be affecting the aspiration –
I give way.

1045 **Deputy Merrett:** Thank you, sir.
Thank you to Deputy Hansmann Rouxel for giving way.
This amendment is not affecting services, sir. This amendment is looking at removing an extraordinary surplus expectation into the Core Investment Fund which in 2018 we only last year put in £5 million, but this year P&R are looking to put in £12.9 million.
1050 This amendment, if passed, will not affect services.
Thank you, sir.

Deputy Hansmann Rouxel: I thank Deputy Merrett for her intervention. I do not believe Deputy Fallaize was actually meaning that it would affect services; his concept was that by using
1055 money to put into services we would have a universal benefit. There is something to be said in that, but that was not what Deputy Green was suggesting earlier in his speech. It was targeted tax measures that they were looking at, and again then some people will be targeted and within that will benefit and others will not. Making our recruitment more attractive and living on the Island more attractive is vital for us to continue to grow our economy, and that is something that we
1060 fundamentally are not grasping. Yes, this is not targeted specifically at the lower income but it will have more of an effect on those on lower income and will be more appreciated at the lower end, and, yes, if you are earning £50,000 a year perhaps you do not notice it.

But similarly I would say if you are earning over £80,000 a year when you get into that bracket and, as Deputy Fallaize suggested, I myself do not find myself there, but my husband does and I
1065 have had many conversations with my husband how to understand this conundrum and will it have any impact, and in his opinion it would have absolutely no impact where the threshold lay.

If you look at recruitment practices in the UK you have a large company here and they are employing people on tax bands then they are based on UK tax bands which take into account a 40%, if you earn over £40,000 suddenly there is a break in how they use the tax band, so that
1070 employees, you have ...

The point I am trying to make is when you are looking at creating your salaries as a business you take into account how those salaries will be affected by any tax that is taken. So there is a leap in the band when you get to that £40,000 threshold in the United Kingdom. We do not have that break here and there would not be such a massive leap when you get to £80,000, but at that
1075 point if you are worried about not being competitive, the company would look at putting that into their recruitment package. There is no evidence to suggest that it would be anti-aspirational or would affect recruitment or attracting individuals to the Island at that level. We absolutely need to get away from this idea that we are going to have the horses bolt as soon as we even suggest paying a little bit more at the top end of the scale, it is just ridiculous.

1080 The one issue that was preventing me, or gave me concern, was this idea that we did not fully balance. The amendment does seek to absorb some of the cost from the surplus that we have created through, as Deputy St Pier in his opening speech said, we did have a good year and therefore there is a surplus, but that surplus has been created by the public tightening their belts and is it affordable? Yes. Is it right to give back to Islanders who have had years of creeping costs adding here and there? Yes, we had to tighten our belts but for those on the threshold of income
1085 support; those who are working two jobs just to make ends meet; those young families struggling to save to get on the property ladder, for them tightening their belts in the past when you have not got any notches left to tighten is a very different experience to those with a designer belt or

the latest Swiss Army Knife of belts with the handy spring fastener that can add another notch to your belt.

It is clear that in the spirit and intention of the amendment to shift the burden from high income earners and give back to lower income earners and middle income earners, it starts making sense.

I will be voting for this amendment and I do think that it is worth every Member of this Assembly thinking very hard who we are trying to benefit.

The Bailiff: No one else is rising.

Deputy St Pier will speak and then Deputy Merrett will reply.

Deputy St Pier: Sir, the Policy & Resources Committee unanimously and strongly opposes these amendments and do request that other Members do not support them.

Amendment 15 will cost £7.1 million of revenue and amendment 16, £4.5 million. On the face of it, it may of course have some attraction. It would be nice for all Income Tax payers to receive a further increased tax allowance, but it is not fiscally responsible.

At this point I must give due acknowledgment that the proposer and seconder have proposed a funding mechanism for 2019 but it is not sustainable for 2020 and I am going to return to that in a moment.

The real terms increase in the Income Tax caps which have not featured a great deal in this debate but I think it is worth speaking briefly about them even though they only affect a small number of taxpayers in our community. But we must remember that those paying the tax caps are precisely the individuals that we are generally wanting to encourage to relocate to and stay in Guernsey, so this is as much about the message which we are sending as a community in terms of us being open to that population, even though the numbers are relatively small. That category do invariably contribute a lot to our economy and community whether it is through Document Duty on a substantial property, or through the creation of employment, or spending on goods and services, or through their charitable works, and we must continue to attract these individuals because there are many other competing jurisdictions to entice them, and when they do move to Guernsey we must make welcome and recognise and value the contribution that they make to us fiscally and to our wider community.

Just returning to this question of the sustainability beyond 2019, the proposed reduction of £3.25 million in the transfer from the 2017 surplus to the Core Investment Reserve does mean that there is a source of funding for next year, but it does not address the ongoing position. Of course the additional cost will be incurred each and every subsequent year. It is an ongoing commitment, but the transfer from the Core Investment Reserve is only available once. It is not a sustainable funding source. So the inevitable consequence of approving these amendments, either of these amendments, will be to start the 2020 Budget process with a handicap of £3.25 million. That is the additional sum that will need to be raised by extra income raising measures or increased expenditure savings and eliminating the funding available for expenditure pressures and service developments. It will put at risk our ability to have a balanced Budget in 2020.

Sir, in response to the points raised in the debate – I will not give way, sir, I am summing up at this point – the deceleration of the withdrawal of personal income tax allowance would not benefit those with earnings over £100,000 as 1,050 of our taxpayers would pay net £1 million more. The change in the withdrawal rate from one-in-three benefits about 150 individuals. When we embarked on the withdrawal of income tax allowances we had hoped that there would be some movement in the upper earnings limit which would have avoided the high marginal rates, and that is the reason that we are recommending the change in the withdrawal rate.

The principle of the Personal Tax, Pensions and Benefits Review was that we should not be using the tax system as a means of paying benefit. I think Deputy Fallaize made that point very well when he spoke about the £3.25 million, that this is not the best way of using it if we are looking to benefit one particular section of our community. This is a very expensive way of

seeking to reduce the dependence on Income Support which Deputy Merrett spoke to when she opened the debate.

1145 It is also worth making the point in relation to the upper earnings limit that the UK's upper earnings limit is £46,000 and Jersey's is around about £52,000 – so nearly one-third of our own upper earnings limit of £143,000. It is also worth noting that the marginal rate of tax for so-called lower and middle income earners in Jersey is 26% and not 20%. So we are not comparing really like with like, but I am going to return to that point again because it helps explain the shift in policy that Deputy Fallaize referred to.

1150 So Deputy Merrett spoke about Robin Hood and it is perhaps worth reminding Deputy Merrett and others that of course Robin Hood was a myth; (*Laughter*) he was just a highway robber and this amendment too, sir, is a myth because it will not benefit the people that it is really intended to help, as Deputy Fallaize said.

1155 Sir, I am conscious of Deputy Ferbrache's words of advice in the way one responds to this, but I am afraid I cannot describe it as anything other than economically illiterate in the sense that the description that Deputy Merrett gave was that all of this tax would suddenly find its way into the economy where it currently did not exist, and the presumption behind that is that every penny raised as a result of this measure is currently being spent off Island. Now that was sort of the implicit implication of what she was saying.

1160 We do want to continue to attract employees to this community and I think that was something that Deputy Hansmann Rouxel spoke to, but that includes those earning over £100,000. We have to remember that the top 10% of our Income Tax payers already contribute 32% of total income. (**A Member:** Hear, hear.) So they are a very valuable resource to us.

1165 I think Deputy Roffey spoke about the need for a degree of caution and Deputy Fallaize also spoke about the pace of change. Indeed, Deputy Green said there should be a limit. I agree with Deputy Hansmann Rouxel that we can use language such as 'fear of the horses bolting', but this is about the pace of change and this is about adopting something which is incremental.

1170 I think in relation to Deputy Roffey's point and I think Deputy Fallaize made the same point about tax allowances, that actually there was a preference perhaps not to use tax allowances in this way to benefit lower and middle income earners. Actually, I agree and I have said it several times in this Assembly. I do not particularly like personal tax allowances. I quite like the views of tax economists who say that the best way is to have no tax allowances and actually we would then have a much lower Income Tax rate all round. (**A Member:** Hear, hear.) But the reality is we do have this tax competitiveness problem and the perceptions of headlines, headline rates of tax, which we often talk about in this Assembly, but headline allowances play a part as well, and
1175 Deputy Gollop spoke about headlines.

Deputy Roffey specifically asked, 'Has it come to an end?' and I think actually when Deputy Trott spoke he really addressed that. I think it is clear from the Budget Report that this remains an area that we will continue to keep under review and our express desire continues to be to work with the Committee for Employment & Social Security particularly in looking at that challenge around the upper earnings limit. So I do not, sir, believe that it has come to an end, but it is something that we must do and be managed at a responsible rate.

1180 Sir, Deputy Gollop I think is probably indisputably this Assembly's and our Island's most popular politician, so it does not surprise me that he should be supporting populist policies. As Deputy Ferbrache said, we do have a long way to go and those are sentiments that I do share. As
1185 Deputy Green said – it pains me to say it, but he is right – we have got the judgement correct in this case.

The reality is this is a small part of the Budget but, as with so many parts of the Budget, we have a number of competing interests. We have the competing interest of seeking to benefit those in lower and so-called middle income scales as well as ensuring that we remain competitive
1190 over all.

I said at the beginning in opening this debate, sir, that we believe this is balanced, we continue to believe that this particular proposal that we already submitted on this issue is balanced, and we do urge Members to continue to support that and reject both amendments.

Thank you, sir.

1195

A Member: Hear, hear.

The Bailiff: Deputy Merrett will reply.

1200

Deputy Merrett: Thank you, sir.

I think where we differ, Deputy St Pier and myself and possibly Deputy Trott, is that they want this gradualist slow approach, where I am looking for something that is actually meaningful, that will actually make a difference to people, our community's lives.

1205

Populist, I do not think I have ever been called that, and I am not sure I can actually resonate with that, but if I am being called that, or Deputy Yerby and myself are being accused of such, then is that because these amendments would simply benefit the majority of our population.

1210

'Dangerous' I think was a word used. Dangerous to ignore certain sectors of our economy, I think it is. We need our workers to have some disposable income, all members of our community to have a little bit of disposable income, and I am really concerned about the widening wealth gap, because it does affect, it does concern me, the pressures it gives on to our economy.

1215

Deputy Gollop talked about lower and middle income earners being alienated from politics and Government and I think I can really resonate with this because we saw another amendment being withdrawn because of a very well-orchestrated Open Market campaign where somebody clearly pressed the button and before we knew it we were inundated with emails saying, 'You cannot do this to Open Market' – very impressive, very quick; unfortunately some of them were almost a cut and paste so you could actually tell it was orchestrated. But the point is this, that sector of our community are very aware of politics and are very aware of the decisions that are made that affect their personal finances. They were straight on that button, they were straight on the emails.

1220

Actually I have had members of our community contacting me saying, 'Please do your best to get this through because my family is struggling, sir, my family is not in surplus at the end of the month, I would really appreciate a bit more autonomy to be able to spend my money that I am earning and I do not want to have to go out cap in hand to Edward T. Wheadon House to ask for Income Support.' I have not emailed those to all Members, I have not encouraged members of our community to contact all Members. These are personal, private emails and conversations that most of our community have trusted in me, but they are out there, and it is real.

1225

Do we have division in our community? I believe we do. I believe that we have division of the very wealthy and the people that are actually really struggling on low and middle incomes.

1230

Deputy Green spoke about taking from the people; I do not believe that we should be taking from the people who can least afford it. I really do not believe we should be doing it, and I do not believe we should be swirling it around and then determining who should or should not have it back at this level. It is hardly progressive.

1235

So it is not targeted enough. Well, I think 'not targeted enough' is about taxing and ensuring the higher earners, those that have got the broadest shoulders, are actually paying enough to enable us to let lower and middle income earners actually have a reasonable quality of life. The money raised from the higher earners should keep the ??? [11:32:39] in our community. We should not be taking it from those and then giving it back to them.

1240

I thank Deputy Fallaize for saying that we are taking the States in the right direction. I said earlier this week that I do not like to walk to the beat of anybody else's drum. I believe that we should be walking at a faster pace and I believe that we could actually really improve our economy and the nature of people and the quality of their lives by allowing them to have that less

paternal aspect of, 'We will take it and give it back to you but come to Edward T. Wheadon House please and apply for it,' or, 'You have earned it but come back and apply for it again.'

1245 Now, look, the only real way, sir, to target the £30,000 or £50,000, which I think Deputy Fallaize referred to, I am going to say it 'scares the horses' or not, but the only way you can do it is to look at tax banding. We know that. We know that, we do not do it.

Deputy Yerby and I did look at raising a tax banding of 25% for people earning between £300,000 and £700,000. It may interest Members to know that if we did that and had a tax banding of 25% just £300,000 to £700,000 – gosh, if only I could ever earn that much money –
1250 that would use an extra £4.8 million, sir – *£4.8 million!* We considered it, but we did think that would be scaring the horses. We may try and scare the horses next year, I do not know. But I certainly did consider it. If we want to do tax banding, if we want to have a tax band for people earning under the median earnings let's talk about it. Where are those amendments, sir, I do not see them before me today?

1255 Deputy Hansmann Rouxel talked about the Core Investment Return. I thank her for that, she has noted that we have tried to balance the books again as much as possible, and we talked about targeting the people who need it most, I understand that. That is what I am trying to do. I am trying to target the people that can afford to pay it to give it back to our community on a much wider scale.

1260 Deputy St Pier thinks that those paying tax caps, we should open our doors to them, let them come in, they are rich, they will give us lots of money. That is amazing, I am really pleased, I encourage that, I want that. However, I also want to attract other people into our community that will fill some of the gaps in our economy at the moment; for example, in care work, I want to attract them, please come to the Island. Nurses please come, teachers. I want to attract people in
1265 hospitality, I want to attract people that when our construction industry ... when we see that leap forward are able to come, and I want to attract people into retail. I want to attract people in.

So yes, sir, attract the higher earners, but also can we please try to attract people to fill the whole of the fabric of our society, not just the high-net-worths but actually if you want to go out for a coffee, if you want to go out for a meal, if you want care workers, naturally we need to attract them too, or at least be on a similar playing field to other jurisdictions.
1270

My response to Deputy St Pier is that we have tried to balance the books for you today, through you, sir; you will simply have to try and balance them in the future. If you believe that you need to withdraw lower tax cap as other governments previously do then that is your prerogative to bring that to the States.

1275 I think Deputy St Pier said that I was an economic illiterate – sorry, I just laugh, because I have got A-level Economics, but nevermind, and I was on Economic Development and that is actually quite scary if that is how he feels about me! (*Interjection*) Maybe he should have contested the seat with another candidate. So 'economic illiterate', the best I have from that if Deputy St Pier thinks that that is what I am, and since actually our community are very similar and if we were to
1280 give them a little bit more money, they might also be a little bit economic illiterate. What he avoids to mention is that we are taking from the lower and middle income earners to give it back to them. So we are taking to give, we are asking that money be washed around Edward T. Wheadon House at really high cost and then give it back. I tell you what, if that is not economic illiterate I really do not know what is.

1285 So, I would urge Members to support amendment 16. If amendment 15 was to fall, I have to advise Members on amendment 16, I do not intend speaking again. That probably depends on the vote, depending on what Policy & Resources wish to say, but I have tried to cover in my opening speech both of those amendments to try and save time because money is time, sir, even for the economic illiterate, and time is money.

1290 So what I would like, sir, is a recorded vote, and I would urge all Members to please show some support to all members of our community to show that actually the low and middle income earners deserve to have a reasonable, equitable and justifiable tax system as much as the more affluent in our society.

Thank you, sir.

1295

The Bailiff: Well, Members, there will be a recorded vote on amendment 15, proposed by Deputy Merrett and seconded by Deputy Yerby.

There was a recorded vote.

Not carried – Pour 5, Contre 34, Ne vote pas 0, Absent 1

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

The Bailiff: The voting on amendment 15 was 5 in favour, with 34 against. I declare it lost, and we go straight to the vote, as we have taken the two together, on amendment 16.

1300

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

The Bailiff: Again with a recorded vote.

There was a recorded vote.

Not carried – Pour 7, Contre 32, Ne vote pas 0, Absent 1

POUR	CONTRE	NE VOTE PAS	ABSENT
Deputy Gollop	Deputy Parkinson	None	Deputy Le Pelley
Deputy Leadbeater	Deputy Lester Queripel		
Deputy Merrett	Deputy Le Clerc		

Deputy Inder	Deputy Mooney
Deputy Laurie Queripel	Deputy Trott
Deputy Hansmann Rouxel	Deputy St Pier
Deputy Yerby	Deputy Stephens
	Deputy Meerveld
	Deputy Fallaize
	Deputy Lowe
	Deputy Smithies
	Deputy Graham
	Deputy Green
	Deputy Paint
	Deputy Dorey
	Deputy Le Tocq
	Deputy Brouard
	Deputy Dudley-Owen
	Deputy De Lisle
	Deputy Langlois
	Deputy Soulsby
	Deputy de Sausmarez
	Deputy Roffey
	Deputy Prow
	Deputy Oliver
	Alderney Rep. Jean
	Alderney Rep. McKinley
	Deputy Ferbrache
	Deputy Kuttelwascher
	Deputy Tindall
	Deputy Brehaut
	Deputy Tooley

The Bailiff: Members, the voting on amendment 16 was 7 in favour, with 32 against. I declare it lost.

Next on the schedule we have amendment 27, to be laid by Deputy St Pier, seconded by Deputy Brouard.

Deputy St Pier.

[Amendment 27](#)

After Proposition 28, to insert the following:

"28A. To direct the Committee for the Environment & Infrastructure, in consultation with the Policy & Resources Committee, as part of its development of an overarching energy policy to include consideration of environmental and energy related taxes and explore ways to help ensure that there is a sustainable tax base from this source, designed to preserve current revenues, which is supportive of the Island's approach to energy and to report back with progress by no later than March 2020."

Deputy St Pier: Thank you, sir.

In laying amendment 27 I shall be relatively brief.

The Policy & Resources Committee identified the problem in relation to Excise Duty on motor fuel a couple of years ago and in particular this challenge of falling consumptionable use with improved engine efficiency combined with a switch to alternative vehicles and alternative fuels. In response to that we have obviously recommended as Excise Duty being one of the few levers available to us in terms of maintaining revenues to the States that we needed to maintain its real value which required us to increase it to above the rate of inflation and to compensate for the fall in volumes, but recognised that that was an unsustainable position.

Following the Budget last year, we obviously were directed to go away and deal with this issue and *mea culpa* we have failed. We have failed to deliver that solution in the 2019 Budget as we were directed to do, so the problem remains unsolved and hence the Propositions which have been put to you in respect of the recommendations for Excise Duty for 2019.

1325 Sir, this amendment really seeks to say that actually the Committee *for the* Environment & Infrastructure is the right Committee to be tackling this issue rather than it being P&R led; it probably needs to be E&I led, consistent with their mandate. But also cognisant of and aware that they are in the midst of seeking to come back to the States with their recommendations as to the Island's energy policy recognising those systemic shifts in energy markets as a result of technological change in the last five years or so. And of course with the pace of change in battery technology and so on which is extraordinarily fast. So it is for that reason that we are recommending this.

1330 Sir, it is a response to amendment 22 and the alternative which is to create some form of special investigation committee so amendment 22 provides an alternative Proposition 28A. Sir, we feel that that is not the right solution, which is why we are seeking to lay this amendment first, to give the States the opportunity to go with this as an alternative route.

1335 We believe that the special investigation committee, I will obviously speak further on that in due course, if we get to that point, is an over complication of this. The reality is that whichever route we go it is unlikely that there will be any alternative system for the taxation of motoring in the Island before 2021 at the earliest. Really either way that is likely to be the reality in terms of any technological, legislative or other changes which are required.

1340 So with that, sir, I will open debate and obviously look forward to responding in due course.

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

1345 **Deputy Brouard:** Yes, sir, and may I reserve my right?

The Bailiff: Yes.

Deputy Brouard: Thank you.

1350 **The Bailiff:** Is there –? Yes, Deputy Inder.

Deputy Inder: Sir, I will just speak briefly.

1355 Deputy St Pier when he opened said he was along the lines of, through you, sir, that Policy & Resources were struggling to find ways to develop taxes to replace depleted resources from the changes in energy in us as drivers.

Well, it is quite easy, it is called motor tax. (*Interjections*) We can say that. It is called motor tax. That seems to be one of the ways ... that is a conversation that we may have to have.

1360 If I remember correctly, the last time I saw environmental and energy related taxes, and I am happy to be corrected, I believe it was an amendment to Policy & Resources and I have got a funny feeling it was one of the amendments that was either taken away or was not laid, it was in the original Policy & Resource Plan and it might have been, and I cannot remember who, that is the last time I saw environmental and energy related taxes. That does worry me a bit, but we do not seem to be committed to anything at the moment.

1365 If we have to have that conversation about motor taxes or something called motor tax, I think we need to be a bit more – I do not want to use the word 'honest' – I cannot personally think of a simpler way. As soon as we start doing up different types of taxes depending on what kind of milk you drink or how you walk or what bicycle you have got, what insurance, it looks like a huge administration problem, when the simplest thing that we have got in our hands related to cars is motor tax.

1370 But I will listen to the rest of the debate.

Thank you.

The Bailiff: Deputy Gollop.

Deputy Gollop: Sir, it seems to me a lot of amendments you think they are one thing and they are actually something else. This amendment probably will have a debate as Deputy Inder has raised the issue of what we need to do. We need to be honest, open and transparent about different forms of revenue, and I happen to believe that abolishing motor tax, even though it saved one or two civil servants, was one of the worse decisions fiscally the Island ever made.

I remember Deputy Roffey said that at the time and the late Deputy Bell. Because it meant that you were reducing your flexible response to taxation and therefore you were piling disproportionate amounts on fuel, which we have now seen to be a mistake. It was not such a cash cow as some of us said at the time, because the cow is not giving so much milk and at a time that is bad for our economy in that respect as well.

So, much as I support the principle, as Deputy Inder has outlined, of an honest conversation about indirect taxation, energy taxation, I am not convinced and I am not sure he is actually, that Environment & Infrastructure are the best committee to deal with this. They are not only a busy department but politics is often more about perception than reality and there is a perception amongst our populist social media friends who we have already mentioned that Environment & Infrastructure are a little bit one-sided in their political response (**A Member:** Hear, hear.) and they tend to be, in the perception of people, a little bit pro-greenish. Well, I am a member of the Green Party in the UK, and theoretically anti-car. I have heard numerous debates on this and played them back on BBC iPlayer and so on.

For those reasons, I think we would make more progress if we set up a special purpose vehicle along the lines of Deputy Merrett's amendment will suggest, (**A Member:** Hear, hear.) and it would give an opportunity for a wider range of Members with different experiences to work together in a focussed way and it would draw probably not just on ecological arguments and technological arguments but on economic arguments which are part of both economic development.

I support the motor trade in Guernsey. I think we have to because it is a huge employer, so we have to bear in mind what works for them. It is one of the reasons why I support, funnily enough, an MOT, because not only is it a greenish policy but it also supports health and safety and the motor industry, but we are not discussing that today.

But what we need to do is to get stakeholders round the table whether they work in industry, they have economic input, financial input, social input, environmental input, and so I think this amendment is a disguise to undermine the Merrett amendment coming our way, so I will vote against this, despite wanting Policy & Resources and the entire States to have that conversation Deputy Inder referred to about looking at a more sustainable base of motor-based taxation.

The Bailiff: Deputy Graham.

Deputy Graham: Thank you, Mr Bailiff.

I do congratulate Deputy St Pier on keeping an absolute straight face when he mentioned that this was a matter entirely for E&I! (*Laughter*) There is a strong rationale behind his judgement, but there is an equal one probably to identify this as principally a fiscal matter which might at least pass in front of P&R's eyes. But I am not going to quibble on that.

If I have got a reservation about this particular amendment it is the timeline of March 2020. Now I do not know to what extent that date has been picked out, but to me it suggests that it certainly will not enable the States at this time next year when deciding the 2020 Budget to act in an informed way on this, and it really is passing the buck, essentially, on to the next Assembly. Who, God bless them, they will gather after the Island-wide vote in June next year with a Budget to approve in the November and I wish them luck.

I think this is the sort of matter that really this States should grapple, and I would vote this amendment with more enthusiasm if I could have an assurance somewhere that really the timeline about to be given to E&I could be advanced sufficiently to enable the States at the Budget debate next year to make a once-and-for-all decision on this matter.

The Bailiff: Deputy Fallaize has stood some time, Deputy Roffey then Deputy Laurie Queripel.
Deputy Fallaize.

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Deputy Fallaize: Thank you, sir.

Actually March 2020 of course is still in the life of the present States. I am sure that it is a complete coincidence that this amendment envisages a debate on environmental and energy taxes about three months before a General Election, and I am sure all of the Members of the States look forward to that sort of debate.

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Apart from that rather self-interested reason, there are two other reasons I think to vote against this rather poor amendment. One is it is ironic really. I sometimes find myself defending the Policy & Resources Committee against usually erroneous claims that they are trying to behave like a cabinet. On this occasion they are trying to pass what is quite obviously one of their tasks on to somebody else, because it is no more the job of the Environment & Infrastructure Committee to advise the States on the raising of environmental and energy-related taxes, than it is the job of my Committee to advise the States on how to pay for schools, or Deputy Soulsby's Committee to advise the States on how to pay for hospitals.

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This is a fiscal matter and while it would be acceptable and probably sensible for the Policy & Resources Committee to envisage working in conjunction with the Committee *for the* Environment & Infrastructure, here they are trying to direct the Committee *for the* Environment & Infrastructure to do something which is a matter for the Policy & Resources Committee, and on which the Policy & Resources Committee is already under direction following an amendment which I think was proposed successfully at the time of a previous Budget. That is the first reason I think to vote against the amendment.

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The second reason is it shifts the debate – Deputy Inder has already picked up on this – away from motoring taxes and on to, to quote the words in the amendment:

... environmental and energy related taxes ...

Well whoa, hold on a minute, that is not where this started. I do not mind in the fullness of time considering environmental and energy relates taxes, but the central issue is that tax on Fuel Duty – which is essentially a tax on motoring, that is how it was conceived, that is how it is perceived by most people because of the way in which it is applied – is diminishing. It has already been recognised by the States at least once that that diminishing revenue needs to be replenished, and so the States have made Resolutions directing the Policy & Resources Committee to set out ways in which that income which is now being foregone could be recovered again.

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But it is through motoring taxes, not environmental and energy related taxes. It is in response to a very specific problem of the diminishing income generated by Fuel Duty. The obvious solution lies in or around the kind of suggestion made by Deputy Inder, and broadening the debate into environmental and energy-related taxes; and shifting the responsibility for coming up with the solutions from one committee to another committee and putting the whole thing back by another 18 months, is not going to help here.

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I think that if we need to do anything other than the direction under which the Policy & Resources Committee is already operating, not very quickly, the better solution is in Deputy Merrett's amendment, not in this amendment which shifts the debate in terms of the substance and into the wrong committee.

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So I hope the States will reject this amendment.

The Bailiff: I said I would call Deputy Roffey next.

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Deputy Roffey: Thank you, sir.

I will take Deputy Ferbrache's advice to be temperate in everything I say, but I have to say that this whole issue of motoring taxes and the inaction on it has really got me quite vexed.

I think we need to go back a little bit, it was very clear for a very long time that while having the one club in our bag for tax and motoring, of fuel duties, made a degree of sense when it was brought in, although, as Deputy Gollop said, I was against it because I thought it narrowed the tax base too much, but I understood the user pays, the environmental side, the simplification of tax, the cost effectiveness of it. For some years now it has been quite clear that that was a burning platform and was at least politically unsustainable, even if it was theoretically sustainable by ever increasing real increases on the duty on fuels.

In fact, Deputy Kuttelwascher and I tried to raise it really quite early in this term, we did not get anywhere. Eventually I think it was Deputy Fallaize that seconded my successful amendment and both he and Deputy St Pier are wrong, they are rewriting history, it was not in last year's Budget. I have the recorded vote here, sir, I have learnt from Deputy Dorey how to do things. (*Laughter*) It was 30th June 2017 – in other words, 17 months ago – during the Policy Plan debate and the Medium Term Financial Plan that came out of that, and I am going to read it:

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.

I.e. today.

So, sir, where I said earlier, when I was talking amendments generally, that we should actually stick with what we decided in that debate back in 2017, and when I said I did not want to vote for anything that would reduce the amount of income that was foreseen in the Medium Term Financial Plan, I am put in a difficulty by this because frankly P&R themselves have utterly, and I think wilfully, failed to discharge their duty. (**A Member:** Hear, hear.)

The dilemma I am put in is I am being offered two alternatives: give it to E&I or set up an *ad-hoc* committee. Now I agree with Deputy Fallaize that of the two I think the *ad-hoc* committee is probably the less bad of the two options, but what I actually want to do is get the people who are meant to do this work to do it. (**Several Members:** Hear, hear.) It is a tax matter. We all recognised that in 2017 when we gave the job to them. Not only that, I have the recorded vote here. Every single Member of P&R voted in favour of giving themselves that job (*Laughter*) and now there is this, no, 'Should not be for us it should be for E&I'.

Frankly, it smacks me that what we have got here is a political hot potato that P&R should have the backbone to actually deal with and they are lobbing it – and not only lobbing it, they are lobbing it to the Committee that actually has the ... I do not take any notice of Deputy Gollop's social media and twitter feeds or whatever, but I do know that E&I and their predecessors and everybody that deals with this area of policy has to deal with the most political hot potatoes of any committee in this States. I think it is a bit unattractive to see a fiscal matter – and it is a fiscal matter, it is a tax matter – being thrown from P&R to them to deal with. (**A Member:** Hear, hear.)

Of course E&I has to have an input, of course there are aspects of their mandate that are engaged and that is why the original Proposition that was passed overwhelmingly ... just four people against, none of them Members of P&R, I think it was Deputy Smithies, Deputy Prow, Deputy de Lisle and another I cannot remember, I could look it up afterwards, but I am not going to do it now. But no Members of P&R. They took it on.

Now I can tell you what actually happened. I kept asking what is going on, nothing was going on. Eventually Deputy St Pier said, 'Actually, you put this amendment; would you like to be on the working party?' I said, 'Yes, fine, fair enough,' I think you have got to step up to the plate if you put something forward.

Well, it was not so much of a working party, it was one meeting of I think about 90 minutes late on in the cycle. It was made quite clear by the officers there, 'We have really got to come to a decision today because we are late on in the cycle,' and we were all urged to try and find a

compromise. There was, I think, Deputy de Sausmarez from E&I, Deputy Brouard from P&R and me and some officers. None of us was starting from the same place. Deputy de Sausmarez and I compromised probably more than we should have done because we were told we needed an answer by the end of this meeting in 90 minutes' time. So did Deputy Brouard, but frankly Deputy Brouard's compromise seemed to disappear once this got back around the P&R table from what has come out or the lack of anything that has come out.

So, sir, they have not done the job. We told them to do the job. They agreed they should do the job. It is clearly a job for them. It is a tax matter and I think if they really do not want an *ad-hoc* committee then in summing up on this I would invite them to say that if this amendment fails – and I believe it will, for lots of reasons including the timeline that has been mentioned in it – then they will actually do the job that they have been told to do. Because if they will not say that then even though I think it is not really the perfect way forward I will have to vote for the Merrett and Tooley amendment, because we need to move this forward in some shape or form. (**A Member:** Hear, hear.)

The other thing that worries me about the timeline is actually although we could keep putting up the real value of the taxes on motoring, I do not think this Assembly will stand for it for another couple of years. (*Interjections*) The soonest this could actually be implemented is in 2020, well actually 2021 really because it is reporting back in 2020. So they are going to be creating a hole in our Budget because we will be taxing motoring in the global sense less in real terms, because I do not think, and I am running out of my patience in doing it, I am trying to be fiscally responsible and I have been voting for these extra taxes on fuel despite the fact that we are now far more expensive than the UK on the basis, yes, we are not taxing motoring on the whole anymore, it is the same amount, but it tends to be the poorest that have ... they cannot swap to new cars that are more fuel efficient, they cannot go out and buy the electric cars because even though they may be cost effective for their lifecycle they just do not have the dosh on day one to go and buy it.

Sir, I think we need to move this forward quickly. The best way would be for P&R now to do the job that they were told to do. I hope they will commit to do that this morning. If they do not I am going to have to go with the unusual approach of Deputy Merrett because I think it is the only other option on the table.

The Bailiff: I said I would call Deputy Laurie Queripel next, then I will call Deputy Trott.

Deputy Laurie Queripel: Thank you, sir.

I do not really need to say very much because previous speakers have made so many good points in regard to where the responsibility for this work really lies.

But also I really do not like the wording in this amendment at all. I was hoping that something would be coming forward that would just be proposing that we find a way to replace the revenue that we raise via Fuel Duty and I thought that would be a motor tax. It cannot be that difficult to design a system of motor tax. It could be based on the weight of a vehicle, or cubic capacity. It really is not, as they say, rocket science.

But yet the wording of this amendment really rings some alarm bells for me.

... development of an overarching energy policy to include consideration of environmental and energy related taxes and explore ways to explore ... [etc.]

Now as far as I am concerned, sir, members of our community and Island households are already facing a number of environmental taxes. They are about to pay a great deal more in regard to waste charges than they were paying before – that to me is an environmental tax; waste water charges are about to go up yet again, sir. So I think that Island households are already facing a number of increases in what I would describe as environmental taxes. I do not see there is a need to go down that road any more than we have gone down it already. I just think we do need to find a way to replace the revenue raised via Fuel Duty. It is not sustainable because of the

reasons given by other Members, and I think we just need to find a way to put a motor tax in place that is based on something like the weight of a vehicle or cubic capacity. But I really do not want to go down this road of exploring more ways to tax people with environmental taxes.

1575 I think I will support the amendment being put forward by Deputy Merrett because I think it is the better option than this one, but I really do think that by now we should have something in place already that resembles a motor tax rather than having more explorations and more committees set up and more time passing.

But I will not be supporting this amendment.

1580 Sir, thank you.

The Bailiff: Deputy Trott.

Deputy Trott: Thank you, sir.

1585 Sir, Deputy Le Tocq and I were Members of the T&R Committee that asked the States to abolish motor tax and the States of the day overwhelmingly supported that Proposition, as did the Environment Department of the day.

So, sir, I ask Members not to expect me to be part of a Proposition to bring motor tax back because let me explain why. Motor tax was a despised tax; there were lots of examples of where good law-abiding citizens found themselves in court because their tax disc had lapsed and the single reminder that had been sent had not been acted upon, and it was disliked for a number of reasons. It was disliked because the tax failed a particular test, the test of the user pays principle. A vehicle garaged for 11 months paid the same as a similar vehicle that was on the road for 10 hours a day – completely unfair and inequitable and a consummate failure of that user pays principle.

1595 What is clear though is this: a vehicle that does not use petrol or diesel but is using the road infrastructure should, under the user pays principle, contribute to the upkeep of our road infrastructure.

Now, sir, we now have a first registration tax and a host of other motoring related charges that had not even been conceived 10 years ago and this is the important point with reference to the amendment and comments made in particular by Deputy Fallaize earlier. Clearly an energy-related tax with regards an electric vehicle is worthy of consideration. Clearly the disposal of batteries from an electric car is unequivocally an environmental issue. Therefore I speak against those who have suggested that this does not have a significant environmental focus; it does, and I think those that reject investigation of those types of taxes on an environmental basis are misguided.

Thank you, sir.

The Bailiff: Deputy Lester Queripel.

1610 **Deputy Lester Queripel:** Sir, I am in need of clarification please from Deputy St Pier.

The Proposition, as we know, asks for a report to be presented to the States by no later than March 2020. But seeing as this will be part of the development of our energy policy does that mean we will not be presented with the energy policy itself until that date? If it does that concerns me greatly because surely we need the energy policy in place way before March 2020, due to the fact that the hydrocarbons programme will be totally reliant on that energy policy being in place.

My understanding about that programme is that by 2020 we will be asked to vote on our preferred option for delivery of our hydrocarbons. But surely we cannot do that without the energy policy being in place first.

1620 So I would like clarification from Deputy St Pier when he responds on that, sir.

Thank you.

The Bailiff: Deputy Kuttelwascher, then Deputy Smithies.

Deputy Kuttelwascher: Thank you, sir.

1625 Just to highlight what Deputy Roffey has said, it is items 6.70 and 6.71 in the Budget Report which are relevant. I had a wonderful day yesterday; I had a 12-hour cruise on Commodore Clipper to get back to Guernsey via Jersey, and it gave me the chance to read the Budget over and over again. So it mitigated the experience. But what is significant about this in 6.71 there was a solution put forward because they were required to come up with one, but it was rejected by P&R by a majority – interesting what that majority was.

1630 My question really is if this amendment was to pass and E&I came back and said, 'Introduce a motor tax,' would they accept it? Would they consider themselves to be required to accept it because it is a fiscal measure? So that is my question, simple as that.

Thank you, sir.

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The Bailiff: Deputy Smithies.

Deputy Smithies: Thank you, sir.

1640 I suppose I should do a bit of virtuous signalling and declare an interest and say I am actually in the process of taking delivery of an electric car. Leave that to one side.

I shall not be voting for this amendment, mainly because I do not like it. It replaces an amendment which I do like. Part 4, I am not going to stray into debate on amendment 22 at this stage, but I do not like much else of it but certainly the fourth part of that amendment I do like. Therefore I will vote against this one.

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The Bailiff: Deputy Hansmann Rouxel.

Deputy Hansmann Rouxel: Thank you, sir.

1650 As other Members have pointed out already, and I commend Deputy Roffey for his timeline, but actually I look back to the November 2016 debate where Deputy Roffey and Deputy Kuttelwascher raised this issue and tried to move it forward. So we have had in this Assembly an attempt to try and solve this issue and we are not; this amendment simply chucks it back at E&I and asks us to do something which clearly is unpalatable to P&R. That was very clear in Deputy Trott's speech. (*Interjection and laughter*) It is unpalatable and so the amendment would not achieve anything.

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Just to answer Deputy Lester Queripel's question about the energy policy, one of the problems with this amendment is conflating the two areas. There is motor tax or Fuel Duty on motorists and an energy policy which is looking at the whole picture and what comes out of that will be policy decisions that would then need to be implemented and practical measures. The energy policy is separate to this, but it would inform work in this area, but it is not reliant ... the energy policy does not need to wait for this, they are two separate things informed by each other. The energy policy will come to the States in the first half of next year. We are working very hard and have been meeting with all stakeholders in order to build a holistic look of energy policy moving forward, because it is something that we absolutely have to get hold of.

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1665 Yes, this area is unpalatable and the idea of environmental taxes might be unpalatable. Is it because even now after the rest of the world has moved on and very much understands that climate change is here, we still seem to be in a little bit of denial? That is okay, I understand, it is not palatable, and it does not seem popular, but it is absolutely time to wake up and smell the coffee. Even if we do not believe that climate change is happening the rest of the world does. What happens is the rest of the world is creating policies that inform the way these industries are moving, particularly the motoring industry, game changes like announcements earlier this year about the end of the new petrol and diesel cars by 2040 mean that we have to acknowledge that the world is changing.

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Throughout Guernsey's history, if you look at history, we are not the kind of place that stands still and does not take advantage of these global shifts and changes. So we have to be

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economically clever about this. Staying trapped in the past not accepting that the world is moving on will mean that we could potentially end up with ... oh, yes, cheap petrol cars, yes, for about 10 years, and then what? We have not actually planned for the future, we have not actually gone where the world is going and we are left with high emissions and polluting vehicles that nobody can use. We absolutely need to get ahead of this.

I do not think that this amendment is going to go there. I prefer the second amendment, the Merrett/Tooley amendment. Not because I do not believe that E&I need to take responsibility for part of this work, but I believe that the energy policy that we will bring to the States will inform the work that needs to happen. It should not be dependent ... motor fuel tax should not be dependent ... The two conflated will not allow us to get to the point where we are able to make creative and innovative solutions that move us forward.

So I cannot support this amendment.

The Bailiff: Deputy Dorey.

Deputy Dorey: Thank you, Mr Bailiff.

I will be supporting this amendment.

We currently tax marine fuel – by the way, I was a Member of the T&R which proposed getting rid of motor tax, which was a very good decision. Four Members of that Committee are currently in the Assembly.

Sir, we currently tax marine fuel which people seem to forget about and we tax car usage by the means of taxing fuel. Motor tax is a tax on car ownership; it has no relationship to how much you use a car. A person who rarely uses a car but needs a car, if we move to motor tax you will increase the tax on them and you reduce the tax on the person who uses their car a lot. Environmentally, I do not think that is the right way forward. The current system means that we encourage electric cars because they currently use an untaxed fuel.

What I am trying to say is that I do not believe that motor taxes are the answer. As Deputy Trott has said there is also the cost of collecting that tax and the cost of enforcing that tax. (**A Member:** Hear, hear.) Motor tax is a brilliant fuel: the actual cost of collection is minimal and that is what makes it ... and it taxes those who use a car and produce the most pollution by using the most fuel. So it is a very good way.

But I fully accept that there is a point where electric cars are going to increase and that is going to result in us having to change the tax system, but I believe that E&I needs to review the energy policy and we need to come back to the States with that energy policy, and the logical way forward is for this Assembly to agree on its energy policy, then you decide what taxes you are going to change.

As I said, I do not believe there is any simple answer. The answer is the use of technology and the use of being able to see when a car is being used and obviously that is relatively easy with fuel but it is a lot more difficult with electric, but there is the technology out there and it is being developed and I believe there is a way forward.

We have not got amendment 22 in discussion but the timetable on that I just do not think is achievable with having a sustainable long-term solution. That is what we should be looking at, a sustainable long-term solution.

So, I would urge Members to support this. People do not like the timetable, but I think it is a far more realistic timetable. Let's have our energy policy then decide what taxes are. Technology is changing and we will be able to come up with a tax system for the future. There are outstanding amendments about increasing green taxes on all fuel usage because why do we just tax fuel which is used in marine, petrol and cars, which are motor vehicles? The pollution and the effects –

Deputy Roffey: Point of correction, sir...

The Bailiff: Deputy Roffey.

Deputy Roffey:...I am sure my lawn-mower is taxed.

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Deputy Dorey: If you use taxed fuel, it is taxed.

But there is a lot of other fuel that is used in homes for heating, it is not taxed and that equally produces pollution. If we are serious about improving the environment then we need to consider what are fair environmental taxes going forward.

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I think this matter is ... all I am saying is far more complicated. We need to agree an energy policy then we need to agree the right taxes from that going forward.

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I believe that it is right. We have a structure of Principal Committees; I think Environment & Infrastructure, who are doing the energy review to work in consultation with Policy & Resources Committee, is the right way forward. It is the two committees working together. Many of us sit on committees and committees work together, that is what we should be doing and that, I believe, is the right way forward in using those people who are involved in taxes and those people that are involved in environment and infrastructure in energy policy to work together in consultation to come up with the right form of taxes going forward.

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So I would urge you to think long term, think, 'What is a sustainable tax?' because there is no point bringing motor tax if it is not sustainable, and I do not believe it is sustainable. It is not the answer to the problem. Rather than having all the costs of doing that, we should be looking at a long-term solution and a long-term solution is not going to be available in the timeframe of amendment 22.

So please support this amendment, it is the right way forward.

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Thank you.

The Bailiff: Deputy Brouard, seconder of the amendment.

Deputy Brouard: Thank you, sir.

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It is pleasing to follow Deputy Dorey as Vice-President of Environment & Infrastructure. If that Committee wants to take this particular hot potato on and they do, then I am fully supportive of it. *(Laughter)*

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Although Deputy St Pier made an apology, I think the apology should also come from ... because I was the one nominated to go on the working party and I do not think in my 14 years in the States I have been on a meeting that was as chaotic as that particular one. It was like a load of babies throwing their toys out of the pram and each one catching each of the toys as they landed in each of the prams. I see Deputy Roffey nodding. Yes, it was not a good meeting, and we do need to tackle this issue.

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There are some mitigating factors in this. I appreciate that Deputy Merrett and Deputy Tooley have found the problem. I think we have all found the problem; the difficulty is finding the solution. I think part 4 of their amendment, if it is laid, number 22 highlights this very issue. But we do have already several priorities that we have to push on with with the States and this is partly the reason I think why this particular issue got put down on the Policy & Resources agenda and hence we had the meeting that we did have.

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I do not think it is feasible to have another separate committee to look at this. I think it does fit neatly as the Proposition says:

To direct the Committee *for the* Environment & Infrastructure, in consultation with the Policy & Resources Committee ...

To develop an overarching strategy. I think that is where it does fit.

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Also the timescale if the Merrett/Tooley amendment was placed, number 22, their timescale is extremely tight. You would almost be working from now to April to come up with a solution for this and I do not think that solution is going to be found that quickly.

I am just going to pick a few words from amendment 22 which is very helpful where Deputies Merrett and Tooley have captured some of my thoughts and this is what they say in their explanation.

It is arguable that those who can afford Electric vehicles and those that can afford newer, fuel efficient cars or hybrid cars are not sharing the burden of fuel duty and that it is falling on those who can least afford it.

That also is reflected in the words in P&R's comment on 6.2, the bottom of that paragraph there.

1780 But please, the maps we see or the graphs we see show this line declining from high on the left to low on the right and it is a very steep angle. But you could draw that graph many different ways. If you draw the graph a bit wider it is less steep and I just want to pick up on something that Deputy Fallaize mentioned as well. We still get nearly £20 million worth of Duty. The actual decline is something like four million litres over the last 10 years. So Deputy Fallaize mentioned I think
1785 that revenue is diminishing. No, it is not, it is the diminishing of the sale of litre-age that is the issue. We have been making up the difference as we have been going along.

To be fair, we can still continue to do that for a short while. The issue will come, and I do appreciate that longer term, as transport moves away from fossil fuel as a propellant although new cars and batteries do have a substantial environmental footprint, we could see the vast
1790 majority in say 10 or 20 years powered by other than fossil fuels. So cars on our road in 10, 20 years' time powered by electric or hydrogen or whatever. But they will still use the roads. So taking you through in your memory to, or in your mind to, 2038, if all cars are electric including Deputy Smithies' if he has still got it by then, all electric cars in theory will be paying the equivalent of £20 million in tax take today, all other things being equal. So we have to find a way of bringing in resources that we need for all the services that we provide and motoring is one of
1795 them.

Now Deputy Inder, I have a lot of sympathy with what you said, bring back motor tax, but of course that is going straight to the solution not necessarily the only one that can be done.

I particularly had a vision that as fuel duty would come down on one side of the graph, on the
1800 other side you would have a slight increase in taxes on electric vehicles and other vehicles that are not using fuel, and as the other two would slowly pass over time at some time in the future we will have £10 million from one and £10 million from the other and then as time went on further it would be virtually zero on fuel and electric cars or hybrids or whatever it is we would be paying some sort of tax. That could be done, as Deputy Dorey mentioned, on mileage, it could be done
1805 on weight, it could be done on colour or whatever the flavour is. But coming up with that detail needs quite a lot of consideration.

I just want to pick up on something that Deputy Hansmann Rouxel said. She is not just in the Chamber at the moment but she said that the policy we have got at the moment is not working. Well actually, I say it is working because people are moving across, they are using more efficient vehicles, hence the issue that the litre-age is going down and people are buying electric vehicles and I understand from the statisticians that we are going to be facing something like a hockey
1810 stick of a graph in the future. We started off with one usually and then after that it is two and so on, and I think we are about into the low hundreds at the moment, but I can see that ratcheting up in the future, especially as E&I will then bring out more services to look after those cars, more charging points, when it becomes possible to go away and have charging points in the UK and all those sort of issues, it will become more and more popular and more and more acceptable.

1815 So I would urge Members, please vote for the Proposition in front of you. It is a job that E&I in consultation with Policy & Resources can undertake and I think that is the better way forward rather than the setting up another committee to look at this, sir.

1820 Thank you very much.

The Bailiff: It is 12.30 p.m. We will rise and resume at 2.30 p.m.

*The Assembly adjourned at 12.32 p.m.
and resumed its sitting at 2.30 p.m.*

**The States of Guernsey Annual Budget for 2019 –
Debate continued**

The Deputy Greffier: Continuation of debate on amendment 27.

1825 **The Bailiff:** Does anyone else wish to speak?
Yes. Deputy de Sausmarez.

Deputy de Sausmarez: Thank you, sir.

1830 I have to start – I am not even going to try to disguise actually my disappointment with the process so far. I know it has been mentioned by others, most specifically by Deputy Roffey, and I share his frustration, I have been nagging P&R on this issue since the start of this political term, or certainly since the very first Budget, and the can has been kicked down the road repeatedly. There has been a collective failure to grasp the nettle but not for want of agitation because I have certainly been the thorn in the side.

1835 We were given temporary hope when towards the sort of Budget reporting deadline we were informed that there would be a convening of the working party. But it was far too late in the day and Deputy Brouard is quite right, it was chaos. It was underprepared, I think it is fair to say – Deputy Brouard is nodding in agreement – and there was far too much pressure, by virtue of that timeline, to reach a decision that actually none of us around that table were happy with. It was not
1840 a good example of joined up co-operative cross-committee working. It should have been, I think it was the right format but it was the wrong timing, not enough due consideration or time was given to it. We were not adequately prepared, we did not get the result that we should have done out of it. So I am very disappointed with the process so far.

1845 I do actually broadly agree with Deputy Fallaize as well that really this is fiscal policy that we are talking about and whilst I am always happy to stand up and talk about transport policy and environmental things, ultimately this to me originates in P&R's mandate and it is an issue of fiscal policy.

I was worried when I saw amendments on this subject. I expected amendments on this subject, but I was really worried that what would happen as soon as an amendment was laid on this
1850 subject that the amendment debate would turn into a debate on Fuel Duty, on motor tax, on all those things, but without any information that is required to have a well-informed debate – and so it has come to pass. The people that have stood up today, we have had views on motor tax, we have had views on Fuel Duty, we have had views on all kinds of things, but this is not the forum for it, this is not the time to be having that debate. I could go on for hours about – (*Laughter*) All
1855 of the people that have heard me go on for hours are saying please do not do that. I think we just need to concentrate on what this amendment is actually asking us to decide, and actually what the subsequent amendments are asking us to decide as well.

1860 Because there is no point in me correcting Deputy Trott and Deputy Brouard and all the people that stood up and said things that are slightly misleading, but we cannot get sucked in down those rabbit holes.

Oh, Deputy Trott is looking at me as though he would like me to tell him what he got wrong. I am perfectly happy to – (*Laughter*) okay, seeing as he has asked so nicely. I think this is something that will come up if we get to debate on the Merrett/Tooley amendment.

1865 The question of EVs – and I would declare myself to be an EV owner as well – has to be seen in proportion and the one thing that I find incredibly frustrating is that actually when I read the

Budget Report the one thing that jumped out at me in this area was the sort of accusation of, 'Well, all our problems are really because of EVs'.

Now let's keep this in proportion, we have got slightly over 200 electric cars in the Island – 201, Deputy Smithies – and about 50,000 internal combustion engines. So I did a pie chart of this just because I like the pictorial element to my learning matrix and it is less than 0.5%. Yes, of course that percentage is going to increase, but let me just explain to people sitting in this Assembly that we are well behind even the UK in terms of market share. We do nothing of any particular substance, we do not offer any financial incentives for people to switch to electric vehicles and so the only shift that we see are the people who can actually afford the capital outlay to do so, which is one of the inequities which I am sure we will get on to in subsequent amendments.

I think it is very important when we are talking about electric vehicles, which we should not be at this particular point, to keep things in proportion and to understand that this situation has not arisen because of the incredible rise in the popularity of EVs in the Island, and nor are EVs about to knock internal combustion engines off their perch if nothing else is changed. Also I think Deputy Trott was talking about batteries and things like that, which I will be delighted to talk to him at more length about, but I would urge other people to ignore what he said on that subject. *(Interjections)*

So really it boils back to what this amendment is asking us to decide. Whose mandate is this in? Who should be making what will inevitably be another unpopular contentious decision? I would stress though although we are not here to talk about the different options on the table, I really do feel it is important to stress that motor tax is not the only option. I was really tempted, I think had I stood up before lunch we still probably would not be at lunch by now because I would have been tempted to draw out all the nuances around this, but it is by no means a sort of black and white decision about do we need Fuel Duty, do we need motor tax, it is far more nuanced than that, there are some really innovative ideas out there. Deputy Dorey alluded to some and I really think that this is worthy of very serious consideration by whoever is going to consider it.

One of the things that does alarm me in this amendment is the deadline. I think March 2020 is just far too long. That is to report back, by the way, that is not to have made a definitive decision and actually made sure that it is ready to implement in the following Budget. To me, that is unacceptably long. We have been kicking this can down the road for long enough and we just need to crack on and pick it up and run with it. So that is one thing that I really do not like about this amendment.

I think in my ideal world I would probably vote against both this amendment and indeed the Merrett/Tooley amendment if P&R were actually to step up to the plate and do the duty that the States discharged them – sorry, so that P&R would discharge the duty that we gave to them.

So I think I will be voting against this amendment, and I am very interested to hear the response from P&R in terms of how they intend to proceed should this amendment not be carried.

I think I had probably better sit down. I will probably be getting to my feet later on.

Thank you.

The Bailiff: Deputy Langlois.

Deputy Langlois: Thank you, sir.

I think in other circumstances this might be quite an attractive Proposition for the Committee for the Environment & Infrastructure handing it all to us to decide not just the energy policy but fiscal levers to enable that policy to be implemented.

But in the context of experience of the working party and the speeches by Deputy Trott and Deputy Brouard this morning, it has got a feeling of a poisoned chalice about it. Deputy St Pier apologised for the fact that P&R had failed to resolve the issue but he gave no real analysis of why P&R had failed and that does concern me.

Because I see analogies with the waste charging debate which went on for years. It has got many of the same components. Your two main levers, fixed charges and user-pays charges; and user pays charges could be subdivided into different streams, but there was no acknowledgement, people are either saying, 'No, we should not have fixed charges,' or, 'Yes, we should,' but with the waste debate it was a compromise in the end. But the components where we did end up with a fixed charge and a user-pays charge, and I sense that is the only way you would come up with a real compromise solution on Fuel Duties, but I sense there is no way we would get that past Deputies Trott and Brouard. So I think we would be on a hiding to nothing.

Obviously the other analogy with the waste charging debate is that there is an element of trying to change behaviours involved in this, and we all know how controversial that is. The whole idea of social engineering attempting to, as some commentators say, drive people out of their cars. All that will come into the discussions and the debate, and I cannot see us ending up with a productive proposal in the end which this States is going to agree. I think it will be far more like the waste charging debate where we are going to be running over it over and over again, and we have only got about 15 months of this term left.

I will not be voting for this proposal. As I said, I think in the context of Policy & Resources' current position, we would be on a hiding to nothing with it, and I will not be supporting, if it is laid, the Deputy Merrett and Deputy Tooley's amendment, because likewise I do not actually see that committee getting anywhere, it is just a different structure.

If anything, I would like both of them to be rejected and then in developing the energy policy at Committee *for the Environment & Infrastructure* we will obviously consider fiscal measures and we will be discussing that with Policy & Resources. I think that is a lot better way to do it, to do it naturally rather than having this Proposition hanging round our neck while we are developing the energy policy.

So I will not be supporting either of the Propositions.

Thank you.

The Bailiff: Deputy Dudley-Owen.

Deputy Dudley-Owen: Thank you, sir.

I think that Deputy Langlois has just spoken an awful lot of sense and I find myself agreeing wholeheartedly with a lot of the sentiments that Deputy Dorey raised before lunchtime.

One of my biggest concerns here is why didn't the working party convene properly? What happened to the governance? Who was meant to be leading this? P&R were meant to be leading it, why couldn't they put a proper structure round it, timeframe, regular meetings, staff to support it? That sort of concerns me going forward with both of these particular amendments and obviously one has not been laid yet, but it is about, well, how are these going to be resourced? Especially in view of the fact that our Chief Executive is looking at removing 200 job roles from the Civil Service, so where are we going to find these people to do the work in support of these committees going forward?

I think that the amendment that we are discussing at the moment has some real merit actually and I had considered putting an amendment forward in terms of waste and packaging because of the increasing costs that we pay for excess packaging coming into the Island. I think that is something that I wanted to explore. When I thought about it more deeply I thought that is just a fine line of investigations, this is much more complex, much more nuanced. Thinking on what Deputy de Sausmarez has said, there are so many things that we need to be looking at in terms of environmental and energy taxes. So that really attracted me about this particular amendment. But I am not happy about the fact that we are absolving P&R of its responsibility to do as we asked it to do whenever we asked them to do it, in 2017.

So whilst I am sympathetic to this amendment, I am not happy to support it on the basis that it lets them off the hook, so to speak, and I am afraid I am going forward to the other amendment, I am not going to be able to support that because again it is too fine a line of thread of research

that we are looking into on just one environmental area. Sorry, I strayed into talking about another amendment which has not actually been laid yet, but those are my views.

Thank you, sir.

The Bailiff: Deputy Brehaut.

Deputy Brehaut: Thank you, sir.

Deputy Inder started, or sorry, I think was the first to speak on this and he referred to motor taxation. Well of course it is a vehicle taxation that we would be looking at and it is the motor element, as ever, that would cloud the debate because of the revenue implications. But it is getting our head round the brave new world of vehicle tax as opposed to motor tax.

Incidentally, I am with Deputy Dorey. If you look at our mandate this amendment is not so far removed from what we are mandated to do, and it would make perfect sense to dovetail this into energy policy.

But this Assembly, not this Assembly, this Assembly and Assemblies before, I am afraid, show great timidity in approaching taxation in relation to motor vehicles. It has always been the case.

Deputy Gollop said you only have to look at social media, because this Committee is regarded as anti-car. Well, what fiscal measure has this Committee introduced for the motorist, this Committee, E&I? I think it is a £25 vehicle exchange duty charge. The first registration duty sat with another Assembly and another committee, but this anti-car sentiment we need to get beyond. We have a revenue problem here; see it as a revenue problem and try and separate this motor from vehicle issue.

Deputy Gavin St Pier said *mea culpa* – well, *mea blooming livid!* (Laughter) This was a relatively simple issue for P&R, it is their bread and butter, it is what they are supposed to do, but I am afraid to say the individuals involved on the working party, never the twain shall meet. It was of such a composition I think people would have struggled to have got an outcome where people could have perhaps, as proved to be the case, agree one solid principle to advance, and it is a shame that has happened.

Now, it is my view, bearing in mind our mandate and bearing in mind that we are working on energy policy, which we hope to come to this Assembly with in the first quarter actually of next year, is that this is not so far away removed from what we do already, and if you have a policy the policy can guide you, actually can send you, in the direction of what to do in revenue terms.

What do you do if you have a mechanism such as incentives and disincentives? Do you incentivise the purchase of light, narrow, diesel vehicles or do you put disincentives in for wide, heavy, electric vehicles? That is not such a difficult call at the end of the day, is it? So in energy policy if we are going for low zero carbon, we are going for less carbon consumption, that is going to take you in a certain direction, isn't it? And when you start going down that path then opportunities, if taxes are opportunities or chargers, will emerge to progress through policy.

Deputy Laurie Queripel says he sees this again as just the compounding he referred to environmental charges. I think we should see this particular motor taxation, vehicle taxation, I believe in isolation and disentangle it from other issues.

Now I just have to pick up, Deputy Trott said, a host of other charges. Actually, just to reiterate, there have not been that many charges against the motorist. I believe Deputy Trott said to me he had imported a vehicle, if you import a vehicle we now have a first registration duty; that is about it. Other communities have a registration duty, an annualised motor tax, is it 20% VAT and they have many more charges against vehicles. We do not. It is a bit like TRP; we started from such a low base it appears to be an increasingly difficult conversation to have.

So I think tying this in with energy policy that clear pathways will emerge that will actually send you in appropriate directions with regard to revenue.

But the problem we have which Deputy Langlois just touched on is this whole, which we have to get beyond I have to say, self-fulfilling prophecy thing of the motor taxation is a poisoned chalice, you will never get beyond it, which has happened again, and we have got to get out of

this pattern, and actually I think Deputy St Pier was quite generous. I may have ribbed him there but to say, 'Look, we got this wrong. It is our call, we let you down,' he said as much, and I do not acknowledge that he said that, but we are not in a good place at the moment, and we need to get beyond this timidity that we always arrive at when we attempt to discuss taxation around vehicle usage.

Thank you.

The Bailiff: Yes, Deputy Tindall.

Deputy Tindall: Thank you, sir.

Listening to this debate I am a little bit confused in the sense that we are talking about absolving P&R from what we directed them to do in 2017 by voting for this amendment, but correct me if I am wrong there is nothing in the amendment which says that they should not still do what they are supposed to be doing. We are still requesting them to come back for this information. So this actually is asking for E&I to do this review in parallel and therefore what Deputy Brehaut has just mentioned makes sense to me that because it does tie in with all of the principles of an energy policy that actually this is an opportunity to do both and I would like clarification on that please.

Thank you, sir.

The Bailiff: Deputy St Pier will reply to the debate.

Deputy St Pier: Thank you, sir.

Well, that has been quite a difficult debate for P&R and the President of P&R to listen to. I think only the President and Vice-President of the Committee *for the* Environment & Infrastructure have spoken in support.

Deputy Inder spoke on motor tax and I think much of what he said, personally, I have some sympathy with, but I think there are, as Deputy de Sausmarez said and indeed Deputy Dorey, other ways emerging with new technologies that may enable other options to be looked at.

Deputy Graham was concerned about the timeline as being the end point of March 2020 and I think I will return to that in a moment and I think Deputy Fallaize was obviously the first person, but very much not the last, to say this is P&R's baby, do not try and pass it on.

I think Deputy Lester Queripel's question about when the energy policy would be presented has been answered by Members of the Committee *for the* Environment & Infrastructure –

Deputy Lester Queripel: Sir, point of correction.

The Bailiff: Yes, Deputy Lester Queripel.

Deputy Lester Queripel: Sir, Deputy Hansmann Rouxel gave her views but I asked Deputy St Pier for clarification because the Proposition reads:

... as part of its development of an overarching energy policy ... and to report back [to the States] no later than March 2020.

So I am asking for clarification, sir, on that issue because I think we need to know what P&R's understanding is of those two issues, those two pieces of work, can they be separated and delivered and presented to the States separately? That is a very important issue – well it is for me – and I need to know the answer to that question please.

The Bailiff: Deputy St Pier.

Deputy St Pier: Sir, I think I will be answering that as I complete my summing up. In relation to the energy policy it is clearly the intent of the Committee *for the Environment & Infrastructure* to bring the energy policy in the first half of next year.

Deputy Langlois asked why in essence we had got to the position we had got to. I think to some extent Deputy Trott spoke to this. When he spoke he clearly identified that he and indeed of course Deputy Le Tocq were on the Treasury & Resources Department at the time they recommended the abolition of motor tax.

In compiling the Budget, it is clearly the very strong objective of the Committee, understandably, as it is indeed of course for all committees at all times, to be unanimous but particularly when it comes to the Budget Report. That I think is an expectation of all involved, and I think that produced a particular challenge for us on this issue.

However, I think there is a route through this, having listened to the debate and having listened to the pleas in the debate for P&R to step up and take responsibility for the extant Resolution that Deputy Tindall said which remains in place and will remain in place irrespective of whether this amendment or indeed the next one passes.

So I will say this, sir, that if this amendment fails, then I undertake that we – P&R – will return to the Assembly with a separate policy letter no later than September 2019 which will allow it to be informed by the energy policy that will be coming to the States early next year. It will also avoid the Budget Report debate this time next year being hijacked by this single issue. I think it also will allow us to address properly the issues which Deputy de Sausmarez spoke of which is that there is quite a lot to consider in this and to have it as one or two paragraphs in the Budget Report would not do it justice.

I think in giving that undertaking the undertaking would be that it would come with clear recommendations as to alternatives to Fuel Duty. Inevitably that would include the need to consider and reach a conclusion and recommendation on motor tax and indeed its sustainability, which was a concern expressed by Deputy Dorey, and indeed any other systems that may be available to us.

In other words, sir, I am committing that we will discharge the Resolution which is extant. Sir, I have apologised for P&R's failure. I am the President of Policy & Resources and I take responsibility for that, and I will take personal leadership of this issue to bring it to a conclusion by no later than September 2019. *(Applause)*

Deputy Roffey: Sir, I am too late to ask – I was just trying to find out whether he still wanted us to vote for this amendment or not.

Deputy St Pier: I suspect there is no choice at this point.

The Bailiff: We will go to the vote on amendment 27, proposed by Deputy St Pier, seconded by Deputy Brouard. Those in favour; those against.

Members voted Contre.

The Bailiff: I declare it lost.

We move on to amendment 22, which seems to me could be debated together with amendment 1, on the basis that Deputy Merrett will open on amendment 22 that can be formally seconded, and Deputy Ferbrache, if you are happy, you could then speak to your amendment, amendment 1 and deal with any other issues in Deputy Merrett's amendment.

Then when we get to the end we will vote first on Deputy Merrett's amendment and then come to your amendment second if Deputy Merrett's has not carried.

So Deputy Merrett amendment 22.

[Amendment 22](#)

1. In Proposition 27, in items (g), (i) and (j), to delete "70.1p" and to substitute therefor "67p", and to amend the relevant entries in The Excise Duties (Budget) Ordinance, 2018 accordingly.
2. In Proposition 27, in item (h), to delete "47.0p" and to substitute therefor: "45p", and to amend the relevant entries in the The Excise Duties (Budget) Ordinance, 2018 accordingly.
3. In Proposition 28, after "shall have effect as an Ordinance of the States" add the words "subject to such modifications as may be necessary to accommodate any amendments to the rates of excise duty set out in proposition 27."
4. After Proposition 28, to insert the following:

"28A. To resolve that a Committee of the States shall be formed to be called the Fuel Duty Review Committee, which shall be a States Investigation & Advisory Committee, and that its membership shall comprise:

 - a) a Chair elected by the States who shall not be a member of the Policy & Resources Committee or the Committee for the Environment & Infrastructure;
 - b) a member of the Policy & Resources Committee nominated by that Committee;
 - c) a member of the Committee for the Environment & Infrastructure nominated by that Committee; and
 - d) two members elected by the States.

28B. To agree that the mandate of the Fuel Duty Review Committee shall be to consider and review the best way of raising sustainable revenues in respect of motor vehicles, fuels and otherwise in relation to motoring in future, with the object of maintaining such revenues of the States at their current levels, taking into account the ongoing reduction in income derived from fuel duty, and based as far as possible on the 'user pays' principle.

28C. To agree that the Fuel Duty Review Committee shall also give consideration as to how the use of electric vehicles might be incentivised, at least until such time as they reach market parity (in terms of capital cost) with internal combustion engine vehicles.

28D. To direct the Policy & Resources Committee to make arrangements for the administrative support of the Fuel Duty Review Committee.

28E. To agree that the Fuel Duty Review Committee shall present its findings to the States no later than the end of May 2019 with appropriate recommendations."

Deputy Merrett: Thank you, sir.

While we have been thrown a curve ball by what Deputy St Pier has said, which I completely understand, I still intend laying this amendment because I think it goes wider than just the promise we have heard from Deputy St Pier but Deputy Tooley is signalling something to me, so I think I will proceed to lay the amendment because I am on my feet and then Deputy Tooley will have to make the decision how she wants to proceed afterwards.

I have to say by laying that amendment first and I did try to persuade that it particularly was not the right way of doing it, because it has completely undermined the two amendments that are now being laid. However, these amendments do go further because they have Propositions that are actually to freeze Fuel Duty.

Saying that, I do hope that the extensive explanatory notes that I did, and referring back to what Deputy Brouard said, the graph – I did not draw the graph, sir, that graph actually came from the Budget Report ... So I think we have tried our best in the explanatory note to explain what this amendment is trying to achieve and then I will just really talk about why. What the main element of this amendment is about.

So since being elected in 2016 I have reluctantly agreed to the increase in excise of Fuel Duty, but I believe and I believe other Members of the Assembly are completely aware that there has been increasing awareness of the continuous falling volumes of fuel sold but the increase in revenue that we are trying to generate with continuous rising of this Excise Duty is not sustainable.

The revenue from Fuel Duty in 2008 was almost £10 million and just 10 years later we are estimating this would be double at almost £20 million. Since 2014 the revenue drive in fuels

increased by nearly £1 million a year, which when compared to the stated decline of volume of motor fuel used, being nearly 34 million in 2008 to less than 30 million in 2018, that gives us real evidence that this is absolutely unsustainable.

I believe that somebody in this Assembly has previously said that they will feel sorry for the last diesel car driver who will be left with paying £20 million in Excise Duty at the pump. Now that is slightly extreme, but we do know it is unsustainable. We do know it is becoming less equitable because those who can afford electric vehicles, hybrid or more fuel-efficient cars are paying less or nothing at the pump. Those that have the less fuel-efficient vehicles are paying more. We have started to drift away from the user pays principle.

Whereas we would like our community to move to more fuel-efficient vehicles, the juxtaposition is that we still wish to raise the same or indeed more revenue at the pump. In June 2017 we debated an amendment which was passed to look at this very issue and I will briefly refer to that now, sir, because Proposition (c) of that amendment that was passed, I believed it would fall away because under Proposition (c) of that amendment it does state:

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.

In the Budget for 2019. Clearly they have included something in the Budget but not what was expected. So my assumption is that it would fall away. Now if at any stage Policy & Resources came back and said, 'Look we have not in this Budget but we will do it by September 2019,' well that would have been amazing because that could have saved a lot of Members both time and energy. But that has only been dropped on us in the last few minutes.

So it was back in June 2017 that this debate was had and a working group was formed, and as we know, it was P&R and E&I. We know they managed to meet a consensus position, although it sounds quite fraught, and they made a recommendation to P&R. P&R did not accept that position, they did not want to propose it.

Even though another amendment in the 2018 Budget was thrown out because it sought to raise revenue from a motor tax based on ownership of vehicles rather than use of the vehicle, it was proposed in 2019 Budget that there should be an annual fee per vehicle with a starting point of collecting 20% of the total revenue from Excise Duty with a commensurate reduction in the rate of Excise Duty on fuel paid at the pump, so that is what they are suggesting in this Budget. That is what they are suggesting, sir. But now they are going to go away and come back and suggest something else by September 2019.

As the sale of fuel continues to decline the annual fee would simply increase to compensate for the revenue lost. Sounds like the regressive motor tax that we used to have. We would be moving backwards not forwards, it moves away from the user pays principle and it generally looks like a tax from the past. It is not progressive and it is certainly not equitable.

As there was a working group, P&R considered the suggestions and quite sensibly agreed not to support the recommendation and so were not prepared to propose it as part of the Budget. So a year wasted. Especially as P&R does accept that the current system is unsustainable. They recognise that an alternative method is required. They have proposed one in the text of this Budget. This alternative method should ensure that contributions are received from all vehicle users irrespective of the fuel source.

So what did P&R suggest? Well, even though they had a working group for approximately a year, or in fact longer, with E&I, they are suggesting that they should work more closely with E&I, that is what they cited when they printed their Budget Report. Obviously we have heard differently in the last few minutes. So they are suggesting they work more closely with E&I, as E&I is leading on energy policy, great, but weren't they meant to be doing that anyway? Surely a specific designated working group should have helped focus the minds of P&R? Clearly it did not. But the only thing that they think they should be doing it is to consider alternative and innovative ways of generating similar revenues as related to motoring. Hold on because that was what the

working group was meant to be doing. Where did that get us? It got us nowhere, other than another proposed hike on Fuel Duty.

2190 Actually in 6.72, as referred to earlier in this debate on a different amendment and we have obviously conflated the two, it states we should have:

... particular emphasis on the early introduction of a means of deriving income from vehicles that do not use fossil fuels.

2195 I really do hope that P&R are not suggesting a road tax purely for vehicles that do not use fossil fuels. Maybe that is what they will come back with in September 2019. How regressive would that be? I believe we need to move this on. If P&R cannot present reasonable recommendations, if P&R cannot after a year, more than a year, with a designated working group, come to a conclusion, if P&R can simply throw out any recommendation anyway from a working group, then I believe we need to grapple with this as an Assembly.

2200 In the earlier debate, sir, we had E&I saying it was a fiscal policy, we had P&R saying it is an environmental policy, but P&R, I am assuming from Deputy St Pier's comment, now believes it is a fiscal policy for September 2019, and after all it is not actually an environmental policy anyway. Very confused, sir.

I believe that we need to use parliamentary mechanisms that we have to form an investigation and advisory committee who can advise *all* of the Assembly by a policy paper on recommendations of how the tax base on revenue derived from fuel can be diversified.

2205 Proposition 3, if passed, would give the investigation and advisory committee a mandate – a mandate, sir – and a requirement to report back to the Sates in a timely manner. We would have Committee Rules kicking in, it would have to be quorate, the composition of the committee could be directed by this Assembly and, importantly, sir, the Proposition states that P&R and E&I should have seats on that committee. A minority report could be submitted if necessary but importantly it would be this Assembly that decides, not P&R, not just E&I. We could all have a vote, we would all be accountable and we would all be able to debate it in an open transparent way so that our community can clearly see what we are trying to achieve and why.

2215 I believe today we should say enough is enough, it has become inequitable, it is unsustainable and we are in a surplus, and as we are expecting even more surplus next year let us say that we are prepared to freeze the rise in Excise Duty for at least one Budget. We need to let the community know that we realise it is unsustainable, inequitable and we need to give members of our community who cannot afford fuel efficient cars, hybrids or electric vehicles a break. We need to let the community know that we are listening, that we can appreciate that we have very high fuel costs and that we do not want an inequitable tax.

2220 As we have seen earlier, nothing seems to make P&R move faster than the threat of losing revenue. So fast that between drafting an amendment and submitting it and finishing debate, they have actually completely changed their idea on whether it is a fiscal policy or an environmental policy and when they can deliver it by. That is amazing! I have never seen somebody move so fast, in Government anyway.

2225 So if we as a Government do want to levy such a tax then we ought to show due consideration in trying to make such tax equitable, that it is fair, it is realistic and it is progressive.

2230 I refer briefly, sir, to another amendment that is also trying in part to freeze Excise Duty on fuel. Of course I am referring to the Ferbrache and Kuttelwascher amendment. My concern with this amendment, sir, is that it only freezes fuel on petrol and not diesel. The reason behind this is not stated in the explanatory note but, knowing Deputy Ferbrache, he will undoubtedly explain why when he lays his amendment.

2235 My concern though, sir, is how inequitable is it to freeze Excise Duty on petrol but not diesel. Now I will declare an interest, sir, because I have a diesel car. A diesel car that I bought over 10 years ago as I was led to believe it was at the time, we were all led to believe that diesel was actually better than petrol for the environment. Now that message has changed, just like the message coming out of P&R's change in the last hour and a half – two hours, 10 minutes. So a

diesel car I bought over 10 years ago. Now we are told that actually diesel is not better, it should be electric vehicles, hybrids. At what point, sir, should we freeze Excise Duty for some vehicle users but not others?

2240 I admit there is a potential loss of £600,000 of potential extra revenue from the motorist while the £900,000, if this amendment passes, a difference of £300K but how terribly unfair is that on motor vehicle owners?

2245 Furthermore, we are looking at an operating surplus of over £60 million. Do not get me wrong, sir, the potential of raising £300,000 extra revenue is really tempting, but is it equitable to raise duty on diesel but not petrol? I do not think it is and I will struggle to support the Ferbrache amendment.

I also declare another interest, sir, as my family also has a petrol car – one that is a real gas guzzler. It may run on petrol but arguably it is not better for the environment as it consumes petrol far quicker, it is used far more regularly and only carries one passenger and is actually older than my car, so arguably does not have a very fuel-efficient engine or system.

2250 Sir, whereas the Ferbrache amendment seeks to freeze some Excise Duty for vehicles, it does not offer an alternative or a solution, a way forward, as to how we can attempt to diversify the tax base on motoring.

2255 This amendment, sir, seeks to form an investigation and advisory committee to come back to the Assembly in May 2019, so plenty of time to debate it and put something else in place for next year's Budget.

Sir, I checked with H.M. Comptroller last week, and if this amendment is passed and if it becomes part of the main Proposition in general debate, the Members who wish to vote separately on the Propositions can; all they need to do is ask you, sir.

2260 HMC has confirmed that if Proposition 1 and 2 are defeated then the Proposition 3 will fall away. Proposition 4 will and can stand on its own, as was my intention, but of course I hope that all Members will support this amendment in its entirety and by doing so will help reinstate our community's trust that actually we are not anti-motorist at all. We do not actually want to be known as a jurisdiction with very high costs at the pump and that we do wish to diversify the tax base on motoring, that we want a fair and equitable tax, not one that benefits the better off, or one that moves away from the user pays principle; but most importantly, that we as a Government are willing to have this difficult discussion, a difficult debate on an unpopular tax that we will not shy away from it, that we are willing to deliberate it in public, openly, honestly and are willing to be accountable.

2270 Lastly, sir, this amendment seeks to focus the minds of this Assembly and determine how we diversify the tax base on motoring. It is also meant to help our community in literally going about their daily lives. I do not believe that I am a populist politician, I have been really patient with P&R and I must admit that patience has almost run out after Deputy St Pier's most amazing discovery of being able to do it by September 2019, but I am not a populist politician, I just believe that our community has been patient, I believe that we have failed to deliver an equitable solution to the failing sales versus the rising revenue being generated. That is not populist, sir, that is simply a fact.

2275 I understand the reasons and I am not finger-pointing, but clearly the working group did not work. I am not prepared to let this drift. We should not be prepared to let this drift.

2280 P&R's attempt to say that they will fund any potential revenue loss by lowering the personal tax allowance is populist and quite frankly ridiculous. Surely, sir, they must know that not all the people paying tax at the pump are indeed taxpayers, some are visitors, some are high-net-worths. How is lowering the personal tax allowance linked to the user-pays principle of fuel Excise Duty? I am really quite concerned what P&R might come back with in September 2019 if this amendment does not pass because the indications I have so far are really concerning.

2285 The undermining of that amendment, of lowering personal allowances, is shocking. It is political opportunism and, yes, attacking Members by suggesting they would even consider lowering personal allowances, especially in the knowledge that I have submitted two amendments

to up them. If the fiscal rules are so important to P&R that they have to propose a cut to personal allowances to achieve their relentless goal of balancing the books, then why have they deliberately chosen to ignore the Island's GDP throughout the Budget? It seems to me that P&R are picking and choosing the rules to suit them.

However, if P&R is insistent on finding an alternative funding source for this changing year then let me suggest an alternative, an alternative which is far more in keeping with the spirit of the P&R Plan and with the changes that may be agreed in the Budget. So if P&R are going to attempt such tricks, as I said, I am quite happy to offer an alternative. Of course it is too late to change this amendment and I would happily have changed it, if I had known that P&R were willing to do so. The date of this amendment is September 2019, although seeing the disparity between E&I and P&R when P&R think it is environmental policy at 10 o'clock this morning or 11 o'clock and then realising actually it is their policy by half past two, three o'clock ... I still believe that we should have a proper committee set up with E&I and P&R on it, to come back to the States so that we can decide it. Because the alternatives that P&R put in the Budget and what they have stated thus far give me little hope, to be totally honest.

Okay then, so what are the alternatives? Maybe P&R should consider supporting members of our community who are being hammered at the pump, quite frankly, and in P&R's drive to increase revenue in the foreknowledge that fuel sales have declined, so I suggest through you, sir – I will try and speak through you, sir, because I know the Rules – that as P&R and this Assembly thought it was alright not to transfer funds to the Core Investment Reserve in 2009, 2010, 2011, 2012 all the way up to last year, when £5 million was agreed, and even though we were in surplus coming out from some of the austerity measures, maybe we should allow our community – the people being hammered at the pump, the people we serve, sir – to also have some surplus, and rather than transferring £12.9 million this year, maybe £900,000 ... if they are losing so much from that figure.

I agree, sir, that we need a rainy day fund, but some of our community are having a rainy day today. Therefore, I would urge all Members to support this amendment.

Thank you, sir.

The Bailiff: Deputy Tooley, are you seconding the amendment?

Deputy Tooley: Sir, I believe that for me this amendment has achieved what I hoped it would –

The Bailiff: Well, you cannot make a speech –

Deputy Tooley: I did not want to make a speech; I just would like to ask for a five-minute recess if that is possible, sir.

The Bailiff: Well, you can ask for a recess. I put to Members we have a five-minute recess. Those in favour; those against.

Some Members voted Pour, others voted Contre.

Deputy Fallaize: Sir, can't the amendment just be seconded by someone else, because it –?

Deputy Tooley: That is what I was trying to give the opportunity for.

Deputy Fallaize: Well, I will second it then.

The Bailiff: Deputy Fallaize is seconding the amendment. So the amendment is in play. Yes, Deputy Inder? I wondered if you were rising under Rule 24(4), I think it is, but you are not.

Deputy Ferbrache will lay amendment 1.

Amendment 1

In proposition 27 –

(a) immediately after the words "shall be varied" insert "or shall remain", and

(b) in item g for "70.1p per litre" substitute "67p per litre".

In proposition 28 –

(a) immediately after "'The Excise Duties (Budget) Ordinance, 2018'" insert ", subject to the amendment indicated below", and

(b) immediately after the proposition, insert the following amendment to the Ordinance –

"Amendment

In paragraph 2 (a) of the table substituted by clause 1 of the Ordinance, for "70.1p per litre" substitute "67p per litre"."

Deputy Ferbrache: Yes, sir.

Amendment 1 and it is seconded by Deputy Kuttelwascher.

2340 Now let me answer the question quite reasonably posed by Deputy Merrett about why we have restricted our amendment to simply petrol. It is because – and there is no magic in it – we are told that the Budget would have a surplus of about £1 million, the cost of the petrol amendment if successful would eat into that surplus by about £600,000, so it would still leave a surplus; diesel, which would be another £300,000, would cut that surplus almost to nothing and
2345 anybody who has ever budgeted for anything knows that it is very difficult to budget with a complete degree of accuracy. So that was the logic of it. Whether it is flawed or otherwise, that is the logic.

But when I say £600,000, of course the States of Guernsey have not had that £600,000 up until today except for the interim arrangements that always happen when a Budget is brought in. So it has not had £600,000 so it is seeking to increase the tax on fuel by £600,000. So it is an increase in
2350 taxation. Now you could do your own arithmetic because basically you are younger than me and most of you are more intelligent than I am but I can do arithmetic to a degree, and that for an increase from 67p per litre to 70.1p per litre is an increase of 3.1p per litre divided by two multiplied by three and you have got to something over 4.5% which is well above inflation increase on petrol
2355 prices.

Now when we are telling people to live within their means and we come up with something like a regressive tax, because indirect taxes are generally regressive, and yet we say we are going to increase it by significantly above inflation and we are also going to increase it because we as the politicians have not done our job ...

2360 Now Deputy Merrett mentioned P&R many times. I had P&R written in my psyche after the end of her speech, but I do not blame her completely, after all P&R is only two and a half years old and this problem has been going on for a long time, and we can see that P&R are still in its early days of puberty because Deputy Trott is growing his first beard and Deputy St Pier and I are yet to grow a full head of hair, so it is still in the early days of its life.

2365 Actually another compliment for Deputy Trott, except that I came to a different conclusion from him at the end of the last amendment, I thought he made an excellent speech in the previous debate and it just shows when he does not get too excited he can make a very good speech. *(Interjections)*

Now in connection with that, we are looking at a position whereby most people have motor
2370 cars, and most people have petrol vehicles, more people have petrol vehicles than diesel vehicles, that is why the duty is what it is. That ranges from the multi-millionaire down to the people who have very little money, and that ranges from the pensioner who drives his or her car to the supermarket or to go and see the parents – very difficult to go and see the parents, but to go and see their grandchildren or their children or to engage in the odd social activity. But it also involves
2375 a lot of commercial vehicles, therefore it is above inflation so therefore *ipso facto* it is inflation.

Now there comes, Deputy Merrett's phrase was, enough is enough, and it really is enough, because when you go back to 2008 the duty on petrol per litre was 15p then the States made what Deputy Gollop said was probably one of its worst decisions, which was to get rid of motor tax. Well, I am more in the Deputy Trott camp than the Deputy Gollop camp in relation to that, but it then increased, if you recall, duty on Petrol Duty from 15p a litre to 31p a litre, in other words it doubled it. But in the last nine years, that is since 2009, it has now increased that from 31p to 67p. Deputy Merrett did the arithmetic: an extra £1 million a year, so it has doubled it, much more than inflation. Inflation over that period of time I think is somewhere between 25% and 30%. So it has made – because it is an easy cash cow – take it from the ordinary motorist, he or she can do nothing about it, they have got to pay the price at the pump, they have got to pay that money. It is poor budgeting, it is poor government and it is poor leadership from States after States after States.

When you compare it – I know you cannot do an exact comparison, because other places might have motor tax or vehicle tax or whatever tax you want to call it and we do not but – ours is 67p already, Jersey's and the UK are much less, and yet Jersey is at least as affluent a community as we are and the UK has a greater need probably from revenue than we do and yet it decides that it is going to tax its citizens less for the duty of fuel because they cannot afford to pay any more and also in relation to the UK where I think it has kept the same rate of duty for several years now, they realise that enough is enough, people simply cannot afford to pay any more.

We are saying to our citizens in difficult times where the med ... or whatever you call it mean income, middle income, average income is £33,000 a year or a touch less, we are saying to people we will just take another 15p a gallon looking back to the old imperial measure we will take 15p a gallon from you, you can continue to pay that because we have not done our job. We have got a surplus, we have got an operating surplus of over £60 million, we are going to put lots of money into reserves, we are going to do that but you have got to pay more. We have got to take another £600,000, or £900,000 if it is the Merrett amendment, out of your pocket. I just do not think that is fair. I just do not think that is good government and I think the people expect us to do something for them, because we have not done much for them and we should be doing more for them.

Now I appreciate Deputy de Sausmarez' point, of course. I stand very close to her so I appreciate her point that she made about well it is not really today to decide these things, but I think we can offer construction suggestions. They are no more than that, because we now know that the road to Jerusalem is going to come along and our eyes are going to be lifted up to the heavens in September of next year by Deputy St Pier.

But in relation to that I do not know why we could not have thought that – and we are all in favour of the extra bus service that we have got, that is well subsidised, that we do not double the fares – if we put it up from £1 to £2 that would bring in hundreds of thousands of pounds.

We actually say for those affluent people who could afford electric vehicles – and I am all in favour of electric vehicles and no doubt in due course I will have one myself, though I will find it particularly difficult because of my ineptitude to charge it, but nevertheless at least I will have one journey – but in relation to all of that we should be saying to them, a registration fee, your vehicle will last, we anticipate it will last 10 years, £100 a year, you pay £1,000 registration fee because of the user-pays scenario.

I would also say – and I have ridden a pushbike in the past, but very badly, but I would also say – to all adult cyclists on the basis that user pays because we have created cycle paths, we have spent lots of money in various parts of the Island for cyclists but you should have to pay a fee for riding your cycle on the road because after all you go up the Val des Terres very slowly, so you do all of those things, you should have to pay a fee. Those are just some of the solutions that I would put forward.

That is not for today, what I am putting forward today is to end the unfairness in relation to the ordinary motorist. Because the ordinary motorist, some of them will actually be listening to this part of the debate and hearing what Members are going to say in relation to protecting them from what is an iniquitous and unfair increase.

Now I do not know whether it is, to use the phrase used by Deputy Trott earlier today, shockingly populist or merely populist, but what it is is absolutely reasonable and it is an abundantly thought out common sense.

Now what I said to my good friend, Deputy Merrett, who I worked with for a long time at Economic Development, I said to her when we were discussing her amendment recently, I am going to vote for the amendment but I will not vote when it comes to – if it is passed and it comes to substantive Propositions, to paragraph 4, Resolution 4, because we have had enough committees, we have enough bodies, this is not a difficult question, the States should have solved it over the last eight to 10 years.

I very much agree, again going back to Deputy Trott and others who have spoken on motor tax, to think that we are going to go back to motor tax *per se* having got rid of it nine or 10 years ago is bonkers, it is bonkers. It is unfair, it is unnecessary, and it is something in the early part of the 21st century rather than the last part of the 21st century, so therefore –

I give way to Deputy Trott.

Deputy Trott: Thank you, sir.

It is on a slightly different point but I wondered if my friend could explain the difference between the poor beleaguered motorist with a petrol car and the poor beleaguered motorist with a diesel equivalent.

Deputy Ferbrache: Yes, I accept the point Deputy Trott made. I thought I had made it earlier but perhaps he was not listening. It was based on the cost. The fact is more people use petrol cars, petrol vehicles, than diesel, and I was trying to be financially prudent. The Budget surplus is £1 million. This would, when I say cost £600,000 I say 'cost' in inverted commas because it is not money the States of Guernsey have currently got. If you added the £300,000 for the diesel which takes us up to £900,000 you are perilously close to having no surplus. That is all and it would be unfair to say to Deputy St Pier, 'Well, you said we have got £1 million budgetary surplus in six months,' actually we have only got £936,000 or £720,000 because all you can do with a Budget is do your best guestimate, best estimate. I think it is more than a guestimate, best estimate. You can never be precise. I would hope he will be telling us in one of his periodic updates that he gives us in three or six months' time that we are perhaps going to have a surplus of £5 million, but how do we know, we will have to wait and see. We can only make our judgement in relation to that today.

So therefore I conclude by asking the States to support my amendment, but I am saying unequivocally that I will be supporting the Merrett amendment, but again just emphasise if it is passed I will not be voting in favour of point 4.

The Bailiff: Deputy Kuttelwascher, do you second?

Deputy Kuttelwascher: I do.

The Bailiff: Deputy St Pier.

Deputy St Pier: Sir, I do not wish to speak now but I do wish to make a point of correction, if I may, on something that Deputy Ferbrache said when he spoke. I do hesitate to correct his arithmetic but I do think it is important in this context. He said that the 3.1p increase on Fuel Duty from 67p was a 5% increase in the cost of fuel. Of course it is not –

Deputy Ferbrache: No, I did not say that. I said it is a 4.5% increase or 4.6% on the duty, not on the fuel. I accept that because the fuel goes up ... *[Inaudible]*

2480 **Deputy St Pier:** Sir, I am fairly sure the record will say he did say 'fuel', but that may have been him misspeaking but I am glad he has clarified the point now. It is actually of course roughly a 2.2% increase in the cost of average fuel.

The Bailiff: Deputy Inder.

2485 **Deputy Inder:** Thank you, sir.

Seeing as how everyone on Policy & Resources has been namechecked in the first two speakers for their two amendments, I am intrigued actually, we abolished motor tax I think it was in 2008 and I have got a distant memory of my car at the time having a tax disc on it and I can't remember if it was either £164 or £116 but it was certainly over £100 at the time, and I have got another memory which might be wrong, I seem to remember that when it was abolished there was a promise that it was effectively going to be cost neutral. The removal of motor tax and I thought it was around 2.1p at the time was added to –

I am happy for Deputy Trott to correct me, I was not too sure –

2495 **Deputy Trott:** I believe it was 13.7p.

Deputy Inder: Right, okay. Well thanks for the correction.

At the time we were told, we were certainly told, it was going to be cost neutral, i.e. remove the motor tax, you pay it through your Fuel Duty.

2500 Now Deputy Merrett has spoken about the user-pays principle and I think over the discourse on this we have spoken about this becoming a revenue stream. Again this may be something that might need correction, back in 2008 we understood that motor tax effectively paid for the roads, but I think this has been corrected a number of times, that was the understanding of what motor tax did.

2505 At what point between 2008 and 2018 did this become a serious revenue stream which supported public services? Hopefully somebody from Policy & Resources could answer that, well when one of them gets up I suppose.

I think that Deputy Peter Ferbrache said that actually in some way reintroducing motor tax might be bonkers. I am not entirely sure that it is completely bonkers; having said that, I might have changed my tune since my very first speech, it was my maiden speech in the States.

2510 I think Deputy Lindsay de Sausmarez said there were 50,000 cars or combustible engines on the Island. Just doing your basic maths, if you divided that £20 million by 50,000 that would mean each tax disc would actually be £400. That is far too much. You would raise your £20 million with £400 in car tax overnight. If it was just £10 million it would be £200 but if you had £100 tax discs for 50,000 cars, and I know there are big cars and small cars, you would raise £5 million overnight. I like simple, I really do like simple and the idea of us looking at different ways of taxing things it looks like an administration nightmare.

2520 But I would really like to know at some point, so if anyone from Policy & Resources responds, when did motor tax become something beyond effectively what was back then in 2008 something that was supposed to be cost neutral, removing motor tax, raising it by 13.1, Deputy Trott I think he said, or 13.7, at what point did that become basically a revenue stream for the States?

The Bailiff: Deputy Le Tocq.

2525 **Deputy Le Tocq:** Thank you, sir.

I will rise just to respond to that particularly because if we can nip this in the bud I think it will really help.

2530 First of all, sir, I am certainly not in favour of either of these amendments that are before us. But there is a lot of confusion, sir, over taxation on fuel and on motor vehicles and the history of it. It has always been, to use Deputy Inder's phrase, a revenue stream. It has never been linked to

paying for roads; that is an urban myth. There has never been any environmental element of taxation. Like many other countries, things have evolved over time and I do think it is incumbent upon us – and when I say ‘us’ I mean us as an Assembly – to come up with a form of taxation that is both fair and achieves what we want to achieve with all the various parts that impinge upon it, all the various policies that impinge upon the use of motor vehicles and the use of fossil fuels, and I include in that electricity because at least a proportion of our electricity is produced via fossil fuels to some degree.

So I am not coming up with an answer here but I am sure Members of this Assembly, sir, can understand why Policy & Resources have struggled with this because there were as many opinions around the table as there are Members of Policy & Resources if not slightly more. It was a little bit like Deputy Gollop all by himself. But anyway.

So the point is this: I think there is misunderstanding and part of that is because there are elements in terms of fuel. In fact if you were to look back, and I was obviously on that Treasury & Resources Department board when we chose to remove motor tax and to add, as Deputy Inder has said, sir, in a cost neutral way a user-pays policy, that is the closest we have come to making it environmental in any way, in that obviously the more you use the more you pay, and by abolishing motor tax, many people I know have forgotten the fact that we would have been increasing motor tax year on year, as we obviously have been doing with Fuel Duty.

I completely accept that this is not a direction that we can continue in for much longer. Therefore we do need to find a better way of dealing with it. But I cannot support amendments that do not replace what they are seeking to take away from taxation with any other form. Because we have a balanced Budget here and I believe it is incumbent upon us, particularly because of the way our forefathers were wise enough, prudent enough, to put money aside to help us get through the last few years which we have needed. We need to replenish those resources and, sir, I shall be voting against any amendment which seeks to disable us from doing that.

Thank you, sir.

The Bailiff: Deputy Kuttelwascher.

Deputy Kuttelwascher: Thank you, sir.

I was interested in Deputy Ferbrache’s response on why he only chose to freeze the duty on petrol. I did not actually ask him why at the time. I thought it was reasonable and the amount involved was something that, as Deputy Trott might have said in the past, could be lost in the rounding’s almost.

I personally thought he was putting forward his green credentials, I did not discuss it with him because people who drive diesels have become a bit of a pariah all over the place now, diesel car sales have dropped 30% in the UK, and I thought alright, fair enough, we will leave diesel out. But having said that, I am happy now to support Deputy Merrett’s amendment, but I do not like Proposition 4 for the same reason. Committees, oh God, no, just do something.

Now one of the advantages of passing this amendment is there would be a drop in some of the proposed revenues but that might focus the attention of P&R to come up with an alternative.

In the UK they froze Fuel Duties something like eight years ago, and year after year in the last Budget, and there is a reason for that, because petrol now would have been £3 a litre if they had not gone the way they were going. So I think we have hit the buffers on Fuel Duty now because I have just spent a couple of days roaming round England doing lots of miles and I could not believe the price of fuel. I was pleased to fill up before I came back to Guernsey which is maybe not the best view, but that is it.

Now as regards Deputy Le Tocq saying we have to replace it, well I disagree. One of the things Deputy Ferbrache said, we have a Budget surplus of a million; if we accepted Deputy Merrett’s amendment that would reduce to £100,000, it still would be a balanced Budget. Yes, it would.

The other thing is that we have had much reference to the Medium Term Financial Plan and we are going to increase cash limits by £6.1 million whereas the Plan says you only have to do £3.2 million. So here we are choosing to go way beyond what the Medium Term Financial Plan is suggesting we spend on increasing cash limits by £2.9 million. Well, if this was to pass, you could say alright we will reduce it to £2 million from £2.9 million as regards extra cash. So it can be done.

Another thing is the amount we are putting into Capital Reserve, £54.5 million. I have got a problem with the way GDP is now measured because there is one aspect of it, I do not quite know how much of the GDP is measured using this, the whole issue of imputed rates. Now that, to me, is as creative as you could become as measuring GDP. What it does is it presumes there is a rentable value for all properties and that is then regarded as part of GDP. To me, that is more of a measurement of wealth, in that I have a property, I do not have a mortgage anymore because I have got passed that now, and there is an imputed rent on it; how that could be included as GDP when it produces no revenue, nothing, I do not know, but it does.

But imputed rents being included is because it puts us more on a par with other countries. I remember England, I do not know, 20 years ago as part of their GDP were doing imputed rents for the whole built estate in England, it does not make sense to me, it is nothing to do with productivity or production or how much wealth you create on an annual basis. It would be nice to know how much of the GDP is actually related to imputed rents.

I am getting fed up with this user-pays thing, as only some of our charges and taxes are user pays. Most of them are not. I pay Income Tax – nothing to do with user pays. I do not use the education system, I do not use lots of services that I am contributing to. Sometimes you can apply that principle but do not come back with somehow that this is a thing that has to happen for every tax. It is pure revenue from the motorist, if you like, whether user pays or not you can apply it if you want but you do not have to.

I remember earlier on Deputy Trott mentioned motor tax as a despised tax. I am not sure there are many taxes that are not despised by somebody. I mean it depends on whether you are paying it or not, doesn't it? I mean it is extraordinary really.

So I am going to support Deputy Merrett's amendment because if that passes we might as well forget ours because it would already be covered, but I do not like Proposition 4 because I now feel that if Deputy Merrett's amendment passes it will be incumbent on P&R to replace that revenue by coming up with an alternative as soon as possible, and I do not think that is impossible. I spent four years creating budgets and I know exactly what it is like. At the end of each Budget debate you came back and you thought, 'Ah, got away lightly with that. We only have to make up a bit here and a bit there.' But this with all these amendments is almost outrageous. I just do not get it. It is almost a meltdown of the budgetary process, and you have to ask yourself why. It is because of these things like keep on using an escalation of Fuel Duty it is getting to the point where enough is enough. I remember the Enough is Enough protest at North Beach a couple of years back and one of the issues was there was the ever-increasing march of charges and taxes, never mind the Integrated Transport Strategy. You will see that again very soon, I think, if you are not careful.

So this amendment is quite modest. It can be managed within the current budgetary process without actually doing anything if you take it out of the one million so-called reserve and I ask Members to support the Merrett amendment and if that fails well you can support the less costly amendment of Deputy Ferbrache.

Thank you, sir.

The Bailiff: Deputy Brouard.

Deputy Brouard: Thank you, sir.

I was going to be really sarcastic about these amendments and say that they were a really good idea, I do not think that they are populist at all, and they are not pandering to what people want, and it is really well thought out policy, but I am not going to do, because I think they are.

2635 Deputy Ferbrache mentions that they are going to soak up the surplus and his will take away £600,000 and Deputy Merrett's amendment will take up the £900,000 of a £1 million projected surplus – one a £400 million Budget which is 0.25%. That is not exactly having a rather large cushion or anything at all like that, this is right down to the bone.

2640 I also feel that the motorist is not actually penalised from one year to the next because we are purely adding on inflation and then we are replacing the extra duty because the cars are becoming more efficient.

2645 So as an owner of an average car, let's imagine I have one, I would have paid Fuel Duty of about £584 in 2017 – £584 in Fuel Duty. Now if my car is now more efficient because I am using less fuel with a better engine I do not mind paying the next year the same amount plus inflation and plus making up the difference of my more efficient car. I am no worse off, I am no better off. I have just not reaped the financial rewards of a more efficient car, but I have maintained the revenue to the States.

2650 Now I do agree a review is necessary, but it is not imperative. As we said this morning, we are getting a substantial £20 million income and, as Deputy de Sausmarez mentioned, there are 200 electric cars here, so we have a little bit of time to work out how we are going to charge for use on our roads.

2655 However, if I was in one of the other Islands that are nearby, like in a place called Jersey, although I paid here £584 per annum for driving my car, the sort of annual cost in Jersey would have been £673 because they have of course GST on fuel and of course GST on insurance and they have paid parking.

Now if I was going to take my car, and I have the average car again, and if I was in the other bigger island that is further north, in the UK, although Fuel Duty there would have been cheaper, £533 per annum, but when I add on VAT, paid parking, MOT, for my average car it is £953 – £953!

2660 So although I do appreciate we are Guernsey and we do things differently here, the cost of motoring here is substantially less than it is in either Jersey or in the UK, despite our higher Fuel Duty.

2665 Now I am probably going around Sark to get to Herm – (*Interjection*) not in my car I won't, no. So my question to the proposers is why freeze the level of Fuel Duty? Is it just purely as Deputy ... I am assuming it must true, it is just Deputy Ferbrache's opportunist position to take away the part of the £1 million surplus that we are projecting in the Budget.

2670 The position clearly is unsustainable in years to come, but we do have a few more years at the moment to come up with a new way of charging. No one likes tax increases except of course the service providers, the people who provide the services in the schools and the hospitals, they quite like tax increases, and also the service users of those Island elements. So I do not mind paying now for Fuel Duty the same as I did last year or the year before.

2675 I would also just pick up another point about – I think Deputy Ferbrache said something like talking about Islanders, we have not done much for them. I hurt at that, I think we as a States, and the previous States, and the States before us, have done a hell of a lot for Islanders and we have tried our damndest to do our best in difficult times. So I really took quite a bit of resentment to that.

2680 We provide some quality schools, don't we? Don't we have a reasonable Health Service? (**Deputy Inder:** We did.) Well, yes. Do you want to go around the rest of the world and have a look, Deputy Inder, it is pretty tough out there. I think we have got a pretty fantastic place here on this Island, and I think us and previous States have tried to do our absolute best for the Island. We are not always going to agree on all the nuances and the details; it is a little bit like what have the Romans ever done for us? Like fresh water, aqueducts.

So I do take a little bit of ... again Deputy Ferbrache was castigating Deputy Trott earlier on for his use of language; Deputy Ferbrache, please just watch your language as well. We as a States do

try and do the absolute best we can for our people and I do not think this is a particularly clever amendment, I think it is just opportunistic.

I would ask Members to wholeheartedly vote against it.

Thank you, sir.

The Bailiff: Deputy Roffey.

Deputy Roffey: Thank you, sir.

I have to say over the last week or two I have been swinging both ways over these particular amendments, because I think they are irresponsible but – I do think they are irresponsible financially – but, a bit like Deputy Kuttelwascher, I am wondering whether the time has come to just show a bit of irresponsibility just to make things move forward. Because the more we are responsible every year the more it seems to go further down the road.

As I said earlier, not only did I refer to the Medium Term Financial Plan but I fessed up that I was one of those, actually backed by Deputy Ferbrache, that wanted to raise more money from the taxation as a whole across the whole gambit because I thought that the cuts projected in our public services were not sustainable or at least not sustainable commensurate with good services.

I lost that, but I cannot be hypocritical and particularly to say I have other things I would like to spend more money on. Deputy Brouard is right to a point that this amendment will reduce the total amount in real terms, the total amount of taxation we raise from one source which is motoring. I think his sort of analysis it makes no difference to individuals because they have all got more efficient cars is a fairly crude collective analysis, because if you are not a particularly well-off Islander and you have had the same car for the last five years your fuel has been going up in real terms and you have not had any of those benefits. But collectively he is right, all we have been doing is raising the same amount from motorists as a group, and if we raise less then either we have to raise less across the *piste* or we have to find other taxes elsewhere.

So I think these are probably irresponsible particularly because they do not find balancing payments. My balancing payment would probably be to get away with this silly gimmick of participatory budget, that would save a million pounds and do something far more sensible, I think, but I did not think in time to put that forward before the guillotine came down.

Sir, I was thinking of being irresponsible because, as I say, every year we say, 'Alright, we have not found an alternative, we cannot afford to take less collectively from motoring so we are going to have to agree a +RPI increase.' I almost came into this Assembly today intending to do that. I have sort of changed my mind because although he did not use these words I think the President of P&R more or less staked his reputation that there would be a constructive set of proposals put before the States by September next year. I think when somebody in that position does that you have to say, 'Alright, for me I am not comfortable with it because I think we have pushed this too far already. I think we should have stopped doing it a year or two ago, but I am going to say one more year.'

I was almost dissuaded actually by his colleague, Deputy Brouard, who was so laid back, 'There is no hurry about this, we've got a few more years,' really started swinging me back the other way in favour of voting for these amendments. But I think probably Deputy St Pier's is far more persuasive on P&R than Deputy Brouard, so I will say – maybe he is not, just usually the Presidents have a fairly powerful position on a committee. I will say one more year. I am not happy with it, I do not think it is right, I think we should have stopped doing this above RPI escalator two or three years ago. But if we are really being told that we are going to get a set of proposals this year then I am not going to knock a hole in our Budget, and yes of course it could be sucked up by the very slender projected surplus but then we will hear that as far as lots of other amendments coming forward as well. I do not think actually this is the most important in the sense that we are only raising the same amount globally from motoring.

So I am not happy with it really but I am going to take that leap of faith, we have been given that guarantee and I think it is incumbent on us to say, when somebody has done that it was

actually a big thing to do I think because I think it was a staking of a reputation, I think we should give Deputy St Pier the chance to deliver on it.

The Bailiff: Deputy Trott.

Deputy Trott: Thank you, sir.

I rise because I am going to vote against both the Ferbrache and Merrett amendments, but because I do not like the unfunded manner in which they are presented, but I do agree with them. I want to make that point clear and indeed the Budget Report shows that I am unique on P&R in holding this view.

I hold this view because I believe it is absurd for our fuel prices to be higher in Guernsey for the motorist than they are in France and England. It has been quite obvious to me for some time that we have induced a behavioural change. I listened to a gentleman on the television make the point that I have made around P&R's table for the last couple of years, and that is when prices are at a premium here for motorists and there are thousands of journeys by motorists from here to the UK and from here to France, motorists come back with full tanks. Why? Because in some cases fuel in France, admittedly partly because of the deterioration in the value of sterling can be 15p to 20p per litre cheaper on occasions. That changes behaviours, but it changes behaviours in a way that see a deterioration in our revenues. So the idea that our fuel is now at a premium to those two places in my view is entirely fiscally counter-productive with no environmental gain, because pretty much the same amount of fuel is being burned, it is just the tax is being paid elsewhere – and less tax at that.

So that is my thinking. However, forever the fiscally prudent Member, I cannot support the amendments that are laid without the corresponding revenue retention, and that is why I shall be supporting both of the St Pier amendments, St Pier/Brouard amendments, that follow should either of these amendments be successful.

The Bailiff: Deputy Lowe, then Deputy Meerveld.

Deputy Lowe: Thank you, sir.

Listening to the debate here and about timelines and listening to the earlier debate from Deputy Roffey where he was quite right, there is an outstanding States' Resolution over the timing which is passed and should have gone on, we are now hearing, 'Well, actually next September is okay.' How long do we keep saying 'okay'? A year's time might not be very long for somebody who can afford the increase on fuel that the businesses and indeed the individuals have to now face if this goes on for another year.

That is where I am coming from on this one, and I am listening to the debate, but I think to myself we cannot keep saying this, we either actually mean it or we don't, and there is a knock-on effect. I mean, on listening to Deputy Trott, yes, that is great, yes, if you can afford to go to France – not you personally, but I mean you may do, but mentioning about people going to France and they come back with a tank full of fuel – well good for them but they are in the fortunate position of being able to afford to go to France in the first place. (**A Member:** Hear, hear.) Many of these people where this increase will actually hit them cannot even afford to go on holiday, never mind about UK, Jersey or France, and so these are the people that I think and businesses which will put the added costs on to their customers so it is that vicious circle where the individual who struggles now with all these extra new charges that we have got, whether it is water or all the other ones that have already been mentioned, and waste. I think that we need to be very careful what we are doing here. Yes, I accept that increases have to go up but it is hitting the motorist again and I am just not quite sure that is the route that we should be going for if we are looking to raise more money.

Deputy Brouard, my colleague and friend here on the right, mentioned about Jersey and the costs of Jersey. Jersey fuel is an awful lot more cheaper than Guernsey. For anybody who has not

2790 taken too much notice about that, it is a lot cheaper than Guernsey. Yes, they have got VAT and
MOT but why do we actually look to the other Islands and when it suits we will cherry pick
something. They are not paying the same tax, they have not got the same allowances, they have
not got the same health system as us, and it is a nonsense. I get frustrated when I sit here and I
hear about this place, that place, the other place. We are talking about the Bailiwick here and in
this particular case we are talking about Guernsey. I do not really mind what happens in other
2795 islands, they have got their own governments to actually sort it out amongst themselves and
either represent their electorate or not, they can please themselves what they do. For me, this is
about Guernsey and this is about the cost across Guernsey, never mind about outside of Guernsey
and, for that reason at this moment in time, I will be supporting the amendment.

The Bailiff: Deputy Meerveld.

Deputy Meerveld: Thank you, sir.

I was not originally planning on speaking in this debate but Deputy Brouard's comments drew
me to my feet. Deputy Brouard made an analogy saying that more efficient cars were reducing the
cost of running those vehicles and therefore the increase in tax would be offset by those greater
2805 efficiencies, a reduction in cost, and the net effect would be negligible increase. But what he
seems to be overlooking is the fact that a lot of Guernsey people cannot afford a modern fuel
efficient or hybrid car. So you end up with the minority of the population driving older vehicles
subsidising those who have got more efficient, more modern cars or those who drive electric cars.

If we are driving revenue and trying to sustain our road network then we need to apply good
2810 taxation across all users, 'user-pays', not simply the heaviest burden on the people who can least
afford it and do not have modern fuel efficient cars.

Also picking up on comments by Deputy Roffey, and also by Deputy Brouard, he said it is
clearly unsustainable in future years, this taxation model, so why are we kicking this can down the
road. Unlike Deputy Roffey, I am not willing to wait another year. I want to see change and us
2815 addressing this now and not having it clearly unsustainable, 'Well, we will carry on doing it'. I want
to see this States come up with plans on how we are going to change the tax system to make it
sustainable going forwards and make sure that it is going to work. I do not want to see it kicked
down the road.

Deputy Lowe made comments about the fact this is pushing the costs on to the motorists.
2820 Absolutely, we are constantly doing things in this Assembly that are increasing the cost of living in
Guernsey generally and this tax increase impacts every single individual on the Island, not just
motorists but everybody, the people who use our buses, the people who walk or cycle, because at
the end of the day it is inflationary. When you increase the cost of transportation for goods and
services, for commercial deliveries, etc. those costs have to be passed on to the public and are by
2825 definition inflationary. So it is increasing the cost to everybody.

So at the end of the day I will support these amendments, not because I necessarily want to
see an area of revenue reduced, but I do want to force P&R and this Assembly to go forward and
look at a truly sustainable tax system.

2830 **The Bailiff:** Deputy Meerveld. Sorry – Deputy Leadbeater. Sorry, I have done the same thing
again, haven't I? *(Laughter)*

Deputy Leadbeater.

Deputy Leadbeater: Thank you, sir.

2835 I can understand the cost logic of excluding diesel in amendment 1, as articulated by Deputy
Ferbrache, but I am uncomfortable with excluding diesel motorists from the assistance these
amendments are trying to provide. Most or many taxis run on diesel, the vast majority of
commercial vehicles run on diesel and thousands of private vehicles also run on diesel too. We

must stop shafting the motorist at the pump, whether their vehicle runs on petrol, diesel or whatever.

Sir, as has been alluded to by Deputy Meerveld and other Members, the policy of placing tax on motor fuel has become inequitable, because those who cannot afford new vehicle technology are propping up those who can.

Most elderly folk rely on their cars to get around; young families too, tradesmen, etc. will all be adversely affected by any rise in Fuel Duty.

I will be supporting amendment 22, or amendment 1 if that should be defeated.

Thank you.

The Bailiff: Deputy Gollop.

Deputy Gollop: Sir, thank you.

I was hoping to get up before Deputy Leadbeater because I was afraid he would try to guillotine the debate, (*Laughter*) but, no, it was a very good speech he made.

I do thoroughly endorse his point about consistency and about the knock-on effects that fuel and other rises can have on tradespeople which then effects the economy and maybe leads to rises in quotes which then deflates the market, and I think Deputy Meerveld has covered that point as well about the economy.

I feel a lot of issues in this debate have not really been covered yet. I know Deputy Lowe gets cross when she hears me or anyone else wittering on about what they do in France or Jersey or England or Ireland or America, but she said focus on the Bailiwick. Well, that makes me chuckle because seeing my colleagues from Alderney that come, the fuel price in Alderney really is expensive, and that is a burden to the economy and the people and visitors to that Island have to face.

The Bailiff: Giving way to Deputy Lowe.

Deputy Lowe: Thank you Deputy Gollop.

I said about the Bailiwick and then I made very clear that we were talking about Guernsey here. Yes, we represent the Bailiwick, or the Bailiwick are involved here in the Government, but I am very aware that Alderney fuel is extremely much more expensive than us, that is why I made sure I said about Guernsey.

Deputy Gollop: I do actually agree of course with everything Deputy Lowe says, but my point is generally speaking I think I stand correct in saying that when we vote collectively for duty rises here it affects Alderney as well, which adds to their margins and adds to their costs.

Indeed, Deputy Trott was talking about behavioural change. He used to talk about that in relation to boats and fuelling, now it is applying to cars, and it is a bit regrettable that a Guernsey business garage will lose out because the motorists are choosing to stock up as Deputy Kuttelwascher implied in England or France, or wherever, in Jersey.

But the phrase he mentioned, 'behaviour change', and Deputy Ferbrache alluded to the same idea, the irony is you could argue by majority that ideologically the States have been following a behavioural change model, because different committees and the States' policy planning, so it is not just a minority of the Chamber have frequently talked about reducing the impact of the motor vehicle, which implicitly has within it a greenish message, a user-pays idea, and the implication that maybe other forms of transport usage whether it be buses, walking, cycling, electric bikes, I do not know, are not to be discouraged.

Speaking as someone who has been around here for 20 years, in the 1990's the bus fares were rising almost exponentially and motoring in Guernsey was relatively cheap compared to most of the western world. The balance has changed now, it has shifted, but the argument remains do we want to go backwards, because although I was entertained by Deputy Ferbrache's arguments

because, for example, our bus fares are about half what they are in Jersey, Jersey are thinking of free buses; so maybe they are beginning to think Guernsey has had a good idea and our bus services have been a success, we have seen figures rising from 800,000 to 1.6 million albeit for cost.

2895 I used to put forward the nuanced view when I was on Environment that the subsidy we pay would be better spent encouraging more frequent routes and branded routes rather than lower fares but I still argue that it is a success.

2900 Actually, too, the reason why I mentioned Deputy Lowe's point was not just to bring Alderney into it but because I think it is a little bit of a myth that the UK has frozen Duty and we have not, because although that might have been the policy of Mr George Osborne and the Conservative coalition government, we now hear from the Rt. Hon Philip Hammond the age of austerity in Britain has died, it has gone, they want to move on. I am not sure we are hearing that message from Policy & Resources today with these increases, which is why I will actually support Deputy Merrett's amendment and then Deputy Ferbrache's amendment.

2905 But let me say this, it is quoted in the Budget that Fuel Duty in Guernsey is 70p, it might be 67p on petrol if either of these amendments is successful, but as Deputy Lowe reminded us to be a bit cautious in comparing us with other territories because the United Kingdom Fuel Duty appears to be 58p or so, hang on a minute there is 20% or 15% at least VAT – 20%, well it has gone up. So, effectively, if you are paying say £1 a litre there you are going to pay an extra 20p. So it is a little
2910 bit misleading to talk about comparisons and yet again makes the point that because we do not have a very wide range of taxation – a point Deputy St Pier has made many times – we therefore get more difficult choices with the increases that we have.

2915 Now being a populist, I could tell that both Deputy Ferbrache and Deputy Merrett were in a populist vein here and, if anything, Deputy Merrett's is the more populist of the two, in *my* perspective – no need to object, because Deputy Ferbrache focused just on the traditional petrol driven car and this goes much broader.

2920 But I support Deputy Merrett's amendment on other grounds as well because I know people say I am already on too many committees and all the rest of it, but if indeed we have a fuel service committee formed I would wish to be considered as a candidate for that. I am sick and tired of fiscal policy being entirely decided by five Members of Policy & Resources, who I suspect are not in sympathy with the majority of the States' Members at times and the majority of the public. I think we need a broader attitude to these matters, and I wish we could go back in a way to the bad old days of the Personal Tax and Benefits Review because that at least got 10 or more people sitting around the table working on a broader spectrum of interest.

2925 So I think I am very much supportive of these amendments.

The Bailiff: Deputy Tooley.

Deputy Tooley: Thank you, sir.

2930 When Deputy St Pier made the suggestion that we debate these amendments simultaneously with the previous one I was sceptical, to say the least, but given that he has changed the landscape so radically this afternoon I now confess I feel that might have been a better option.

2935 So this speech is somewhat off the cuff. Fuel tax, regressive or not? There is some debate about whether tax on fuel is regressive, many pointing out that when considered worldwide it probably is not; across developing countries it is certainly the case that it is less regressive; poorer people are unlikely to own a car at all and are therefore not affected in a disproportionate way by the tax. Where car ownership is a luxury, a tax on fuel is a tax on the use of that luxury and that can be seen as progressive, but those figures are almost certainly skewing the truth in better off societies.

2940 We do not live in a society where car ownership is a luxury. There may be room for some debate about whether or not it is a necessity, and I have found myself in many a debate about

that; and, for the record, I have tried to live without a car in Guernsey and found that while it was not impossible I, for one, would certainly count access to a car as a necessity.

Historically, we have thought that there was some fairness in fuel tax as a user-pays tax, a tax which is paid in the main by those who drive more miles, those who use their cars for multiple journeys, those who drive gas guzzlers with huge high-powered engines, but the reality is that it is not so simple these days.

That theory always ignored those who cannot drive fewer miles. Think, as we are often reminded, of Mrs Le Page who lives in the wilds of the west clinging to a cliff edge with no access to public transport and who has no choice but to own and drive a car. Her contribution to the fuel tax related income of the States is high and, depending on her income level, may be a disproportionate share of her available funds.

The Island does not shrink or grow depending on the depth of ones' pockets or the thickness of ones' wallet. Filling the tank of your car costs the same per litre whether expending that money comes from the interest on the millions in the bank or takes you down to your final pennies until payday and was a choice between petrol or baked beans. Those who earn least are proportionately paying the most into the pot we label fuel tax income. This also now ignores the fact that they are the least able to control the amount they consume. They are far less able to afford to buy new or even newer cars with better fuel efficiency. Stop-start technology alone, available in almost every newer car and in almost no older car, saves the driver approximately 10% on round town style driving which the majority of our roads demand. This is a saving which is closed to those who are least well-off and least able to pay the tax because buying a new car is not an option.

That is not the only reason we need to look at this, the fact is Government needs money, not because it is a greedy government but because it has to pay for the services which society need – health, education, infrastructure, etc. – and the fact is that motor fuel sales are reducing year on year and therefore reducing the income which is derived from it, while, as I said, not reducing the amount the poorer among us pay into the system, in fact increasing it. It is critical that a review takes place and that action is taken; as a result the current stalemate cannot continue.

Now Deputy Roffey, in his most excellent speech on the counter amendment proposed by P&R, stole almost everything I had written down in advance, almost word for word, but it comes down to this. This work which is a tax and fiscal matter is the responsibility of P&R and I would argue – and those previous votes on the subject would appear to support my argument – that almost everyone in the room agrees on that. But because they have to date been unable or unwilling to come up with a way forward and have not made until very recently any commitment to do so, Deputy Merrett's amendment seeks to assist in that, firstly, by creating a team tasked with doing so, and secondly, by introducing an imperative to get on with it in the form of a freeze on Fuel Duty.

Given Deputy St Pier's commitment this afternoon, for me the amendment has achieved what I hoped it would, and I believe that is thanks in large part to the huge amount of work Deputy Merrett put in to bring this to the States today. (**A Member:** Hear, hear.) Only as a result of this is there a commitment from P&R for a timely return to the States with proper proposals and for proper debate by September 2019.

We do not have a few years to sort this, we need to do it now. As Rita May Brown said, if it weren't for the last minute nothing would get done, and I believe it is thanks to Deputy Merrett that we have an arrow pointing at the last minute that has brought us to a point where I feel this amendment may not be necessary.

Thank you.

The Bailiff: Deputy Smithies.

Deputy Smithies: Thank you, sir.

I rise very briefly prompted a little bit by the last speech and also Deputy Gollop's.

I am not going to support the first three points on this, not because I do not agree but simply because I think enough is enough. So next time we come to a Budget debate I would like to see P&R curb this constant increase in Fuel Duty. However, I do not want to upset the Budget this year. So I will vote against those reluctantly because I would like to see a pause in that constant increase in Fuel Duty.

Deputy Roffey indicated that I was one of the four who voted against sending P&R off to investigate alternative ways of maintaining tax revenue from Fuel Duty. I did not like it then and I would welcome some findings of a committee as envisaged in point 4.

I do have a problem with that though, whilst I like the idea and I quite like the timescale in which it is envisaged that committee will report back. I would like to just clarify if I could what is in the mind of the proposer and seconder with regard to the composition of the committee. It is a little bit open, it talks about a chair and two members elected by the States; are we talking here about States' Members or non-States' members? What exactly is envisaged there? The wording does imply either, and I think we are opening it up here to the possibility of three non-States' members and two States' Members which would be an interesting combination.

The Bailiff: Deputy St Pier, do you wish to speak now?

Deputy St Pier: I do, sir.

I think until P&R brings its policy letter on this subject no later than September next year and a new system is devised and put in place then real terms increases are necessary to maintain income levels as fuel usage falls.

The Budget Report says at paragraph 6.73:

In advance of the introduction of an alternative system of raising income from motoring, there will [be need for] real-terms' increases in the duty [on fuel] in order to compensate for the fall in volumes of motor fuel being consumed and maintain the real value of total income from excise duty on motor fuel. However, the average total amount paid in duty per individual will not increase in real-terms due to a lower volume of fuel consumed as a result of increased efficiency of engines and changes in driving habits.

That of course is the point that Deputy Brouard was making and Deputy Roffey, quite rightly of course, pointed out that is only an average and that obviously is acknowledged.

I think, as Deputy Brouard also pointed out, a £1 million surplus in our overall Budget is very small. This amendment and indeed amendment 1, to a lesser extent, would eliminate that, leaving no headroom and obviously it would not take us much to tip into deficit.

Of course although each amendment does not on its own eliminate the surplus accumulatively, they do with some of the others that may follow, and as I said when I opened debate this morning, sir, we would need to reduce expenditure by the value of the deficit in order to comply with the fiscal framework unless any lost revenue is replaced.

Sir, I want to put in perspective, we have had much talk about the ordinary motorist, we have talked about hammering at the pumps and 'enough is enough', and I think it is worth talking about what the average motorist is, or the ordinary motorist is, in Guernsey.

There are two sources for what I am about to provide. There is the last household expenditure survey in 2012 where the average household spends £19.47 a week on petrol, diesel and other motor oils, and that rises to £26.27 for a couple with dependent children. So based on the 3.1 p on petrol, that adds £26.50 a year to the average household. Now the alternative way of looking at it is the information from the Committee *for the Environment & Infrastructure* which we were looking at this week in another context: the average car in Guernsey drives 4,000 miles; if you assume 30 miles to the gallon, that equates to just over 600 litres a year at 3.1p, equates to an increase in duty paid of £18.72.

So the point I am making, referring to those, is this Budget measure is going to add something like between £18.72 and £26.50 to the average household, and I think we need to just maintain

some perspective of what we talk about when we talk about hammering at the pumps. It is easy language to use but I think it is hyperbole in that context.

I think Deputy Ferbrache said that obviously fuel prices are now much less in Jersey and the UK, and of course, as Deputy Brouard said when he was drawing information from paragraph 5.66 in the Budget Report, Jersey does have GST with 5% GST on servicing and insurance and repairs, and the UK has VAT of 20% on all of those things and insurance premium tax at 20% as well.

But I agree with Deputy Lowe it is irrelevant what is happening in Jersey and the UK. I think I probably said last year in the context of this that actually we might as well be comparing fuel prices with what happens in Tuvalu because it is as relevant to us. As Deputy Lowe said, we have to look at the Bailiwick's requirements and we do have a totally different tax base and a different requirement.

I think the increase in Fuel Duty was one that was directed by the States back at the time of Zero-10 and simply maintaining it in real terms has been a challenge over the last few years.

Deputy Roffey highlighted the participatory budget as being a potential source of a million for this. Of course I would remind him that that would be funded the 2017 surplus and is not an ongoing source in terms of general revenue. So just to point that out.

Again he quoted me not using my words, so I will quote him not using his words – *(Laughter)* but in essence he said this is the last chance saloon for Policy & Resources, and as I have said, we will bring a report by September 2019. I cannot – and this will come as no surprise to anyone listening to this debate – promise that that will be a unanimous report from Policy & Resources. I think it is quite possible that it may be a majority report and possibly there may even be minority reports. But I think that is an entirely appropriate way in which Policy & Resources can resolve this matter internally and not through the Budget Report. **(A Member: Hear, hear.)**

Much reference was made to inflation and I think in the context of usage we need to be careful about that. The reality is that movement in oil prices has a much greater impact on inflation, both up and down, than does Excise Duty. Indeed, I was reading only in Saturday's *Times*, 'Drop in petrol price not passed on at the pumps. Drivers are being ripped off by almost £2 on a tank of fuel as retailers fail to pass on a drop in the wholesale price of fuel.' The RAC said that the wholesale cost of unleaded dropped by 3.5p a litre in October, more than the Excise Duty increase of course, and that has not been passed on. I think the reality is that has a much bigger impact on inflation than anything governments might seek to do.

I note Deputy Smithies' request for a pause next year. I think Deputy Trott would certainly agree with that. Obviously, I cannot give that commitment now in the context of not having the complete budget arithmetic for next year but I will say clearly Policy & Resources will have heard this debate and in particular Deputy Smithies' request.

Deputy Tooley said, and I agree with it, that I think the objectives of these amendments have been achieved. I therefore do ask Members to support the Budget proposals and to await a report, a policy letter, by no later than September 2019 in which this matter can be moved on in a more constructive way than has been to date, for which I, and we, have already accepted responsibility.

Please support the Budget proposals unamended.

The Bailiff: Deputy Merrett.

Deputy Ferbrache, you have already spoken on Deputy Merrett's amendment. You will have the opportunity to reply in respect of yours if Deputy Merrett's amendment does not carry. So Deputy Merrett will speak now, and then you can speak later if necessary.

Deputy Merrett: That is fine, sir, it is just that as I opened the debate I was just wondering if Deputy Ferbrache wanted to sum up his first, but I do not mind, I will go with whatever you wish.

The Bailiff: Well, what I said at the start of the debate is that is the order that we would do, because if his amendment does not need to be voted upon because yours carries then he will not

need to sum up and it will save time. Although he of course will be very brief and concise as he always is! (*Laughter*)

Deputy Merrett: Thank you, sir.

3095 Okay, I just want to explain the reasons about setting up a committee to resolve this and bring something back to the States within a reasonable timeframe. We have heard the working group was chaos. I would like to think some of this debate has been a little bit chaotic as well.

3100 The point of having a committee is that you have P&R and E&I at the same table with three other Members, and my assumption was that it would be States' Members, so they can come to a reasonable Proposition, that they can bring it back to the States, so they have equal seats, equal time, if it is chaired correctly in the committee and they might actually be able to bring back some varied Propositions to this Assembly.

3105 I am concerned that P&R may only bring back something ... We have nothing on paper, sir, in *Hansard*, but what will they bring back? Something that is just purely fiscal, basically just again revenue raising? Will it have any environmental considerations? What will we actually have to look forward to? We are going to look for a road tax, as is implied in the Budget Report. 'Well, we will road tax EVs.'

3110 Deputy Le Tocq says there is a lot of confusion regarding taxation on motoring. I would say there is a lot of confusion in really what P&R may or may not bring back to this Assembly, because I do not even know what the boundaries of their policy paper will be because we have nothing to actually measure it against.

3115 There could be many different options in a committee situation where you have P&R, E&I and three other Members. It seems to me that not even P&R can decide; we have quite differing opinions from P&R. I am not convinced actually that they will even be able to bring a policy paper back because it needs at least three Members to bring one back in the first place. Maybe they will.

3120 Sir, other than relying on *Hansard* and Deputy St Pier's good word, I am actually wondering if Deputy St Pier had spoken to his Committee before making that announcement to ensure that actually his Committee were in agreement with him that they actually want to do that, because this morning P&R did not want to do that, this morning P&R wanted E&I to do it. So I do not know where they went for lunch but it must have been an interesting meeting. After lunch I am assuming – I can see Deputy St Pier now if he wants to nod to me or not that his Committee has agreed unanimously to bring this back – marvellous – so his Committee has agreed to bring it back unanimously by 2019. Then Deputy Brouard stands up and he says we will have a few more years. So maybe they agreed to bring something back but maybe they were not unanimous, by 3125 2019. I am just so confused by it.

3130 So he has consulted his Committee, they will bring something back. Deputy St Pier will bring it back by 2019 but Deputy Brouard thinks we have a few more years. Okay. So we do not have ministerial government so my understanding is that anything coming back to the States will have to have three Members, at least, to bring a policy paper back to the States. We are then going to have various minority reports; that will be an interesting way of debating this issue, won't it? Then we had Deputy Trott saying motorist charges are higher in the UK.

The Bailiff: Point of correction from Deputy Brouard.

3135 **Deputy Merrett:** Is it a point of correction, sir?

The Bailiff: Yes, it is.

3140 **Deputy Merrett:** Oh sorry, sir.

Deputy Brouard: Thank you.

Just to clarify, my few more years was on the revenue front. We have 30 million litres of fuel at the moment that is being sold, it has reduced from 34 million over 10 years – that is a 4 million drop. So there is still a substantial amount of fuel that is incurring Fuel Duty and that revenue is coming in to fund our committees. The point I was making was that although electric vehicles are starting to increase, as Deputy de Sausmarez said, we are only at 200 at the moment, so the actual revenue, we have got a little bit of time on our hands, I was not talking about the fact that we are bringing it forward to the Committee. Just not to conflate the two issues.

Thank you, sir.

Deputy Merrett: Thank you, sir, for bringing that to my attention.

Thank you, Deputy Brouard, because obviously if I am a bit confused I should like to think that maybe other people are.

Anyway, so now we find out that they will bring something back to September 2019, they have all agreed to that. Three will have to agree to bring anything back anyway, and then we will have lots of minority reports potentially. I do think that does sound a little bit chaotic, but if that is the will of this Assembly then fine. I do think that by having a committee that has – it could be this States will decide the seats will be Members so this States could decide actually we want two from E&I, we want two from P&R and do you know what, we want somebody that can sit over looking at fiscal and environmental policy, sit over the top of that, give reasonable time for deliberation round that table and to try to bring back measurable, realistic Propositions to this Assembly. Because that is what I want to debate; I want to debate reasonable, pragmatic Propositions in this Assembly regarding Fuel Duty.

Okay, so if Deputy St Pier is going to deliver something – well, his Committee, I should say – by September 2019 that will mean a policy paper, but then we know that actually after that it could be how long, we do not know, until we actually implement anything, if we ever actually agree anything.

Deputy Tooley appeared to think that it should be more equitable that people are paying more when maybe they should not be doing. But this commitment, I still do not know exactly what the commitment is from P&R, but the Committee said it will bring something back. It might be more equitable to our community, it might not – we do not know. It may just be we just need £20 million – actually next year it might be £21 million – and we will get it from the motorist and we will just do it this way because it is the easiest method from a fiscal point of view.

So on that premise I am a little bit confused and it just seems like a last minute ditch attempt to throw out this amendment because, 'Do you know what, right at the last minute, Deputy Merrett, you have forced us into doing it.' I am just not convinced that is the case.

Deputy St Pier could at any stage in the last – well, anything from this debate – advise us the Assembly or myself that, 'Actually, do you know what, I am going to do this anyway. We will not lay an amendment telling E&I to do it, because we have every intention of doing it anyway, Deputy Merrett.' Sorry, I just did not hear that, that was not the debate we had this morning.

Also Deputy St Pier refers to this 'ordinary motorist'. Well, I would love to meet an ordinary motorist, because this affects commercial vehicles, electric vehicles, petrols, diesels, taxis. I believe it could be a pretty good incentive if we say, 'Well, Deputy St Pier advised me that the average car travels 4,000 miles', I have no reason to disbelieve that. How about the average taxi driver then? How much do they travel? I think they have got to travel 20,000 miles a year to keep their plate – is that right? I am not sure. Maybe they do. I think it is about 20,000 to keep their plates – *(Interjection)* Yes, that is right, so they are not the ordinary motorist, are they? Should we maybe incentivise them to move to EVs, for example?

Now, why would P&R suggest that? They would not suggest that, would they? If they suggested that, they would be saying, 'We want to have ...' Let's have a look at the average motorist, sorry – 4,000, minus from 20,000 is 16,000 – not bad for somebody economically illiterate! They would want 16,000 miles less on duty at the pump because we had incentivised EV. I cannot imagine for one moment that P&R would suggest that.

3195 Then Deputy St Pier said, 'Look, people are servicing and repairing their cars – they are not paying GST or VAT on that.' No, they are not – thank goodness, because it is the people that have older cars, sir, that have more repairs, okay? That is a fact, most people who buy a new car ... I have never bought a new car in my life, I never intend to because I am fiscally prudent, as I cannot see the point of paying for a new car, driving it off the forecourt and losing a couple of thousand. I could not live with that, so I have never bought a new car and never intend doing so. But we are saying that is okay because we do not have GST or VAT so they are not having the same costs to motoring because they do not have to pay that on repairs, knowing full well that the people that pay for repairs are the people that have older cars.

3200 Okay, so I am still going to support my amendment, (*Laughter*) and it is not me just being stubborn, I believe that if P&R had wanted to have this conversation, if P&R's intention was to do it by September 2019 they had an opportunity to do that before they laid the amendment at E&I's door an opportunity to do that. Wherever they went for lunch it must have been amazing but they had an opportunity to do that and communicate that to Deputies within the course of debate or over the lovely two-hour recess that we have, they failed to do so and the September 2019 is a complete and utter carrot of, 'Look at us. Actually we went for this lunch and we realise now that it is our responsibility and we will deliver.'

3210 I am trying to be respectful, sir, but it is really difficult. To me, I just think that is marvellous, I am really pleased but I am just not 100% convinced of where that has come from. Wherever they have had lunch I would like know because maybe we could all go there in the future and come out all agreeing to deliver the same thing at the same time.

3215 So I urge Members to please support my amendment, and I will give the floor to Deputy Ferbrache.

Thank you, sir.

3220 **The Bailiff:** Well, we will vote first on amendment 22, proposed by Deputy Merrett, seconded – Sorry?

3225 **Deputy Ferbrache:** You have had both debates together because that was your direction, shouldn't I make a closing speech and then we can vote on Deputy Merrett's amendment but then we hear nothing further?

The Bailiff: We can do it that way, yes, Deputy Ferbrache.

3230 **Deputy Ferbrache:** Sir, I say to my colleagues in the States let us make a decision today. Let's do something positive today, because even Deputy Roffey was saying, 'Well, reluctantly, I will give them another 10 months. I will let them kick the can further down the road for another 10 months.' And it is really the point that was made very well by Deputy Merrett. Clearly, I do not in any sense question the integrity of Deputy St Pier when he says they will come back with something by next September. I do not question that at all, but I only saw if for the first time today, I do not know when it exactly came out. It only came out in the last day or so, but he was putting forward with some vigour amendment number 27, seconded by Deputy Brouard, which was saying we are not going to come back, come back by no later than March 2020, Environment & Infrastructure, and therefore effectively, he did not utter those words, but again as he was quoting somebody else without uttering their words, that will be something for the next States to resolve.

3240 Even if they come back with something by September 2019 and I give them the benefit of the doubt by 51 to 49, no 50.1 to 49.9, I give them that benefit of the doubt, but even if they come back if it is passed, if it is a majority and it is passed, it has then got to be implemented. So we are going to have at least – *at least* – one more year and possibly two more years of this extra income above inflation on the Fuel Duty being asked for against the ordinary motorist.

3245 Now Deputy Le Tocq said something that I did not really understand when he said, 'Well of course, you are taking away income.' No. I am not taking away income, P&R are seeking to impose income, they are seeking to increase the rate of duty. It is not an amendment either – well I cannot refer to the Merrett amendment because I have already spoken about that, but the Ferbrache/Kuttelwascher amendment is not seeking to take away income that already exists. It is seeking to stop a £600,000 –

Is this a point of correction?

Deputy Le Tocq: No.

3255 **Deputy Ferbrache:** Then I do not give way.

The Ferbrache/Kuttelwascher amendment is not saying, 'Reduce an already existing source of income by £600,000', it is saying, 'Do not increase it by £600,000'.

Deputy Gollop made a point that we do not listen to them, we do not listen to the public. He said P&R can sometimes be out of sync not only with States' Members but also with the public. 3260 Now if we were to go and ask the majority of the public, the overwhelming majority of the public would say do not increase the Fuel Duty.

So we may not like it but they have elected us here and we have to represent them, and the average person is, in my view, from the people that have contacted me ... I have heard nobody other than in this Assembly, nobody speak against what I or Advocate – Advocate ...? Sorry, she 3265 should be an advocate the way she presented it – Deputy Merrett presented. Nobody, not one single person. It is only in here that you hear the negativity.

So the complacency of Deputy Brouard in relation to this, to me, is somewhat surprising. Of course he can afford it, he said, 'I can afford to pay the extra. I am not really paying anything else because I am just incurring extra inflationary, not inflationary costs, I am really only paying the 3270 same as I was paying last year.' Good for him, well done. He does not represent probably in that sense the average person who has to find, whether it is £18 or £27 probably in real terms, as Deputy Meerveld so eloquently expressed, they are a member of the public who cannot afford a new car and therefore it is probably £40, £50, £60 in real terms for those people.

Nothing to Deputy Brouard, nothing to Deputy St Pier, nothing to Deputy Trott, nothing to 3275 Deputy Roffey, but to those people it is a lot of money, it is a lot of money which this States blithely, arrogantly is saying, 'We do not care about it'.

Also for Deputy Brouard but was worse – because I appreciate he is not really the finance minister; the finance minister is really, in my view, Deputy St Pier – to say, 'Ah well, we have only got a £1 million surplus on a £400 million budget, when you actually look at page 6 it is a 3280 £460 million budget, as far as I can see, and for people who are putting forward the Budget to say, 'Well, you cannot really put any great reliance upon that because it is only page 6 of the standard part of the Report.' Paragraph 1.24 Budget estimate – income tax, £339 million; other taxes, £85 million; miscellaneous income, £36 million; revenue income, £460 million. Once you have taken off various expenses you have got a revenue surplus of £56 million.

3285 A revenue surplus of £56 million, that is after expenses. Then you add £7 million capital income, that gives you an operating surplus of £63 million; transfer to capital reserves, £62 million; transfer from general reserve, £4 million; provision for Aurigny loss, £4 million. My goodness, some things do keep repeating themselves, don't they? You have still got a surplus from all of that of £1 million. That is with large sums being transferred to Capital Reserve.

3290 If Deputy Brouard and, more importantly, if Deputy St Pier are saying you cannot really rely upon our Budget because we are not sure because of these degrees of tolerance, it does not give me an iota of confidence in them, and it would not give the public of Guernsey a degree of confidence in them. So I am surprised in the extreme.

3295 Now Deputy Trott says we have induced a behavioural change. He is right. Deputy Kuttelwascher, in fact, spoke about that because he was in England the other day and he filled up in England because it is cheaper in England than it is here. But Deputy Kuttelwascher could afford

to take his car to England, Deputy Trott could probably afford to take his car, maybe quite a big one, I do not know – yes, I do because he gives me a lift in it on occasions, I am grateful to him for that. He can afford to take that to France and fill it up and save himself, no doubt, quite a lot of money. But he has got to pay to go on the ferry – because it does go occasionally! (*Laughter*) from Guernsey to France, generally via Jersey and you wait six or seven hours, but you get there in the end, and you have got all that cost to incur.

Deputy Brouard, in what I found was one of the most remarkable speeches I have heard in my time in the States, was saying things that just were contrary, 'We are pandering to the populist'. Hang on! Pandering to the populist? The ordinary people of Guernsey are populist, they are the people that have elected Deputy Brouard, they are the people that have elected me, they are the people that have elected all the Members in this Assembly except for Alderney Representatives Jean and McKinley. They are the people that have elected us, so populist, oh dear, we are not going to take – they are the little people, we are not going to take any note of them. Why should we care what they think? We know better, we have got the Wisdom of Solomon because we have been elected by the public. My goodness me –

I am not giving way to Deputy Brouard unless it is a point of correction. I am not giving way to anybody so save your energy in standing up! (*Laughter*)

In respect of this, it is an absolute piece of nonsense to say that we should not listen to the public. Deputy Lowe said consider Guernsey, when we talk about – and I was as bad as everybody else talking about Jersey and England etc. – consider Guernsey. You go and ask Mrs Le Page from Torteval who wants to go to Waitrose or somewhere else to get her groceries in a little car, that is not an above inflation increase, because it is, because the duty bit is above inflation. You can do what you like with arithmetic.

I accept what Deputy St Pier says, that the Arabs could do tomorrow what they did in 1973 and all of a sudden we have got to pay four times as much. We can do nothing about that, that is the world and we are a tiny place. We are the Lilliput, they are the big boys.

But in relation to that you say to her, you say to the taxi driver that does 20,000 miles a year, this is nothing to you, what will he do or she do? They will have to pass the costs on to their customer, so it is inflationary. What will you do to the van driver, what will you do to the man that is having to deliver goods, what will you do to the building worker who has to go from site to site?

It is nothing to you. 'I do not care about populist things,' says Deputy Brouard, 'I can afford it, I am a wealthy man, I do not have to bother with things like that.' Well, the average person does. So you say –

I am not going to ... I thought Deputy Brouard was going to get up again and I was trying to save him the trouble.

But in relation to that – and I want a recorded vote; I very rarely ask for a recorded vote, because I want the public of Guernsey to know whether this Assembly supports their view that enough is enough or whether they say we know better than you, we eat cake, we will carry on with our anti-revolution.

Deputy St Pier: Sir.

The Bailiff: Deputy St Pier.

Deputy St Pier: Sir, one point of correction, I did not wish to interrupt Deputy Ferbrache and he probably would have thought I was looking for him to give way.

He suggested that because it might take a while to implement any changes that it was therefore implicit that this would continue beyond 2019. That is not provided for in the Budget Propositions, that would be a decision for the Budget next year and subsequent years. I just want to correct that assumption that this is an inevitable situation, the Budget Propositions are only for 2019.

3350 **The Bailiff:** Deputy Dorey.

Deputy Dorey: Just one further point of correction. Taxi fares are set and the taxi driver cannot just pass them on.

3355 **The Bailiff:** That is a speech.

We will have a recorded vote on the amendment numbered 22, proposed by Deputy Merrett and seconded by Deputy Fallaize.

Deputy Brouard: Sir, can we have a separate vote on Proposition 4?

3360

The Bailiff: No. Because the amendment carries *en-bloc* and then the separate Propositions will be voted for if they are carried when we get to the end of general debate, whenever that may be.

There was a recorded vote.

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

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

3365 **The Bailiff:** Well, Members, the voting on amendment 22 was 19 in favour and 20 against, I declare it lost.

We go straight to the vote on amendment 1, proposed by Deputy Ferbrache and seconded by Deputy Kuttelwascher. Amendment 1 and, again, a recorded vote.

There was a recorded vote.

Not carried – Pour 16, Contre 23, Ne vote pas 0, Absent 1

POUR	CONTRE	NE VOTE PAS	ABSENT
Deputy Gollop	Deputy Parkinson	None	Deputy Le Pelley
Deputy Lester Queripel	Deputy Le Clerc		
Deputy Leadbeater	Deputy Trott		
Deputy Mooney	Deputy Merrett		
Deputy Meerveld	Deputy St Pier		
Deputy Inder	Deputy Stephens		

Deputy Lowe	Deputy Fallaize
Deputy Green	Deputy Laurie Queripel
Deputy Paint	Deputy Smithies
Deputy de Lisle	Deputy Hansmann Rouxel
Deputy Prow	Deputy Graham
Deputy Oliver	Deputy Dorey
Alderney Rep. Jean	Deputy Le Tocq
Alderney Rep. McKinley	Deputy Brouard
Deputy Ferbrache	Deputy Dudley-Owen
Deputy Kuttelwascher	Deputy Yerby
	Deputy Langlois
	Deputy Soulsby
	Deputy de Sausmarez
	Deputy Roffey
	Deputy Tindall
	Deputy Brehaut
	Deputy Tooley

The Bailiff: Well, Members, the voting on amendment 1 was 16 in favour and 23 against. I declare it lost.

3370 Now the next amendment we have on the schedule is amendment 25, but that was only to be laid, it is my understanding if amendment 1 were to carry. So we do not need amendment 25. Is that right, Deputy St Pier? So amendment 25 will not be laid and we therefore move to amendment 26, to be proposed by Deputy St Pier and seconded by Deputy Brouard.

3375 **Deputy St Pier:** Sir, that one will not be laid either.

The Bailiff: That will not be laid either. So 26 not to be laid either. Fine, 26 is not laid either, and we move therefore to amendment 3, to be proposed by Deputy de Lisle, seconded by Deputy Paint.

3380 Amendment 3, Deputy de Lisle. Yes, Deputy de Lisle.

[Amendment 3](#)

In proposition 29 –

a) immediately after "The Taxation of Real Property (Guernsey and Alderney) (Amendment) Ordinance, 2018" insert ", subject to the amendment indicated below", and

b) immediately after the proposition, insert the following amendment to the Ordinance –

"Amendment

In the Schedule to the Ordinance –

for TABLE (A) "GUERNSEY REAL PROPERTY" (pages 103 to 105), that part of TABLE (B) "ALDERNEY REAL PROPERTY" relating to "ALDERNEY BUILDINGS" (page 106) and that part of Table (C) "HERM REAL PROPERTY" relating to "HERM BUILDINGS" (page 108), substitute the following:

TABLE A
GUERNSEY REAL PROPERTY
GUERNSEY BUILDINGS

1 Property Reference	2 Property Description/Usage	3 Tariff
B1.1	Domestic (whole unit) Local Market	£1.56
B1.2	Domestic (flat) Local Market	£1.56
B1.3	Domestic (glasshouse) Local Market	5p
B1.4	Domestic (outbuildings) Local Market	78p

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<i>B1.5</i>	<i>Domestic (garaging and parking) (non-owner-occupied) Local Market</i>	<i>£1.56</i>
<i>B2.1</i>	<i>Domestic (whole unit) Open Market</i>	<i>£1.56</i>
<i>B2.2</i>	<i>Domestic (flat) Open Market</i>	<i>£1.56</i>
<i>B2.3</i>	<i>Domestic (glasshouse) Open Market</i>	<i>5p</i>
<i>B2.4</i>	<i>Domestic (outbuildings) Open Market</i>	<i>78p</i>
<i>B2.5</i>	<i>Domestic (garaging and parking) (non-owner-occupied) Open Market</i>	<i>£1.56</i>
<i>B3.1</i>	<i>Domestic (whole unit) Social Housing</i>	<i>Zero</i>
<i>B3.2</i>	<i>Domestic (flat) Social Housing</i>	<i>Zero</i>
<i>B3.3</i>	<i>Domestic (glasshouse) Social Housing</i>	<i>Zero</i>
<i>B3.4</i>	<i>Domestic (outbuildings) Social Housing</i>	<i>Zero</i>
<i>B3.5</i>	<i>Domestic (garaging and parking) (non-owner-occupied) Social Housing</i>	<i>Zero</i>
<i>B4.1</i>	<i>Hostelry and food outlets</i>	<i>£6.10</i>
<i>B4.2</i>	<i>Self-catering accommodation</i>	<i>£3.80</i>
<i>B4.3</i>	<i>Motor and marine trade</i>	<i>£5.15</i>
<i>B4.4</i>	<i>Retail</i>	<i>£10.50</i>
<i>B4.5</i>	<i>Warehousing</i>	<i>£5.55</i>
<i>B4.6</i>	<i>Industrial and workshop</i>	<i>£4.45</i>
<i>B4.7</i>	<i>Recreational and sporting premises</i>	<i>£2.55</i>
<i>B4.8</i>	<i>Garaging and parking (non-domestic)</i>	<i>£5.55</i>
<i>B5.1</i>	<i>Utilities providers</i>	<i>£43.50</i>
<i>B6.1</i>	<i>Office and ancillary accommodation (regulated finance industries)</i>	<i>£40.60</i>
<i>B6.2</i>	<i>Office and ancillary accommodation (other than regulated finance industries, legal services, accountancy services and NRFSB)</i>	<i>£12.55</i>
<i>B6.3</i>	<i>Office and ancillary accommodation (legal services)</i>	<i>£40.60</i>
<i>B6.4</i>	<i>Office and ancillary accommodation (accountancy services)</i>	<i>£40.60</i>
<i>B6.5</i>	<i>Office and ancillary accommodation (NRFSB)</i>	<i>£40.60</i>
<i>B7.1</i>	<i>Horticulture (building other than a glasshouse)</i>	<i>5p</i>
<i>B8.1</i>	<i>Horticulture (glasshouse)</i>	<i>5p</i>
<i>B9.1</i>	<i>Agriculture</i>	<i>5p</i>
<i>B10.1</i>	<i>Publicly owned non-domestic</i>	<i>Zero</i>
<i>B11.1</i>	<i>Exempt (Buildings)</i>	<i>Zero</i>
<i>B12.1</i>	<i>Buildings – Penal Rate</i>	<i>Zero</i>
<i>B13.1</i>	<i>Development buildings (domestic)</i>	<i>78p</i>
<i>B13.2</i>	<i>Development buildings (non-domestic)</i>	<i>£5.80</i>

GUERNSEY LAND

1 Property Reference	2 Property Description/Usage	3 Tariff
<i>L1.1</i>	<i>Communal (flat) Local Market</i>	<i>21p</i>
<i>L1.2</i>	<i>Communal (flat) Open Market</i>	<i>21p</i>
<i>L1.3</i>	<i>Hostelry and food outlets</i>	<i>41p</i>

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L1.4	Self-catering accommodation	41p
L1.5	Motor and marine trade	41p
L1.6	Retail	41p
L1.7	Warehousing	41p
L1.8	Industrial	41p
L1.9	Recreational and sporting premises	41p
L1.10	Office and ancillary accommodation (regulated finance industries)	£1.35
L1.11	Office and ancillary accommodation (other than regulated finance industries, legal services, accountancy services and	45p
L1.11.2	Office and ancillary accommodation (legal services)	£1.35
L1.11.3	Office and ancillary accommodation (accountancy services)	£1.35
L1.11.4	Office and ancillary accommodation (NRF5B)	£1.35
L1.12	Utilities providers	41p
L2.1	Approved development site	£1.35
L3.1	Domestic Local Market	21p
L3.2	Domestic Open Market	21p
L3.3	Horticulture	21p
L3.4	Agriculture	21p
L3.5	Domestic Social Housing	Zero
L3.6	Publicly owned non-domestic	Zero
L4.1	Exempt (Land)	Zero
L5.1	Land – Penal Rate	Zero
L6.1	Garaging and parking (non-domestic)	41p

**TABLE (B)
ALDERNEY REAL PROPERTY
ALDERNEY BUILDINGS**

1 Property Reference	2 Property Description/Usage	3 Tariff
B1.1A	Domestic (whole unit)	£1.56
B1.2A	Domestic (flat)	£1.56
B1.3A	Domestic (glasshouse)	5p
B1.4A	Domestic (outbuildings)	78p
B1.5A	Domestic (garaging and parking) (non-owner-occupied)	£1.56
B3.1A	Domestic (whole unit) Social Housing	Zero
B3.2A	Domestic (flat) Social Housing	Zero
B3.3A	Domestic (glasshouse) Social Housing	Zero
B3.4A	Domestic (outbuildings) Social Housing	Zero
B3.5A	Domestic (garaging and parking) (non-owner-occupied) Social	Zero
B4.1A	Hostelry and food outlets	£6.10
B4.2A	Self-catering accommodation	£3.80

B4.3A	Motor and marine trade	£5.15
B4.4A	Retail	£10.50
B4.5A	Warehousing	£5.55
B4.6A	Industrial and workshop	£4.45
B4.7A	Recreational and sporting premises	£2.55
B4.8A	Garaging and parking (non-domestic)	£5.55
B5.1A	Utilities providers	£43.50
B6.1A	Office and ancillary accommodation (regulated finance industries)	£40.60
B6.2A	Office and ancillary accommodation (other than regulated finance industries, legal services, accountancy services and	£13.55
B6.3A	Office and ancillary accommodation (legal services)	£40.60
B6.4A	Office and ancillary accommodation (accountancy services)	£40.60
B6.5A	Office and ancillary accommodation (NRFSB)	£40.60
B7.1A	Horticulture (building other than a glasshouse)	5p
B8.1A	Horticulture (glasshouse)	5p
B9.1A	Agriculture	5p
B10.1A	Publicly owned non-domestic	Zero
B11.1A	Exempt (Buildings)	Zero
B12.1A	Buildings – Penal Rate	Zero
B13.1A	Development building (domestic)	78p
B13.2A	Development building (non-domestic)	£5.80

TABLE (C)
HERM REAL PROPERTY
HERM BUILDINGS

1 Property Reference	2 Property Description/Usage	3 Tariff
B1.1H	Domestic (whole unit)	Zero
B1.2H	Domestic (flat)	Zero
B1.3H	Domestic (glasshouse)	Zero
B1.4H	Domestic (outbuildings)	Zero
B1.5H	Domestic (garaging and parking) (non-owner-occupied)	Zero
B3.1H	Domestic (whole unit) Social Housing	Zero
B3.2H	Domestic (flat) Social Housing	Zero
B3.3H	Domestic (glasshouse) Social Housing	Zero
B3.4H	Domestic (outbuildings) Social Housing	Zero
B3.5H	Domestic (garaging and parking) (non-owner-occupied) Social	Zero
B4.1H	Hostelry and food outlets	Zero
B4.2H	Self-catering accommodation	Zero
B4.3H	Motor and marine trade	Zero
B4.4H	Retail	Zero

<i>B4.5H</i>	<i>Warehousing</i>	<i>Zero</i>
<i>B4.6H</i>	<i>Industrial and workshop</i>	<i>Zero</i>
<i>B4.7H</i>	<i>Recreational and sporting premises</i>	<i>Zero</i>
<i>B4.8H</i>	<i>Garaging and parking (non-domestic)</i>	<i>Zero</i>
<i>B5.1H</i>	<i>Utilities providers</i>	<i>Zero</i>
<i>B6.1H</i>	<i>Office and ancillary accommodation (regulated finance)</i>	<i>Zero</i>
<i>B6.2H</i>	<i>Office and ancillary accommodation (other than regulated finance industries, legal services, accountancy services and</i>	<i>Zero</i>
<i>B6.3H</i>	<i>Office and ancillary accommodation (legal services)</i>	<i>Zero</i>
<i>B6.4H</i>	<i>Office and ancillary accommodation (accountancy services)</i>	<i>Zero</i>
<i>B6.5H</i>	<i>Office and ancillary accommodation (NRF SB)</i>	<i>Zero</i>
<i>B7.1H</i>	<i>Horticulture (building other than a glasshouse)</i>	<i>Zero</i>
<i>B8.1H</i>	<i>Horticulture (glasshouse)</i>	<i>Zero</i>
<i>B9.1H</i>	<i>Agriculture</i>	<i>Zero</i>
<i>B10.1H</i>	<i>Publicly owned non-domestic</i>	<i>Zero</i>
<i>B11.1H</i>	<i>Exempt (Buildings)</i>	<i>Zero</i>
<i>B12.1H</i>	<i>Buildings – Penal Rate</i>	<i>Zero</i>
<i>B13.1H</i>	<i>Development buildings (domestic)</i>	<i>Zero</i>
<i>B13.2H</i>	<i>Development buildings (non-domestic)</i>	<i>Zero"</i>

Deputy de Lisle: Thank you, sir.

The intention of amendment 3 is to reduce the increase in domestic and land TRP tariffs from 10% to 2.5% and not to introduce a 60% premium tariff for domestic properties with a TRP rating of £500 or over.

I draw Members' attention to page 45 on this amendment as I feel that that page actually deals with the Propositions with respect to this amendment 3.

Sir, there are two elements to the increase in TRP in the Budget. While the recommendation of 10% increase in domestic and land tariffs is in line with the April 2015 States' Resolution of TRP to go up by no more than 7.5% in real terms, the concerns are that with inflation at 2.5% the 10% hike in domestic TRP is inflationary.

Only last week the Forest Douzaine in their end of month meeting drew attention to public concern over rising TRP rates committing Islanders to way above inflation increases and described as onerous to homeowners, and increasing the cost of living for homeowners, a point that Deputy Meerveld made earlier.

The Budget also recommends, it is the second part, the introduction of a premium TRP tariff for domestic properties with a TRP rating of 200 and above a banded system of domestic TRP for larger properties. Now this would affect approximately 30% of domestic properties, we are told, the proposal is for the surcharge to be introduced in 2019 for properties with a TRP rating of 500 and above, estimated to affect 750 properties, and then to introduce increased TRP tax on a further 6,500 properties in a second phase on properties with a TRP rating of 200-499 from 2020.

Now the amendment asks Members not to agree to introduce a 60% premium TRP tariff for domestic properties with a TRP rating of 500 and over for 2019, and also to reduce the increase in domestic and land TRP tariffs from 10% to 2.5%.

In terms of the banded system of domestic TRP for larger properties there are a number of points of significance I think to draw Members' attention to. First, the TRP is a tax on peoples' homes and bears no relationship to the homeowners' ability to pay. The premise here is to raise additional revenues from those most able to pay, or to bear it. The tax is based purely on the size of the property, not on the earnings of the occupant and ability to pay of the owner, thus making

3410 the tax discriminatory and unfair, because many of the larger homes are occupied by cash poor pensioners and people on fixed incomes who in a number of cases inherited a larger property in which they are living.

Then the Budget already targets raising income elsewhere on those specifically able to bear the burden. It does this by withdrawing personal allowances for higher earners. It does it by an
3415 increase in the Income Tax caps and also the introduction of a higher rate Document Duty band on property conveyance.

The second point that I would like to mention is the 60% premium levy goes beyond the promises that we have been given. It goes beyond the April 2015 Resolution following consideration of the joint report intended clearly as a protection to homeowners and I quote 6.77
3420 on page 45 which states:

... that, as part of the annual Budget Report, the [T&R] Department increases the rates of domestic Tax on Real Property by no more than 7.5% per annum in real-terms between 2016 and 2025.

In principle, surely the Resolution cannot be bridged by a States' direction to raise additional revenues from those most able to bear the burden.

Commitment, we have heard a lot about that in Deputy St Pier's speech, but the commitment is not being kept and it is deviating from what was intended. In fact this involves two arguably conflicting directions from the States: one to limit increases in the rates of TRP on domestic properties and another to raise additional revenues from those most able to bear it.

3425 P&R do acknowledge the April 2015 Resolution as a precursor to the section on Tax on Real Property – Domestic – it is on page 45 at the top. The States resolve to direct:

... increases in the rates of domestic [TRP] by no more than 7.5% per annum in real terms between 2016 and 2025.

And their proposal for enhanced rates will be inconsistent with the April, 2015 Resolution. Now this will affect many pensioners and others on fixed incomes unable to pay the additional 60% hike for 2019 and the 60% hike depending on TRP rating, 15-60% hike depending on TRP rating
3430 from 2020.

Domestic property TRP does not represent income levels of the householder. Many on partial pensions and fixed incomes will be forced to part with their properties to sell or whatever with these forthcoming rates that are proposed.

In all the introduction of a surcharge is not fair and I believe should be withdrawn. Deputy
3435 St Pier and his P&R Committee will be forcing people out of their homes, essentially, with this recommendation. Many people on retirement at 65 or whenever will be forced to sell, as they have to in other jurisdictions such as the UK, US and Canada. Low tax on property was one area that many local people wanted to preserve for their children to pass on to future generations, we have avoided this trap in the past, it was part of the Guernsey way, Deputy St Pier has consistently sought to place higher taxes on property.
3440

The third point I would like to make is that there was no notification of intent in the earlier Budget of this additional tax in 2017 Budget. Deputy Gollop mentioned going back to the Personal Tax, Pensions and Benefits Review, and that of the joint board which considered whether it would be appropriate to charge a higher rate for larger properties but given that the
3445 relationship between property size and income was not absolute, the joint board favoured continuing the current more proportional approach and not going in that direction. Very high rates of TRP, they observed, could become burdensome in times of financial stress. Property assets are also not necessarily an indication of high income, they said in their report. There are households typically of older people who own substantial properties but have only limited income – another point that they made. Increases in TRP could be very difficult for these individuals.
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The joint board also noted TRP as applied in Guernsey is regressive, particularly as the increased costs to landlords will be passed to tenants in the form of upward pressure on rental prices. They discussed a five-fold increase in TRP property tax, TRP for a three-bedroom house would rise from £200 to £1,000. There were fears by the review body bringing TRP rates in

3455 Guernsey to a level on a par with Council Tax rates in the UK. They settled on, in 2015, a real annual increase in TRP rates of no more than 7.5% per annum, which would result in a maximum increase across a 10-year period 2016–25 of just over 100%.

3460 The fourth point that I would like to mention is that I have had letters, emails and phone calls from very worried people relating to the rising cost of TRP on householders in these proposals. In an open email to all Members, a husband and wife write that the proposed 10% increase is unjustified and a 2.5% inflationary uplift is the maximum amount that could be judged reasonable.

They said the TRP tariffs are a dreadful idea to further tax peoples' homes that are already bearing an enormous premium over smaller properties creating a double whammy. They are talking about a double whammy, in other words the 10% and then the 60% all in one year.

3465 In fact what they did was to indicate to us what it would mean to their St Martin's home. I think this is quite relevant because they say, we built our house in St Martin's 10 years ago, and in 2009 we paid TRP of £368; the new proposals would result in a TRP of £1,728 in 2019 – an astonishing 469% increase in 10 years, as opposed to £983 that they are paying this year, that would be 2018.

3470 So from 2018 of £983 they are going to £1,728 if the 10% plus 60% comes in. An astonishing increase, and they call these TRP tariff proposals scandalous and should be thrown out. In fact I think most people here would agree with me that they are an attack on peoples' homes.

3475 Sir, Deputy St Pier and his P&R Committee, that is Deputies Trott, Le Tocq, Stephens and Brouard, with their double whammy of new TRP taxes on peoples' homes are being unreasonably harsh and unfair, and should withdraw the proposed charges, and I call on Members to reject the proposals that are provided.

3480 I also note that given the effect of the premium tax particularly on the more vulnerable and the fact that there has not been given an earlier warning, if you like, of a banded system of TRP coming forward, other than in this Budget suddenly, and given the amount of work that P&R have to do before implementing the second phase – in other words for those with a TRP of 200–499 – they are not ready in other words at the moment and you can see that at the bottom half in 6.82 of page 45 where they say everything that has to be done before they can – and many people who have written to me have said you should really start with the 200 and then work up if you are going to have this banded system of domestic TRP tax.

3485 Given all that, I think at least if people do not want to go along with what I am saying we should await more consideration to be given to this banded system of domestic TRP rates for larger properties to come forward in the next year or so.

I call on Members to reject the proposals.

Thank you, sir.

3490 **The Bailiff:** Deputy Paint, do you formally second the amendment?

Deputy Paint: I do, sir.

The Bailiff: Deputy St Pier, do you wish to speak now?

3495

Deputy St Pier: No, sir.

The Bailiff: Does anybody wish to speak?

Deputy Paint.

3500

Deputy Paint: Sir, I rise to completely support Deputy 'King Arthur' de Lisle. *(Laughter)*

Now, I now King Arthur is a bit of a myth and perhaps a tale, but somebody wrote the story and it was King Arthur and the Knights of the Round Table who had very high morals and they tried to treat knight and knave in equal order. Unfortunately, this is not happening.

3505 TRP has been rising by 10% annually for several years and it has become a real burden on many families and certainly some businesses. These increases cannot be sustained and it should be stopped now before it becomes too damaging to the population.

Most people understand that there will be raises relative to inflation in the future and I think most people would accept that, but these huge increases annually just cannot be fair.

3510 Guernsey is a very expensive place to live, much more expensive than any of the countries around us, without question. We have just heard a long debate over the price of fuel, we know that in the UK the supermarkets are much cheaper, we know that in France it is exactly the same, although they pay more and both countries pay VAT. We just cannot continue to rip off the general public as we are now. It has got to stop.

3515 Let's just take a little bit more of a look at what we have. We have Deputies in this Assembly and whatever happens they hold no responsibility for the future; they either get re-elected because they are popular with the electorate or they get thrown out. You have civil servants who hold no responsibility because they have passed it on to the people who have voted in here. You have experts and consultants employed by the States who have to carry out just about everything we do, but they hold no responsibility towards the States. But who carries the burden? Who carries the burden when things have gone wrong or not gone to plan? It is the taxpayer and the ratepayer. So you must bear that in mind.

3525 Many people are just on the borderline of living in their own houses. They have paid social insurance and tax all their lives but because they have only got their state pension they are very close to having to sell their property and go into States' homes which will cost them a lot more.

3530 You have got more wealthy and more better off people who obviously could pay this TRP, but what you must remember if they are better off they have generally paid much social insurance and tax than others, which has helped all the others that have not made so much money or enough money to live during the time they paid tax and social insurance, and yet you want to increase the burden on these who have done better for themselves, which I do not believe is fair.

Please support this amendment and do not vote for an increase in TRP.

Thank you, sir.

The Bailiff: Deputy Gollop.

3535 **Deputy Gollop:** Sir, in the bigger picture I am not necessarily against looking at the hike in rates in general, but I do wish to support most of the comments made by Deputies de Lisle and Paint, and will support this amendment for a number of reasons.

3540 I think Deputy de Lisle was spot on when he said that this is more than a little bit of a high rise; it is a game changer really, because not only is it 10% significantly more a degree of discrimination here over most commercial premises, but there is this extra element of proportional rates according to the size of the property which by definition will really restructure an important part of our tax offering and I think such a major step with all kinds of consequences could affect estate agencies, surveying markets, the building industry, *LocateGuernsey*, family inheritance, farming, all kinds of ... It needs much more thinking about than just being an extra in the Budget Report this year. So there is that point to make.

3550 The second point that I would wish to make is I have already referred to the work done or not done on the Personal Tax and Benefits Review and it is quite true there were ideas that rates is one way of making money, done of course a lot by local authorities in the United Kingdom. Probably in Guernsey as the price of property is already pretty high and these rates, although unsettling for many residents, do not raise that much globally: £1.3 million in two stages with a lot of costs compared to certain other charges or measures we could introduce. It is not really a very good user pays philosophy. I hate to mention it but we talked about user paying for the motor vehicle just now, we hinted at user paying for bus fares, and we could talk about the user paying for carparks which is done elsewhere but not in Guernsey. Believe me, although I am not

suggesting bringing paid parking in, that would raise more than this amount and it would in a way be fairer.

Now the problem with this particular measure is that it targets those who are perhaps in theory more comfortably off but could be, and in many cases are, capital property rich but cash poor. Now I believe the Island's philosophy politically over the last 15 to 20 years has been to give consideration to those people.

For example, not only in our waste policies to a certain extent whereby it is structured to a degree around the user pays, but also our Social Security, community charge and residential care scheme that we introduced in 2001, is very much at the moment about the idea that people should retain their family assets. Now it does seem to me that hiking up rates is a little contrary to that.

But more importantly, I remember going back to our Personal Tax and Benefits Review that one of the non-negotiable areas from the then Treasury & Resources, and it is very much on the theme of Deputy St Pier and Deputy Trott in this Assembly, when Deputy Yerby courageously raised a few difficult questions a Budget or two ago.

The point was one area we do not go is down capital gains or wealth tax. Wealth tax might be a role that some European countries indulge in and some intellectuals are talking about on Radio 4 now as the way forward for the UK. But it is not part of Guernsey's offshore family orientated society. Because wealth taxes, in a way, could end up killing the goose that lays the golden egg. Because a wealth tax is on assets, it is not based upon income or usage, but this to me is a form of wealth tax. It is a wealth tax on people who have worked hard or who have inherited a lot over generations and could undermine them, and I think it therefore is unwise to put this tax into the scheme of things.

We have already heard a lot about mythical heroes like Robin Hood and King Arthur, but I want to think perhaps more about the real heroes in, where was it, Boston who threw the tea in the harbour to defeat King George because their view was no taxation without representation. I do not think we have heard enough representation from the people affected by these measures today or the knock-on consequences.

So I very much think we should support the amendment.

The Bailiff: Deputy Le Clerc.

Deputy Le Clerc: Sir, it is more a point of clarification, because Deputy de Lisle and Deputy Paint have both talked about the new increases, but that is Proposition 30 and my understanding is that this amendment is only relative to Proposition 29 and not Proposition 30 and Proposition 29 is just about this year's increase in the TRP, I think it is the 7.5% plus the 2.5% for real terms. So I just wanted clarification on that because we seem to be talking about both of those Propositions and actually it is only Proposition 29 that Deputy de Lisle and Deputy Paint have amended.

So, sir, if I could have clarification.

The Bailiff: Deputy Lester Queripel.

Deputy Lester Queripel: Sir, I will be supporting the amendment for all the reasons Deputies de Lisle, Paint and Gollop have highlighted in their comprehensive, and what I consider to be, excellent speeches.

I have nothing more to add to what they have said because I think they have absolutely nailed the whole issue in their speeches, but I would just like to repeat the point made that many of our property owners are asset rich and cash poor, and it is not simply a case of expecting them to downsize to a smaller property; many of them have lived in their homes for decades and they are surrounded by their memories so we really do need to introduce an element of compassion in cases like these.

Thank you, sir.

The Bailiff: Deputy Oliver.

Deputy Oliver: Thank you, sir.

I have had quite a lot of representation on this amendment and I think inadvertently we all have, because although it got withdrawn with the Deputy Green and Deputy Dorey amendment, it was pretty much arguing on the same thing, although this has taken out the Open Market and this is just talking about everything. The principles were sort of the same, but they are still being taxed above and beyond what I think is actually reasonable on TRP over 500.

If you take a standard house of 500 you would be looking at about £1,600 in 2016 on TRP. Now if this amendment fails you are looking at about £3,900 that you would have to pay so that is an incredible increase over two years. If you look at a similar house in, say, I have just picked Oxford for the same size, the Council Tax over there would only be £3,600.

So it is starting to look a lot more positive for people in larger houses to actually say we do not have the best transport links here, our schools are not fantastic at the moment, it is up in the air, and we just keep hitting the same group of people with the wealthy and they are the ones that can actually just get up and move away, but we need those people to stay on the Island because they are the people that actually do give us the most Income Tax and we are almost taking with one hand but then we are not giving anything back at all.

I think that this amendment is actually very good and we should be supporting it.

Thank you.

The Bailiff: Deputy Roffey.

Deputy Roffey: Thank you, sir.

This amendment deals with two different issues, which I wish had been covered by two different amendments in some ways.

One is whether or not we stop the escalator that was determined by the last States of effectively doubling the real terms TRP over, I think, a period of about nine years, because by the time you compound 7.5% in real terms that is what it comes to.

The second one is whether or not you introduce a higher level of TRP on properties; and Deputy Le Clerc is right, in this instance we are talking about whether we do it for properties of rateable value of above 500.

Maybe for absolutely clarity I should say that as far as the next Proposition my property is not above 500 but it would be in the next phase of higher banding because it is well above 200.

Sir, my dilemma is this: I have made speeches many times in this States saying how I dislike this escalator and this doubling of TRP. I would have preferred an amendment that said actually stop doing it rather than actually leaving that Resolution in play, because P&R have got every right to plan on the Resolutions of this States, but when you bring something that is in line with that Resolution we are going to say that is outrageous and you should not be doing it. But having said that, I did not bring an amendment saying that this should be the last year and it should not happen anymore.

I do agree with many of the points that Deputy de Lisle mentioned. I do not think he is right to say there is no correlation between the size of your property and wealth, there is a poor correlation. I think richer people do by and large tend to live overall in bigger properties than poorer people, so there is a correlation, but the correlation is poor, and it is particularly poor in Guernsey because of our history of extremely high home ownership. At one stage back in the 1960's and 1970's we had home ownership that was out of all proportion to the UK and other places. Now as a result, we have many people who are sitting in homes that they own who are elderly, who are on fixed incomes and who are going to be quite significantly hit by this.

I know there are some colleagues in this Assembly that will say, well actually, they will sit down in an academic atmosphere and say, 'If they downsize it will be better for them, they will be able

3660 to manage better, it is better for our housing strategy, they will be releasing family homes for
people who need to come along,' and of course they are right probably in every respect, but I
agree with Deputy Queripel, that is just not the human factor. It is not a question of forcing them
to downsize, they will not, it is a part of them, the house that they have brought their family up in
over many decades. So they will get by, they will pay this tax and they will then struggle with
3665 everything else in their life.

So I am in a quandary now because I cannot blame P&R for sticking to the escalator because it
was approved, not by this Assembly, by the last one, but we have never actually told them to stop
doing it, and if it does create a hole in their Budget and maybe I will have to vote for a smaller
personal allowance increase, if this is what we go for, but I feel very strongly that there is a huge
3670 tranche of people out there, particularly the single pensioners. Do not expect Social Security to
help, they cannot. Social Security are doing marvellous things, I think, on poverty but the
requirement rate for a householder that owns their own home, if you are just earning the ordinary
pension it does not kick in; basically, unless you have got some significant income on top of that,
you do not qualify for Income Support.

3675 So, sir, I have tried to be really responsible today. I have gone against my instinct a couple of
times, but sometimes there comes something you feel very strongly about, and I do about this,
that I think that we are at risk of piling too much. We have gone four years, or whatever it is since
2015, and I do not actually agree with the doubling. Now, people said if it was only £200 at the
start then £400, look at us compared with other territories. Well, don't look to the UK because
3680 what the community charge pays for is a lot more than what our TRP pays for, it pays for a lot of
local services. For instance, if our TRP paid for waste disposal then we would not need all of this
other waste charges that we were talking about, (*Laughter*) and that is where it goes in the UK. So
I admit we historically have had very low property rates, but I think we are creating a poverty trap
for a large number of people.

3685 The higher TRP on higher banded properties, I again have a lot of sympathy for P&R because
we passed an amendment telling them to go away and look to raise money from those who can
most afford, and yet again, by and large, I think people who have got properties over 500 rateable
value tend to be amongst the wealthiest in our community.

Not always. We had, I think, an email, was it, just yesterday from somebody with greenhouses
3690 who was on a very modest income who was going to be hit very hard and I feel desperately for
that person, but by and large when you get right up, we are talking about in the UK there was
mention, was it the LibDems that talked about a mansion tax, I cannot remember who it was. We
are talking about very large properties indeed. Usually selling for £1 million, £2 million, £3 million
when you actually look at that category of house.

3695 But I would have liked actually a more of a lead in. I do agree – we are told we are going to
have impact analysis for extending it to 200-499 next year. I would like to have seen a lot more
impact analysis actually done to make sure that what I was doing was not going to really
perversely affect a group of people or that we could at least put mitigation in.

So, sir, I think my responsibility has hit the buffers, I think I have to go with my instinct in this
3700 particular case. I apologise in many ways to P&R for doing that because they are planning on an
escalator that has been approved by this Assembly and they have got every right to plan on and
they are also trying to react to a Resolution that says that they should hit people who are most
able to afford it. So I am not being critical of them in any way, but I just have to go with my
convictions in this particular one.

3705 If the amendment passes then I will consider, I am going to have to think about it, whether it is
necessary, whether I will consider voting for the Proposition that will reduce the increase in
personal allowances that will flow from P&R.

The Bailiff: Can I just have an indication of how many more people intend to speak on this
3710 amendment? Can you stand in your place? Well, five. We will rise at 5.30 p.m. I think.

Deputy Ferbrache will speak next.

3715 **Deputy Ferbrache:** Even though I do not have to declare an interest, clearly this amendment would significantly benefit me. I live in a house where the rate of TRP is much more than 500, whether I am poor or rich I do not know. But I – *(Interjection and laughter)* Was that Deputy Gollop, Roffey, I am not sure? But in relation to that, and I may have another one I cannot remember ... But the fact is I feel I have got to declare that, it has got to be transparent, because I am going to be voting in favour of this amendment, for the reasons expressed.

3720 **The Bailiff:** Does anybody else have a short speech they would like to make before we rise? No. In that case, we will rise now and resume at 9.30 a.m.

The Assembly adjourned at 5.30 p.m.