



OFFICIAL REPORT

OF THE

STATES OF DELIBERATION

OF THE

ISLAND OF GUERNSEY

HANSARD

Royal Court House, Guernsey, Friday, 1st October 2021

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Present:

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Law Officers

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D. de G. de Lisle	L. J. McKenna
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A. Gabriel	H. J. R. Soulsby
J. A. B. Gollop	G. A. St Pier
S. P. Haskins	L. S. Trott
M. A. J. Helyar	S. P. J. Vermeulen

Representatives of the Island of Alderney

Alderney Representatives S. Roberts and E. A. J. Snowdon

The Clerk to the States of Deliberation

S. M. D. Ross, Esq. (States' Greffier)

Absent at the Evocation

Deputies C. P. Meerveld, L. C. Queripel and A. W. Taylor (*relevé à 10h 04*)

Business transacted

Evocation	1821
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9. The Tax Review – Debate continued	1821
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States of Deliberation

The States met at 9.30 a.m.

[THE BAILIFF *in the Chair*]

PRAYERS

The States' Greffier

EVOCATION

Billet d'État XIX

POLICY & RESOURCES COMMITTEE

9. The Tax Review – Debate continued

The States' Greffier: Billet d'État XIX, Article 9, the continuation of the debate.

The Bailiff: Deputy Burford.

Deputy Burford: Thank you sir.

I want to support this policy letter. That is my starting point and I do not dispute we need to raise revenue. In the lead up to this debate, the narrative that has played out in the media would seem to imply that there is only a very small group of Members in this Assembly who first want to ensure that the States is not wasting money before we consider raising taxes and presumably voting for these Propositions. I suggest that that number of Members is in fact 39. I do not believe there are any of my colleagues who think to themselves, 'I am completely happy to take more tax from our community' while the States waste money or fails to look for savings and it is perhaps unfortunate that it has been publicly implied that there is.

But while that narrative is a good populist sound bite, surely no one in this Assembly truly now thinks that we can raise £75 million or more by increased efficiency or by cutting services. We need to increase efficiency and we need to raise more money and therefore we need to do these things in tandem and not sequentially. I was a Member of the Assembly while the painful cost-cutting process that was the FTP was under way, and while savings were made, I also witnessed false economies which ended up costing more to put right. It is a myth that none of this root and branch cost review has been done before. And of course, everyone can cite a service which they do not use and that could be cut as long as we do not touch the services that they do use.

This policy letter is curious. As a policy letter overall, it is well-written and well presented and contains a wealth of data. But as now has been acknowledged, the Propositions are not the Propositions that one would expect to see appended to a policy letter being presented under the

provisions of Rule 17(9). Some of these Propositions are really not conducive to making the progress that P&R hopes to make. P&R had the opportunity to suspend Rule 17(9) and amend their own Propositions, but they decided not to and one has to wonder why. It is not because they are satisfied with them, because some Members of the Committee have indicated clearly that they are not.

30 I suspect it is more likely because such a move would risk opening the door to other suspensions of the Rule and associated amendments. I think it is unlikely that any other eleventh hour amendments would gain traction, however. The Assembly is sympathetic to P&R and to the principle of what they are trying to achieve, and also of a debate to inform progress. But under the existing Propositions, I guarantee that post-debate at least, some of the media reporting on this
35 issue will be along the lines of 'GST, how they voted: for or against?' and there will be no nuance. Because of that, some Members may be reluctant to lend P&R their vote and that, I am afraid, is entirely the fault of the senior committee.

Of course, Members are free to vote for the Propositions but still reject GST when it returns next year, but that does not seem a very constructive way forward. The key Proposition is of course
40 Proposition 4. In my manifesto on the issue of GST I said this: 'I voted against GST in 2013 because it impacts on those on the lowest incomes the most. It is clear that we need a fairer, more sustainable tax system. We are a wealthy Island, but some people in our community really struggle to get by and we must not ignore that.' So I have not made any future commitment to rejecting GST, but I have flagged boldly what is my biggest issue with it, namely how it affects those on low income and
45 I am sure many Members feel the same.

I am confident a majority in this Assembly do not want to make the lives of those people more difficult. Indeed, I think we should be making their lives easier. Of course, the Policy & Resources Committee and the steering group have endeavoured to address the issue of GST being a regressive tax and I am partly drawn to GST because the alternative offered has its own issues, not least the
50 well-trailed dependency on one source of revenue and the issue of taxing work. Further, and looking away from Guernsey for a moment, in a world of 7.7 billion people, resource depletion and accelerating climate change, taxing consumption cannot be a totally bad thing. I know we talk about growth, but ultimately it is unsustainable and it is measured by highly questionable metrics.

Coming back now to the idea of mitigating the regressive aspects of GST, second only to the
55 'action this day' mantra, the motto of this States has been one of 'One States cannot bind another'. **(A Member: Hear, hear.)** So let us assume this States decides, perhaps rationally given all the circumstances in which we find ourselves, to introduce a GST and hand in hand with that, to increase Income Support, increase cost support schemes targeted at lower income households, increase the personal Income Tax allowance and revamp the Social Security system so that those on lower
60 incomes are materially better off overall, how would these measures evolve in the future? Is GST more likely to go up or down? I think we know the answer to that.

Are benefits and allowances more likely to be increased or scaled back? We have already seen in this Assembly an attempt to curtail an increase in Income Support to lift children out of poverty. There is no mechanism at the disposal of this Assembly to permanently link the beneficial
65 protections promised and the adverse effects of GST on lower income households and that really concerns me. The need to make savings will always be with us, and for some, alas, benefits for the poorest will always be a target. I do not want to support a scheme where mitigations make people better off but only for a while until those mitigations are eroded or until GST is increased and wipes them out.

70 My other concern with a broad spectrum GST is I simply do not think it is morally right to tax the basic necessities of life, like food in particular. I understand the difficulties of having exemptions and the costs thereof of administration, but I am nevertheless uncomfortable with it. Food is already very expensive on this Island and it is not something one can do without. So that is my dilemma. What are the alternatives to GST? Maybe option 1 of a 3% hike and the basic rate of Income Tax, as
75 that is what it is however it is gussied up as a hypothecated health tax.

As I have said, I am not keen on loading more on to the basic rate of Income Tax, but we are not in a place where any solution is ideal. Even though there are no ideal solutions, I think the policy

letter represents a distinct lack of imagination and numerous missed opportunities in terms of other possible avenues. While the primary function of tax is to raise revenue to provide services to the population, it has other functions and some of the edge could be taken off a GST or an increased basic rate of tax by exploring other sources of income that could at the same time improve this Island.

I know from correspondence with Deputy Helyar that other ideas on taxes, and indeed charges which raise smaller amounts, a few million or so each perhaps, have been dismissed because they do not raise enough individually. Well not on their own, but taken together they could make a worthwhile contribution and show benefits in other ways. For example, and I will not be popular for saying this, but how much longer are we going to allow free use of prime States-owned land for the purpose of storing private, personal motor vehicles? How much longer are we going to shrug our shoulders at the increase in congestion and pollution and wasted time spent in traffic tailbacks, all the while musing about working population increases which would only exacerbate the situation perhaps to the point of gridlock before bringing in tried and trusted measures that would not only raise revenue, but make life more pleasant and efficient.

And whilst introducing a higher rate of Income Tax for higher earners has been dismissed by P&R as not raising very much, an upper rate of 21% on incomes over £60,000 would raise £4 million and add to other similar amounts, all without having people flocking to the other Crown Dependencies and for pretty much zero cost of collection. We are told we cannot increase Income Tax this further on those who have higher incomes, that they pay enough and that they might leave. What is absolutely certain is we cannot increase Income Tax on those on lower incomes, they simply do not have the means.

Research done by the Scottish Government on understanding the behavioural effects from Income Tax changes looked at the likelihood of people relocating due to tax banding increases. The results were that small increases were unlikely to have an effect in causing higher earners to leave as, perhaps unsurprisingly, people choose to live in certain places for a whole range of reasons. A study in the US similarly found that for increases of up to four percentage points, the mobility was not pronounced. Has the time come when the 20% rate across the board can no longer be considered sacrosanct? It certainly does straitjacket our thinking on this very complex matter. Does one Crown Dependency have to blink first? P&R have considered increasing the basic rate to 23% across the board, but sidestep the sanctity of the 20% rate by calling the difference a 'health tax', so I see no issue with doing that but only on incomes of over, say, £60,000. That would find £12 million.

I also question the provision for capital spending. I am not yet convinced we have the capability to spend £66 million a year, much of it on construction. We have never managed it in the past. What is the capability of the local building industry in this regard, or how much money will go off-Island to maintain such a programme? I did some research on taxation; unsurprisingly, there is no shortage of information. One thing that jumped out at me was this. As far as possible, the community in all its diversity of interests and views, should be consulted and engaged in the tax reform process. Major reform will not be universally supported, but it is more likely to be accepted if the community is broadly involved in defining the problems and searching for solutions, and conflicts of view are openly acknowledged and respected.

Now I know that P&R know this, but again it points to this policy letter being the cart before the horse. There has been some commendable communication efforts in the last week or two, but way too little and way too late. Would we have had the press front page on Tuesday focusing on reactions from Guernsey Welfare and Age Concern had individual engagement about the measures planned to mitigate GST taken place with the third sector first? The policy letter shows that under P&R's preferred option, those on the lowest incomes even with GST would be several percent better off.

Deputy Helyar: Point of correction.

The Bailiff: Point of correction, Deputy Helyar.

Deputy Helyar: Well, P&R and the steering committee held several meetings including with representatives of the third sector prior to the final briefing and prior to a lengthy briefing with the *Press*.

Deputy Burford: I thank Deputy Helyar for that correction, but my next line I think responds to it. That message is not out there.

Deputy Helyar says that there is no time, the clock is at a minute to midnight, but also that these measures will not be in until the start of next term. A staggeringly bad time to substantially raise taxes and a slam dunk guarantee that the next States will be made up of those who promise to stop tax rises. But that aside, P&R will do well to recall the saying that to fail to prepare is to prepare to fail. The correct course of events would have been a public campaign of roadshows, workshops, engagements with every sector of society to broaden the public understanding, all before a policy letter, whether laid under Rule 17(9) or not, was presented to this Assembly. Instead, we have something close to the 'decide, announce, defend' model that is very rarely successful.

Another purpose of tax is redistribution. We do need tax diversification but I want to see further redistribution. There is significant inequity in this wealthy Island, and while nobody is proposing that equity must be or could be fully achieved, it is nothing to be proud of that we still have those who need to use food banks to feed their family.

Sir, in summary I am still undecided. I would like P&R to throw the net wider in search of income sources. I would like better engagement with the community and I would like consideration given to revenue raising that has other positive benefits for our community rather than just the income derived. If I support these Propositions, my support comes with no guarantee of support for GST next year and it is contingent on broadening the search, looking at taxes that have positive side effects for the community and creating as much redistribution as possible to remove some of the inequity from our community. Thank you.

The Bailiff: Deputy Parkinson.

Deputy Parkinson: Thank you, sir.

In his opening remarks, Deputy Helyar made a couple of comments on a corporate income tax or corporate tax. He said that any reform of the corporate tax system could adversely affect the finance sector and his paper says that reform of the corporate tax system could produce about £10 million of tax.

Now, these remarks tell me two things. Firstly, he does not understand corporate tax, and secondly, he has done no serious work on the amount that corporate tax reform could potentially raise. It is well known that I am a long-standing advocate (**Deputy Helyar:** Point of correction.) of a territorial Income Tax –

The Bailiff: Just a minute. Deputy Helyar, what are you saying that is either misleading or inaccurate?

Deputy Helyar: The comments that I made were in connection specifically with OECD amendments to the corporate tax regime, not in connection with corporate tax generally.

The Bailiff: Right, Deputy Parkinson to continue please –

Deputy Parkinson: Well that really underlines my point. Why is there nothing of substance in this document about reform of Guernsey's corporate tax system, whether in line with OECD principles or otherwise? The fact is it is just not covered, and in the alternatives presented to the

180 Assembly which we are supposed to be deciding on today we are not given the option of reforming the corporate tax system.

Now I have been banging on about territorial corporate income taxes for a long time and some of you may know that this is actually my professional background. This is what I did for 25 years in the accountancy profession. I was an international tax consultant, I wrote books on French tax and other tax systems. This is something I actually know about. **(Several Members: Hear, hear.)** Now, Deputy McKenna asked me to explain what I mean by territorial tax and that is a very fair question. Why should the lay members of the public or other Members of the States understand the concept of territorial tax? So I want to spend a few minutes explaining what it is I am talking about and how it would affect Guernsey's tax system.

190 At the moment Guernsey has essentially a worldwide income basis of taxation. That means Guernsey resident companies pay tax in principle on their worldwide income; non-resident companies pay Guernsey tax only on their Guernsey source income. Now, territorial tax systems are different from that in that essentially all companies, whether resident or not, pay tax only on Guernsey source income in the case of Guernsey or French source income in the case of France, because France has a territorial corporate Income Tax. This is not some weird invention or structure which is only found in Polynesia, this is an internationally recognised normal system of corporate taxation. It is used by many of our most significant and most successful competitors like Hong Kong and Singapore. There is nothing weird about this, it is just different from what we do now.

200 There are of course many exceptions and exemptions from the basic principle that under territorial tax, Guernsey companies and foreign companies would only pay tax in Guernsey on their Guernsey source income. As many of you will know, investment funds in Guernsey are exempt and do not come into the net at all, we do not tax capital gains, unlike many other countries, so they do not come into the net at all, and although we currently operate a higher rate of tax of 10%, for example regulated financial services business, there is an even higher rate of 20% which applies to property income and regulated utilities and so on. So this is not a simple straightforward playing field, but actually moving to a territorial corporate income tax system would have the potential to iron out some of those creases and oddities.

210 So what would this mean in practice? I have said territorial tax, all companies, whether resident or not, pay tax in Guernsey only on Guernsey source income. Well, let us start with the finance sector: 43% of our economy, clearly very important to us and we want to keep it and encourage it. Now currently, regulated financial services businesses like banks pay tax in Guernsey at 10%. Depending on where you set the tax rate in a territorial corporate income system, they might be paying more or they might be paying less. But let us just assume for argument's sake that the Guernsey tax rate under the territorial system is 10%. Then for regulated financial services businesses, the switch to territorial tax essentially makes no difference. They continue to pay tax at 10%.

220 Investment funds, I have already mentioned, are exempt. They just do not come into the tax net at all, so even under a – and that is a widely used exemption; that is the case in the UK, it is the case in most OECD countries. Guernsey is not exceptional in exempting investment funds and there is no pressure on us to stop doing that. So I propose investment funds would remain exempt, and again, there would be no change and the investment fund sector is enormously important to us.

225 Other companies, private investment companies for example, currently benefit from the zero percent tax rate. They are taxable but they pay tax at zero percent so the result is they do not pay any tax. Under a territorial corporate income tax system, they would pay tax at 10% or whatever the rate is, but only on income from Guernsey sources. Well most investment funds invest in stocks and shares in London and New York or wherever, or they invest in property assets outside the Island or they invest in Bitcoin or all kinds of other derivative products, but nearly all of the potential investments that they might be investing in are outside Guernsey.

230 So a company sat in Guernsey which is investing money in the London and New York Stock Market, all of its income is going to be non-Guernsey source. So that is not going to come into tax. Mostly of course what they make their money on is capital gains. They hope to buy shares at one

price and sell them at a higher price and make a profit or a gain. That is not going to be subject to tax in Guernsey because we do not tax capital gains. Essentially the basic picture is, this would have very minimal impacts, or could have very minimal impacts on the financial services sector. Now
235 believe me, the financial services sector is very dear to my heart. That is the industry I grew up in in Guernsey and I am fully aware of how important that industry is to the economy of Guernsey and I do not want to do anything that would unnecessarily damage it. But territorial corporate income tax would have or could have a very limited impact in the financial services sector. When people talk about 'this would make us uncompetitive', they just do not understand. They do not know what
240 they are talking about.

Let us then turn to other matters. There are some specific issues which would need to be the subject of further policy development. Captive insurance companies are very important to us and currently benefit from the zero percent tax rate so the question you might ask is, 'What would happen to them under a territorial corporate income tax?' Well, one answer is it would be perfectly
245 possible to define their income as non-Guernsey source. You could say that the income of an insurance company is derived from the place where the risks are located, and hardly any of them are insuring risks in Guernsey so under that definition all of their income would be non-Guernsey source and outside the scope of Guernsey taxation.

On the other hand, this is quite a complicated area. Guernsey is under attack and other offshore
250 jurisdictions are under attack for alleged lack of economic substance. We have done a pretty good job so far in defending ourselves on that. But actually, the fact that these companies do not pay tax in Guernsey slightly undermines the position that they have economic substance in Guernsey, and so I am saying that these are complex technical issues in which there is more than one side of the argument and it may be that in some cases, perhaps in those cases, that it would actually be better
255 if they paid some tax here. These are policy decisions which could be taken as we develop a territorial corporate income tax system.

The task of designing a new corporate tax system is quite technical and seriously having read this policy letter in front of us I question whether Policy & Resources have the wherewithal to do it. I am also certain that the local sources of advice, because the traditional route in Guernsey policy is
260 'Oh, let us go and ask four leading accountants, see what they say'. Well the answer is they are hopelessly conflicted because the people who pay them – we do not pay them for their advice – the people who do pay them for their advice are the very people who may be subject to a new corporate tax regime. Having been a professional accountant, I can tell you there is simply no mileage in telling Government better ways to tax your clients. This is simply a shortcut to going out
265 of business if your business is as a professional tax advisor. The advice that we would need to develop and refine a corporate tax system would have to come from outside the Island and from people who really understand this stuff.

Now how much tax could it produce? Well, we are talking about essentially the corporate population that is in 57% of our economy, the non-finance sector. We are talking about the
270 butchers, the bakers, the candlestick makers and everybody else who operates in the Guernsey domestic economy. And again, we get these red herrings – 'Well why wouldn't they just all up and leave?' Look, the simple fact is if you are operating a garage in Guernsey you cannot move to the Isle of Man because it is very difficult to serve its Guernsey cars from Douglas! (*Laughter*) The basic Proposition is if you are doing business – if you are building houses in Guernsey, if you are selling,
275 advertising in Guernsey, if you are doing any of these other things in Guernsey, the probability is you have to remain in Guernsey. That is where your customers are, that is where your business is. And the answer is the non-finance sector, that 57% of our economy which is not finance, is not going to up sticks and move because their whole wherewith, their whole livelihood is here.

Also for many of them of course, they are owned by Guernsey residents in many cases and any
280 tax paid by the company would be credited to the shareholders when they receive dividends from the company. But at least there would be less of an incentive to hoard cash, hoard profits in the company. At the moment, frankly for local residents who own Guernsey trading businesses, there is a huge incentive to keep the profit in the company, not to pay a dividend because as soon as they

pay a dividend, they are going to have to pay 20% tax on it. As long as it is just sat in the company minding its own business, they do not have to pay any tax at all.

And surprise, surprise, some of these companies go out and buy corporate jets or ski chalets in Switzerland or all kinds of other things which simply avoid them having to pay a dividend to the shareholders who get the use of some corporate toy for some nominal amount, and frankly we just allow this scam against the States of Guernsey to go on; we have allowed it to go on since 2008, and it is time it is stopped. These trading companies use our public services. Their vehicles travel around on our roads, if they get burgled they call our Police, if there is a fire they call our Fire Brigade. They should be paying a contribution towards the costs of our public services, the services they use. It is ridiculous.

I will give way to Deputy Trott.

Deputy Trott: As Members will know, Deputy Parkinson and I have become good friends. Deputy Parkinson is a very good speaker and very knowledgeable in this subject but he is aware, as I am, that there is an event, either through the sale of the company or other events whereby that tax liability is accrued. So it can be delayed, it cannot be avoided.

Deputy Parkinson: Well that may be true, but frankly delay is as good as an exemption in this case.

If the only reason you are going to have to pay tax on these profits you are hoarding in the company is because you have sold the company, that could be delayed for 10, 15 years. The reality is that this is tantamount to an exemption. Yes, of course Guernsey may eventually get tax if it has not been squandered or squirreled away in corporate jets or ski chalets in Switzerland, we may eventually get the tax out of these things. But it is ridiculous that they are allowed to just shelter their income from tax potentially forever. There is no penalty against hoarding for years and years. There is no interest charge on the tax that has been deferred like that. It is a cost-free deferral.

This is something we absolutely have to address, and I am certainly not going to vote for Proposition 4 or anything like it until the corporate income tax system on this Island has been sorted out. The people of Guernsey have suffered enough since 2008. The amount of tax that has been loaded onto the shoulders of the ordinary Guernsey resident since 2008 is colossal, and now we are talking about sticking a GST on it. No! Absolutely not. Sort out the problem. Guernsey's fiscal problems began in 2008 with the introduction of Zero-10 and we will start to solve the problem when we fix that and not before.

I will, however, support Proposition 3 because the contribution side of our Social Security system is a complete mess, has been a mess for many years and definitely needs rationalisation. Apart from that, I am very disappointed in this policy letter. I do not think it sets out the issues for the States to consider at all, it does not focus on the central problem and it does not get us any closer to a just and equitable solution.

Thank you, sir.

The Bailiff: Before I call Deputy de Lisle who will be next, Deputy Meerveld, you have arrived. Do you wish to be relevé, just in case you do want to interject in debate?

Deputy Meerveld: Yes, please, sir.

The Bailiff: Thank you very much.
Deputy de Lisle.

Deputy de Lisle: Thank you, sir.

I will not support the introduction of new taxes such as goods and services tax or income-based health tax. It is better to boost growth and cut spending rather than raise taxes that could derail the recovery. (**A Member:** Hear, hear.) Many businesses are on the edge and many families are finding

difficulty paying mortgage and TRP payments, and others, rising rents. We can also use reserves in place to assist with recovery and deficit financing. The States hold significant funds and reserves. P&R in the Government Work Plan noted that £450 million could be funded through existing reserves by utilising the balance of the £160 million from £330 million bond issue, £27 million from the bond reserve and £225 million from the general revenue reserve.

There is also the States' short-term revolving credit facility of £200 million and the new bond of £200 million. Many would think that the States are swimming in money. And then the overall 2021 deficit has been restated this week and forecast to be £5 million and figures in the Government Work Plan show a return to a surplus of £19.9 million in 2022. The surplus is forecast to increase further in 2023 to £21 million, before reducing slightly to £16.6 million by 2025. There is also the likelihood, sir, of adjustment to the Zero-10 corporate tax awaiting international rules on a 15% global corporate tax rate and decision from the OECD. But we could show leadership and begin some change to corporate tax in awaiting these decisions.

Everyone seems to be cutting back around us, sir, except the States of Guernsey are borrowing money in order to spend more. It is unbelievable, frankly, and even asking for more money from taxpayers. Hikes in taxes and the introduction of new taxes are bad for the economy. They slow down the economy, they undermine economic growth, they reduce competitiveness, and local households have less disposable income to spend. So it is time for a rethink. As I said earlier, it is better to boost growth and reduce spending rather than raise taxes that could derail the recovery. (A Member: Hear, hear.) One percent economic growth is worth 1% added to Income Tax; 3% growth plus savings equals no need for a health tax.

GST also is wasteful, as it requires an extra 15 civil servants or so to administer it, plus the burden of an 8% or 5% tax increase on most goods and services. It will work against Government policy to reduce the public service by 200 posts. It undermines our advantage also to provide a competitive edge over surrounding jurisdictions in not having that tax. It also adds to inflation in Guernsey, and it will hilt retailers with increased cost and less footfall, and the real possibility of further closures at a time when our Government is seeking measures to address retail and support traders. Rising prices for goods and services will result in less disposable income and many companies will be burdened by a lot of extra expense in changing systems to adjust for GST. Some have already stated in the media that they will close if GST is introduced.

The five-year plan, looking at £650 million to carry out a huge programme of public spending, will have to be tempered and considered over a longer period of time in order that we do not reduce our competitiveness, do not undermine the economic growth but allow that extra time to boost growth and cut spending, rather than raise taxes that could derail the recovery. It is worth remembering that Guernsey's population is equivalent to that of a small town in England and the total Island population would fill only half to two-thirds of the revamped Wembley Stadium. People and business have had enough of talk of tax rises and new taxes. Many here in the Assembly in their mandates stated that they would not burden taxpayers with additional tax at this time, and they would look deep to curtail expenditure. Promises have been made and promises have to be kept. Guernsey must learn to live within its means and adjust to reality.

Thank you, sir.

The Bailiff: Deputy Aldwell.

Deputy Aldwell: Thank you, sir.

We all come to this debate from different perspectives and I for one am all for diversity in the States. Diversity of knowledge. I do not come from the high echelons of finance like Deputy Trott, but from the grassroots of the parish. I thank Deputy Parkinson for explaining territorial tax and corporate tax. It was very interesting for me.

My manifesto did not mention GST because it was written before I had a chance to walk around the 10 parishes pre-election, and I wanted to hear from Islanders what they had to say on the subject. Sir, it became very clear to me, having walked areas of our 10 parishes, that the electorate

understood very well that there would need to be tax rises and that 2p or 3p on Income Tax was acceptable. Internet purchase tax was also acceptable which would encourage 'buy local', but GST was categorically a no-no.

As a Constable for five years with the responsibility of the administration of the parish and overseeing budgets, I was very aware of the cost-efficiencies at parish-level and weighing up necessities over niceties to keep owners' rates to a minimum. Working on those parish budgets, I very much understood and saw the effect on single fixed income households and young families. Waste charges going up from £62 one year to £224 the next, or the TRP being trebled, and now we hear of a 16.9% hike on gas charges. Families are just about holding it together with high rents, a housing shortage. We cannot add a 5%-8% goods and service tax. Topping up benefits is not the way to go, and I am sure we all have an understanding of trying to make ends meet. Being the youngest of six children, my father on a policeman's salary, certainly my mother had to juggle her income.

I must correct Deputy McKenna, 'we have about 200 advocates' – we only have about six in Torteval. We do not have the golf courses that you have in the Vale. *(Laughter)* I, as many of you, will have received about a hundred objections by email, messages, telephone, letters, all against the GST. Businesses tell me they have had enough paperwork to deal, that with the new second pension coming in next year and the post-GST, it would be the straw that would break the camel's back, and indeed I know personally of a business of 30 years hanging up the towel.

Speaking to a parliamentarian from Jersey last week, he explained to me about the problems of setting up and running the administration of GST. He had to employ an extra member of staff to deal with it, and also explain the huge amount of work entailed in just processing a refund. It was not a simple process. We heard from retailers in the market this week on the radio of all the preparations which would need to be done in putting a range of 300 products in store. Deputy Inder made the suggestion that bringing car tax back with 50,000 vehicles, a suggestion of £200 per vehicle, would give us £10 million. I was contacted by a car dealer who also suggested that a 4x4s could be £400 and also suggested an emissions tax for the most polluting vehicles on the road, as at present only new vehicles pay this.

We all know we need to encourage entrepreneurs. We need to encourage more new business to start up to boost our economy, and when I ask this question to small businesses pre-election, what we could do to make life easier I was told several times tax breaks. If only they could have had a year off from tax 'while we got on our feet'. They explained they were chased relentlessly for tax which was only an actual assessment. After paying out so much money to set up a business, they just did not have the funds available at that time and had to borrow from family, which was incredibly stressful, but eventually paid back. Tax breaks are needed. We need to help new business to set up.

Each committee is being tasked with making savings on budgets. We are turning over every stone. Deep diving, weighing up, necessities over niceties and looking at how we can do things differently. It certainly has not been an easy task and has not been taken lightly. Sir, I am realistic. I understand taxes will need to rise once we have finished our investigations into Civil Service reform and committee savings, but I shall not be voting for that tax to be GST.

Thank you.

The Bailiff: Deputy Roffey.

Deputy Roffey: Thank you, sir.

I am not one of the authors of the policy letter but I am one of the authors of the document that informed the policy letter which is appended to it. As such, I am afraid I have quite a lot to say because I have lived and breathed this for the last six or seven months.

I fully accept, although, as I say, I am not responsible for the actual form of the policy letter, that I do not think that the proposals as drafted, particularly in relation to the Rule that it has been brought under, allows the ideal vehicle for P&R to learn what they want to learn.

440 Having said that, we are an imaginative lot and I think we can actually get our messages across. Because the two questions that really P&R need feedback on is: do we accept that we need to raise quite a lot of additional revenue as a government? And, if so, what are the best ways of doing that?

I think we have been hearing that, despite the Propositions. I think Deputy Parkinson said yes, and it should be through corporate taxation. Deputy De Lisle said no. Deputy Aldwell, if I heard her correctly, said yes and probably additional taxes on income was the right way to go. So I hope we can get our message across to P&R despite, rather than because of, the form of the Propositions.

445 So I am going to address those two questions, sir. The first thing I want to say is that this Assembly would really not be doing our community any favours if the main theme that emerges today is the denial of basic facts – simply because the truth is inconvenient. **(A Member: Hear, hear.)** That is not to say we would not *please* the community by doing that, rather that there is a world of difference between just pleasing the community and gaining short-term plaudits, and doing what we *know* is in its genuine best interests. We do face a huge funding gap and it is not principally being driven by excessive spending, inefficient processes, a bloated public sector or a lack of economic growth.

455 Now, that is not to say that we should not be focused on savings and on efficiencies and on growth. Hopefully, growth largely driven by productivity, rather than the unsustainable Ponzi scheme of constant and never-ending population growth which just adds to our cost base and our infrastructural problems. In reply to Deputy Inder yesterday, yes, of course we need to see some youthful immigration. We do not have a replacement rate in our fertility in Guernsey, so we have the opportunity to bring in more young people with the skills that we need without adding to the overall population. But, at the same time, we have to realise that the new normal shape of the demographic curve in the Western world has changed, and we have to adapt to that. The only way not to adapt to that is to be *constantly* bringing in more people to support those that are growing older. That is not a vision for Guernsey that I want to see. Maybe some others do, that will emerge during the course of today.

465 Sir, of course we want to make efficiencies and of course we want growth. And, actually, this policy letter, this discussion document, already presumes quite ambitious targets on both fronts but it also makes clear that this will still leave a massive funding gap. Now, that is a sobering message, and it is in some ways a depressing message. But the truth is the truth, and it will not go away by sticking our fingers in our ears and going 'la-la-la'. **(A Member: Hear, hear.)** Nor will it go away by shooting the messengers. I can assure Members that none of those messengers particularly relish the task of telling it as it is.

470 At one point, I was sincerely worried that the main messenger was going to rubbish his own message lest he upset his support base. I am so pleased that it has not happened yesterday because the facts are the facts. Although I have to say to Deputy Helyar that, as somebody that did not particularly wants to sit on the tax forum or working group, but was very happy to do so out of his sense of duty, the sense of despair that I felt when the person leading it came out at one stage and said, 'Actually, we are asking all the wrong questions. This process is flawed.'

480 It really put my heart on the ground because I know, as a seasoned politician, that trying to sell the message that we actually need to increase taxes, is one of the most *difficult* things you will ever do – if you are united, and if you do the marketing that Deputy Burford has referred to, and if you *really* try and take the community with you. I did feel that was a handicap when that happened but, sir, there is more joy in heaven and all that sort of thing. So I was delighted *(Laughter)* to hear Deputy Helyar's realistic appraisal of the situation yesterday.

485 So why are we in this particularly difficult spot? It is not down to the pandemic, not at all. Even though that has clearly aggravated the underlying problem and it has amplified and brought forward the shorter term funding issues. But, make no mistake, we would be facing exactly the same structural funding problems even if COVID-19 had never emerged. **(A Member: Hear, hear.)**

490 The big underlying problem is demographics and that is *not* an issue that has suddenly come out of left field. In fact, this Assembly was being warned for donkey years, because it was first officially warned in a policy letter of the need for large increases in future revenues because of

demographics back as far as 2015. So we have taken seven years just to produce a discussion paper on the subject.

Now, sir, none of this is blaming older people as individuals for Guernsey's financial difficulties. Indeed, why would I want to do that, as a child of the 1950s myself? I am part of the problem. Nor is it suggesting that older Islanders did not pay their dues throughout their lifetimes. But it is recognising that, in common with all other developed countries ... And we are not alone in facing this funding crisis I have to say, look at what has had to happen with National Insurance in the U.K. And I have to say if you do not think that Jersey and the Isle of Man are facing similar dilemmas, then you are wrong, because they are.

The age profile of our community is changing and it is getting older. Now, most people regard longevity as a good thing. So do I. Well, at least I do in most cases. But it undeniably brings financial challenges to governments. There are lots of reasons why it does that, but there are three main ones. The three main ones are: health spending, social care spending and spending on pensions. Let's start with pensions because I am also wearing another hat here, as President of ESS.

In fact let's start with the States' pension, what used to be called the 'Old Age' pension. As I just said, no one is denying that older generations have paid their dues throughout their lives, but it has always been made crystal clear that the States' Pension Scheme is not a *funded* scheme but, rather, it is a pay-as-you-go scheme with a buffer fund. So today's contributors are paying for today's pensions. No one has built up a pension pot.

The green paper – which, incidentally, I believe should ideally not have been brought to us as a green paper – but it makes clear just how many more pensioners there are these days, all of whom have to be supported by today's contributors, than there were just a few short years ago. That is a trend which is due to continue, although admittedly it will slow down once the baby-boomer generation has passed on.

Supporting so many extra pensioners costs a lot of money, and that is starting to rapidly erode the buffer fund. So, if no action is taken, that fund will run completely dry and it will be empty in less than 20 years. In actuarial terms, that is the day after tomorrow. In fact, it is probably later today, actuaries deal in very long timescales.

Now, if that happens, the options would be stark. Either we will have to then *massively* increase contributions, in order to fully fund the ongoing pension payments with no contribution whatsoever from investment returns; or else we will have to greatly reduce the value of the States' pension; or, we will have to restrict eligibility to that pension. Now, if it is so dire, why have the ESS not been warning that this scenario is approaching? They have been doing exactly that for donkey's years. In fact, on several occasions they pushed it to a vote in this Assembly in an attempt to head off that crisis. Time and again, over the years, they have proposed small increases in contributions in order to build up the buffer fund and thereby supplement future contribution income with higher investment returns. They proposed a classic 'Stitch in time saves nine' approach.

Every time, sir, the States shied away from making those difficult decisions, opining that the time was not right because of Zero-10, because of the credit crunch, because of the FTP – because, because, because. Those predecessor Assemblies seemed unable to take a difficult and unpopular decision.

Now, sir, personally I believe some in this Assembly are actually far too prone to shirk their own responsibilities by blaming every challenge on those who went before them. It is in many ways a bit shallow and a cheap shot, and one year in it should probably stop by and large but, on this issue, it does at least have some legitimacy. Of course any such criticism, though, of previous Assemblies will amount to weasel words indeed if today we simply flow in their predecessors' footsteps and put this whole issue in the 'too difficult' tray. Or, perhaps more accurately, the 'not popular enough' tray.

So where are we today? As a result of no stitch in time, we are having to suggest significant increases in the income going into the Guernsey Insurance Fund, without which we will simply run out of cash to pay pensions. Members can shoot the messenger if they like, but it will not kill the truth behind the message.

Now, what does that mean in hard cash terms to make the States' Pension Scheme sustainable?
545 Well, without any major reforms, just continuing with the scheme as is, the Government Actuary estimates contributions need to rise by 1.75% of earnings in order to achieve sustainability. Actually – and I agree with Deputy Parkinson here – ESS would like to see major reforms here to the whole system of social security contributions. Firstly, to make them fairer in their own right – although I warn that just voting for Proposition 3 today will *not* work because, without the other
550 revenue-raising measures, we cannot afford the reforms to social security that are part of wider packages. But we would like to see reform, both to make them fairer in their own right and to ensure that any tax increases which may be agreed by this Assembly do not adversely impact on those on modest incomes.

To me, the game changer in considering all tax increases, both those on goods and those on
555 income, has been the epiphany of how much more progressive we can make our revenue system, tax and contributions together if we reform social security. It is just so much more efficient than putting up Income Tax allowances. That is a very *poor* attempt to actually be redistributive, but with social security reforms we really can get the help where it is needed. And I will expand on that a little bit later.

The problem for ESS – our problem – is that we do not know if or when this Assembly might
560 agree any such tax reforms and the Government Actuary has made crystal clear that we just cannot afford to wait any longer. In fact, that we have already waited far too long. So, while this States decides where it is going on tax and contribution reforms, we will be proposing a gradualist approach to filling the gaping hole in the States' Pension Fund. More on that next month – it has
565 already been published if you have been ardent enough in reading.

Suffice to say, we would actually really prefer that our Plan B was overtaken by the events flowing from *this* debate. But we have got to put forward the Plan B because, unfortunately, we are deeply
570 sceptical that the States will actually get their act together and act on the broader issue. That Plan B, next month, will be far more aggressive than anything we are suggesting here. Extra contributions will go, unless you are below – I think it is about £9,000 a year income – which almost nobody is. For 99% of the Island, it would be on *every penny* you earn. But we have to do something and, if we will not grasp the nettle today, that is Plan B.

I am now going to refer far more briefly to the other two big public funding challenges facing our community. And it is not just *our* Government, it is our community. Those are healthcare and
575 social care; and in fact they are very much interrelated. That has been clearly shown over the last few weeks, where we know that our hospital is operating in a suboptimal way, not because of lack of capacity at the hospital, but because that capacity was taken up by people who really need to be in social care, where there is lack of capacity. So they are very related, but I am going to take them one at a time.

The pressures on health spending face a double whammy. Even if the profile of our community
580 was *not* changing, the evolution of healthcare and the development of new treatments would always mean that healthy inflation outstrips general inflation. (*Interjection*) And, of course, we do have to embrace those developments to the same extent of other advanced communities. The idea that we can deny our citizens a comparable range of treatments and medicines to the citizens of the
585 territories all around us, is moonshine. (**A Member:** Hear, hear.) It does not work economically because, in order to thrive, we simply have to be seen as a modern, forward-looking community with decent public services. Once we turn our back on that aspiration, it will not be long before no one wants to either live or invest here. More basically, we just have to embrace medical advances because, to refuse to do so, would be both cruel and uncaring.

590 So, even with an unchanging population, our health spending will go up, but our population is changing – and I am sorry to keep coming back to it, but it is getting older. Yes, we have seen graphs about the number of people over 65 going up, but that is not the real point when it comes to healthcare. Because, in particular, we are due to see a really big rise in the number of Islanders aged over 85. Over the next few decades that will go up by between two and three times.

595 Now, I am not blaming them in any way, but it is an inconvenient truth that this age group consumes on average far more healthcare than younger cohorts. In fact, seven times the amount of healthcare on average, compared with somebody in their 40s. So, unless somebody is suggesting a solution out of *Logan's Run*, the reality is that our health spending is going to rise very significantly indeed. Far from blaming the ageing population, what I am saying is that this is a generation which
600 made Guernsey what it is today. We owe them. And to fail to properly fund their healthcare requirements in their old age would, in my view, be shameful. (**A Member:** Hear, hear.)

The other side of that coin is social care. Yes, the constant increases in longevity have been accompanied – and thank goodness they have – to an extent, by what is known as a 'compression of morbidity'. In other words, people staying fitter and active for longer. But the fact remains: the
605 more people over 85 in the community, the more you need to spend on social care.

Now, whether that care is delivered at home or in care homes, it is not cheap. In fact, every nursing home place costs the Long-term Care Fund about £50,000 a year; and many of those people are having to top up that, very considerably, out of their own assets. As I said, the number of people over 85 is going to mushroom. I hope, I really hope, to be one of them in due course! But, therefore,
610 our spending on social care will mushroom too.

Members may not like what I am saying, they may wish the truth was different. So do I. But it is not. So we are going to have to jolly well deal with it. It is the kind of difficult stuff the governments have to do.

So, taking those three things together, how much extra burden will pensions, healthcare and social care put on our Exchequer? Will it amount to the £75 million a year in extra taxes suggested
615 in this policy letter? No, it will not. It will amount to *much* more than that. The £75 million is not an estimate of what is required, rather it is the maximum that we are permitted to raise under our current fiscal rules. In order to stick to those fiscal rules and 'only' raise £75 million in extra revenues, we are really going to need to excel in both promoting the right sort of economic growth and in
620 making savings. Efficiency savings where possible but, let's be honest, the size of the task is so large that it will probably involve considering cuts to services or benefits too.

So let's now take a look at the other side of the ledger. Where can we cut spending? I am President of one of the biggest spending Committees, in ESS. In fact, when it comes to spending all States' revenues, both from tax and social security contributions, we are by far the biggest spender;
625 and I am aware that that fact has led it to it being said by some, 'Well, if they spend that much there must be massive savings to be made in ESS.' Of course, it is always possible to either work smarter or else to cop the benefits that we provide. But, how much would each approach save; and what would be lost in the process? Let's take a look.

Our biggest cost by far is paying the States' Pension: £140 million a year, and rising sharply. So how could we reduce that figure? Could we administer it more effectively? Not really. As the policy letter points out, there are only six full-time equivalents involved in the process and actually they do not just do the States' Pension but lots of other schemes as well. So it is pretty darn efficient.

But even if we could save, say, one or two posts, those savings would hardly register in the context of the spending on the benefits themselves. The same is true elsewhere in my Department.
635 So, while we would always seek to make efficiencies, make no mistake: to make *really big* savings at ESS, we are looking at either restricting eligibility to benefits or reducing the size of those benefits. Even then, there are really only three benefits where the spending is high enough to make a noticeable difference to the States' funding gap.

The first is pensions, as I say, and that is by far our biggest. So, say we wanted to reduce the amount paid out in pensions by £10 million a year. How could we do that? Only two ways. The first is by means-testing the pension, the so-called 'Helyar gambit'. For example, we could deny the pension to any person with a household income above £80,000 a year. Now, I understand from the experts that would save *circa* £9 million a year in pension payments. To make the really big game-changing savings, we would need to take the old-age pension away from people far further down
640 the income scale than that.

But, anyway, unless we want to apply such a policy retrospectively and for those who are about to reach pension age, that even those relatively modest savings would not be realised until 2057. Now, of course, all of the cash in the insurance fund would have disappeared long before that.

650 But, do we really want to do any of this anyway? Do we really want a breach in our social contract which says that if an Islander pays in a percentage of their income for 45 years it will entitle them to the flat-rate States' Pension? Do we really want to discourage private provision by penalising it, by then withholding the States' Pension because people have provided for themselves? I certainly do not. In fact, I think that route is actually worse than putting up contributions.

655 But, even if I did want to means test the States' pension, how practical is it? For a start, we pay Guernsey pensions all over the world, not just because locals retire all over the world – although they do – but also because under our post-war Housing Control Law, countless people came to work in Guernsey for a number of years and then left again, with a partial pension entitlement. How on earth can we go about means testing them? And then, there are all those people who have actually bought voluntary contributions; people who did not *need* to contribute but bought them to protect their pension record. Very often these were stay-at-home mums from relatively well-to-do families taking a career break and deciding to look after the kids. How could we turn around to them and say, 'Well thanks for all those voluntary contributions that you paid to protect your pension, but you are still not going to get the pension you thought you were securing.' So I do not think the means-testing route is the right route.

665 Could we just pay lower pensions? The so-called 'McNulty Bower 10:39:35 gambit'. Well of course we could in theory. If we froze the States' Pension in cash terms for the next five years, instead of a presumed increase of, say, 2.5% per year, then by the end of that period we would be saving *circa* £17 million a year in pension payments. Well of course the overall savings to the States would be far less because of the extra strain that it would put on income support. And, in the process, we would have reduced the real incomes of very many relatively poor pensioners. People who are not on income support but who nevertheless depend heavily on their state pension to live on. Well done. We would have saved 20% of the amount of extra revenues that this Government needs to raise, according to this green paper on the back of significantly aggravated pensioner poverty. Personally, I do not think that would make us at all proud to be States' Members.

675 Talking about poverty, the next biggest outflow of cash from ESS is on Income Support. It is nowhere near as big as pensions, but we currently spend about £47 million a year on this crucial system on wealth redistribution, which helps our poorest citizens survive and place some sort of engaged part in our uber-expensive society. Freezing those benefits and cash terms for five years, against the presumed annual increase of 2.5%, would save just £6 million a year by the end of that period. To do so, we replunge a range of beneficiaries from poorer pensions to people with disabilities and hardworking families on low incomes – which obviously means very many Guernsey children – into what this Assembly has deemed to be intolerable poverty. But on the other side of the ledger we would have pleased the baying mob by putting up taxes a little bit less. Bravo!

685 The third, and last, area where ESS could save significant amounts of cash is on the £8 million a year we pay out in family allowances. If we phase that out, say over the next five years, it does not take a genius to work out that at the end of that period we would be saving about £8 million a year. But, again, the real saving would be less as we would have to replace the lost income through those on income support. And what about those families on modest incomes with just-above family income support levels? Do we really want to hammer the squeezed middle in this way?

690 So, of the three possibilities, totally removing family allowances is probably the least objectionable. But, in my view, it is still a pretty rotten option. I am sure other Committees could paint a similar picture.

695 So what is the point I am trying to make here? The point I am trying to make is we are going to hear a lot of *glib* statements today about how easy it is to balance the books by making savings and, when you really drill down, it ain't that easy at all without fairly dramatic consequences for Islanders.

Now, that does not mean that we should not look to make savings where we can. For instance, in ESS – as again you will know if you read your early Billet – we are looking at making the residency requirements for long-term care benefits more demanding. That would save a bit as well as being fairer; and then we are looking at reducing the winter fuel allowance for those living in thermally efficient homes; and removing the universality of the earnings disregard under Income Support. All of those will save a bit of money if we can deliver them; and I am sure that all other Committees are being equally rigorous with their own mandates.

My real point is that the scale of acceptable savings is dwarfed by the scale of the funding gap that this Government faces, largely as a result of changing demographics. So, *please*, can we not have anybody today suggesting that the financial challenges facing the States in providing services and benefits in future can be solved through spending cuts alone, and there therefore there is no need to raise extra revenues. Anybody claiming that is disassembling, misleading, or wilfully misunderstanding in order to avoid facing up to a difficult and unpopular reality. Sir, I could have used another word but that would have been unparliamentary; however apposite it may have been.

Members, please have the backbone to tell it how it is (**A Member:** Hear, hear.) and to *explain* to the public. It is our job to explain to the public how and why significant extra revenue-raising measures are unavoidable. *Please* do not just court popularity by pedalling a popular or distorted truth – which you know, in your heart of hearts, is absolutely undeliverable.

Before leaving the issue of savings, I just want to focus on the double standards of some Members, past *and* present, when it comes to saving money. I will not say hypocrisy, but I always thought that was deemed to be an unparliamentary term, although it does seem to be creeping quite often into our debates recently. But I feel more comfortable sticking with ‘double standards’.

Sir, those of us who really care about challenges faced by Islanders on modest incomes – and they are legion within our high-cost community – and therefore trying to do something to help them, are often tarred with a very unfair brush. Because we see these measures are to help the less well-off, which do carry some cost and, because we care about decent public services, we tend to be labelled as ‘tax-and-spend Deputies’. In reality, we are no such thing. In fact, very often we are the ones really looking to reduce costs to operate more efficiently and to focus help on where it is most needed in order to reduce the total tax burden.

I could give countless examples, dating back to the unpopular, controversial but 100% correct decision to refocus the school dental service in order to give more help to those who needed it most, without adding to the overall cost to the taxpayer. But that would be explaining ancient history to newer Members, so I will stick with three more recent examples. Firstly, we all knew it would be far more revenue-efficient to deliver secondary education to our dwindling pupil numbers on fewer than four sites. But it might also have been controversial, so we chose not to do so. A classic case of populism trumping prudence. (**A Member:** Hear, hear.)

Secondly, we equally know that our primary school estate is ripe for rationalisation, both to improve educational provision and save the taxpayer money. But this Assembly voted down an amendment seeking to bring forward such a review. Another case of populism trumping prudence.

Thirdly, I am moving away from Education, back to my own Committee, one of the key drivers for our need for extra revenue-raising measures that we are facing today in this green paper – although that is not a Guernsey expression – is the unsustainability of the Long-term Care Fund. But what happened when the last ESS put forward, under Deputy Le Clerc, proposals to mitigate the need for those extra revenues? For example, they suggested that consideration be given to the possibility of requiring those with a really high asset base, contributing up to a capped amount of £35,000 towards their lifetime care costs. (*Interjection*) That would, admittedly, have meant protecting just 90% or 95% of those people’s heirs’ expected inheritance, rather than 100%. So it was a wicked thing to do. It was a recognition that our changing demographics were starting to put an unfair burden on the working population. It was the opposite of tax-and-spend. It was limiting spending to where it was really, genuinely needed.

But of course it was not universally popular, so it was completely mischaracterised as trying to force people to sell their family homes – and we heard this again parroted by Deputy Prow

yesterday – when it was absolutely no such thing. The overwhelming decision was not just to reject it, but the States did not even want it to be looked at further. A classic case, if ever there was one, of populism trumping prudence.

So, I am going to take no lessons so from those who call for massive spending costs, but are not even willing to consider spending reductions if such moves are perceived as disadvantaging those with considerable wealth. Too many Members talk a good game of cutting spending that simply will not come across when such proposals meet headwinds in our community or threaten to erode, in *any* way, accumulated wealth. And I have no objection to accumulated wealth. I spent my life trying to accumulate wealth, (*Laughter*) not very well, but I have given it a go.

But those people are always going on and on about spending cuts, it is always suggesting ways that will actually impact those lower down the scale and never, ever threatening the sacrosanct accumulated wealth of people who are better off. They will not upset the articulate and the well-heeled. By your fruits, you shall know them.

Right, having got that off my chest, let's move on. (*Laughter*). The real point today is that cost reductions *are* a crucial part of the equation but, realistically, they are a junior partner.

So the next question is: how best to raise the many extra tens of millions of pounds that we all know truthfully that we have to raise? I do not think the three options in the discussion paper are the only options that we ought to be considering; but what they have done is provide a good platform for hopefully an adult and candid debate. I agree that other taxes should be considered. I agree that environmental taxes, motoring taxes and everything have a part of the picture but, having looked at it for a number of months, I think the real heavy lifting is probably that they are going to be an adjunct to the core of what we have to do.

Talking about having a candid debate, I was very straightforward and honest with the electorate a year ago. I was consistently asked whether I supported extra taxation and my simple answer on every occasion was, yes. Yes, I do. It is unavoidable. Not in the next couple of years, that would only choke off the post-pandemic recovery, but after that it is completely unavoidable.

Now, it is true that I also said, not in my manifesto but in response to a question – I think it was a question from the *Guernsey Press* who collated a load – that I did not like the idea of GST. The reason I did not like it is that it was likely to be regressive, and that I would only support it if the alternative was to slash and burn public services. I still believe that.

But back to the three options. In many ways the health tax attracts me as an option. It attracts me because it clearly identifies one of the key drivers for extra spending, and health is one of those drivers; and because taxes on income are, by definition, relatively fair taxes. The downside of course is that already such a big chunk of our revenues come from taxing individual incomes and this move will only exacerbate that. Now, maybe we can live with that, maybe the hatred of taxes on consumption is so great that we will live with the fragility of increasing the taxation that we put on income.

But, it does come with risk. No great harm when the jobs market is booming and incomes are rising, but when the economy takes a dip – which is just when some extra Government spending would be called for – we will find ourselves with revenues in steep decline. But actually that is probably an issue with all taxes, of whatever stripe, but it is particularly true of taxes that are directly related to incomes.

So I do not rule the option out, but I do also understand the desire to broaden the tax base if possible. That brings me to options 2 and 3, which both involve the introduction of a goods and services tax. Now, sir, my big objection to a GST has always been its regressive nature. GST is of itself regressive, that is unavoidable. If you are on a low income, you have to spend every penny of that income, therefore you are paying GST on every penny of your income. People higher up the income scale are able to save, they are not spending the full amount and therefore – and they pay *more* in GST – but proportionately to their income they are paying less. There is no way around that. It hits the poorest proportionally harder.

Perhaps, I do not know, whether it is that P&R have not sold it well enough, or people have not wanted to listen, or whatever the reason is ... The fact that this seems to be not taken up by the

community, is that the two packages of measures that include GST – and, in particular, option two – are *not* regressive. In fact, they are absolutely the opposite. I would have had no time with them if they did not, because one of my main drivers for being in this States since 1982, has always been to try and help those who are at the lower end of our income scale in our expensive Island. I would not support anything that did not.

But you have *seen* the charts, you have *seen* the *heat mats*??? 10:53:18. Unless you are actually saying that the statisticians are misleading you – which I hope you are not – these packages are actually beneficial to people lower down the income scale. Indeed, ESS said in our letter of comment that, of the two proposals containing the GST, we preferred option 2 with an 8% GST over option 1 with a 5% GST. The reason we said that was precisely because those on relatively modest incomes do better under option 2 than they do under option 3; and we feel that we have a social policy mandate to look out for the interests of the modestly off.

I know it seems counter-intuitive, doesn't it? If a standalone GST would be regressive, how can it be that a package including a *higher* GST could be more progressive than one with a lower GST? But that is precisely the case.

The reason, of course, is that while raising the same net increase in revenues, it allows far more spending on measures specifically aimed at those on modest incomes. And, sir, what uniquely allows these options to be progressive, is that the main mitigation is not through the tired old cliché of higher personal Income Tax allowances. They are actually quite inefficient at focusing help where it is needed. But, rather, through the far more efficient restructuring of social security contributions. It is that element that really allows you to get help where it is needed most. But, I will say it again: please do not try and do that just by voting for option 3, and nothing else, because it cannot work, it cannot be funded without some of the other revenue-raising measures.

Why is it so efficient? Well because, at the moment, there is just no personal allowance and social security contributions. So, once you pass that incredibly low threshold, you pay the full rate on every penny you earn and that is *really* harsh, *really* *unfair* on low- and middle-income earners. So, by introducing a personal Income Tax-style allowance and only expecting people to pay contributions on earnings *above* that, you are focusing massive assistance on those who need it most. And, yes, of course it has to be paid for, and it is paid for by higher levels of contributions above that level of allowance, and it is paid for by the reinstatement of the States' Grant from General Revenue to Social Security.

By contrast, if we make the Guernsey Insurance Fund sustainable, not through root-and-branch reform, but by simply increasing contributions, well that is really going to hit those on lower incomes. They will have no allowances and will have to pay those new higher rates on every penny they have earned. *That* is the regressive thing we should be worried about, and I am going to be advocating it if it is the only route ... I am going to be advocating it in just a couple of weeks' time, because it is better than the fund running out of money and not being able to pay pensions. But it is not the right way to go.

So, sir, if I appear to have changed my mind over GST, that is the core reason. My longstanding objection to a general consumption tax has always been predicated on the impact it would have on those on modest incomes, on its regressive nature. Now, though, I have a choice: either increase social security contributions under the present system, which will hit those at the bottom really hard, or bring in a package that will actually help modest earners. Incidentally, the proposed reforms of social security will in my view not only help to make it more progressive, but it will actually be far fairer between contributors on similar incomes but in different circumstances.

Sir, in closing – I really am sorry I have on for so long – but, let me say ... Well, maybe I am not, actually I feel quite passionately about this. I am not wedded to any of these three packages. Not at all. But, of the three on the table, I am convinced that option 2 is superior. However, I do genuinely look forward to debate and the fertilisation of ideas.

One idea I am myself interested in, would be the concept of a higher level of health tax than that in option 1, maybe at 5%, which would allow the sort of redistributive measures that option 2 does. Because what we have got is GST-light, GST-heavy and we have got health tax-light but we do not

have the health tax-heavy. If it was, say, 25%, then the sort of measures with social security that we can do option 2 could be done under that option 4 as well. If GST is going to prove totally unsellable to the community, then I think that that is something that P&R should look at in some depth.

But, make no mistake, our competitors will make hay. It does not matter whether you call it a health tax or whatever you call it, people not far from here will be saying, 'Our rate of Income Tax is 20%; over in Guernsey it is 25%.' And it will impact people's behaviour far more than drilling down and saying, 'Yeah, but you have tax on consumption, haven't you, Jersey? And they do not in Guernsey.' That will not register on the Richter scale in the same way. I understand the attraction but the dangers are there as well.

But if better ideas can come forward today, that is great: 40 minds are better than four. So let's have all of those ideas on the table. My real *cri de cœur* to Members today is *please* do not try to curry public favour by pretending that tax rises are not needed at all, when we *all* know that they are. Anybody who claims that is just fooling themselves and cruelly fooling the community.

In closing, really in closing, I will just respond to a couple of weird things that have come out over the last few days. I mean, the Guernsey party, some of the suggestions that they put forward, they do not even ...

As their leader, I am sure knows, they do not even bear scrutiny. I mean, reference to the States' trading entities costing the States £30 million a year is absolute balderdash. Yes, during COVID it had taken a real hit, but five years before that there has been a significant net migration of funds into the exchequer from there. I actually think too high, I think the P&R of the day actually drove that agenda of it too much, and that was the debate that Deputy St Pier and I had when we were standing for election. But the net gain has been going *into* the States. So it is always like make up a figure and defend it and nobody will challenge it. I *have* to challenge it, because I would really like them to produce the paperwork that supports that, because I know it is absolute nonsense.

So yes, in short, let's all try and save as much as we can. Let us all try and stimulate the right sort of growth. Absolutely true. But, I am sorry, people are going to be older on average in Guernsey. There are costs involved in that. *Nobody is to blame*, it is just the new reality in the western world and, if we want to provide decent services for them, then we have to raise the revenues. If our public do not like it, the two choices: pander to the public, run out of money, get into debt, leave it to our children to pick up; or tackle now. And I hope that we will have the guts to tackle it now. (*Interjections*)

The Bailiff: Before I call Deputy Murray to speak; Deputy Queripel, do you wish to be relevéd?

Deputy Queripel: Please, thank you.

The Bailiff: Deputy Murray.

Deputy Murray: Thank you sir.

It is quite convenient to be able to follow Deputy Roffey, not for the length of his speech or even the content, but actually for mentioning *Logan's Run*, because it did occur to me actually as well. For those of you who have never seen that movie, it was about the elimination of our older population. But that was not the reason that it occurred to me, it was for actually removing politicians who potentially may have outlived their usefulness. (*Interjection*)

However, I would like to thank P&R and the Treasury Officers for the substantial work put into the content of this green paper. It has left us in absolutely no doubt that we cannot contain and continue with the *status quo*. Had it concluded that we might *reduce* taxes, they would have been lauded as heroes, but I am not going to shoot the messengers, like Deputy Roffey – although I think he may have had a pop or two – or cast them as villains, given the very bleak conclusions they have illustrated.

Those conclusions are essentially this: the sums do not add up any more and, arguably they have not for a very long time. I might even suggest that the current Guernsey model is broken. What we

905 provide, compared to what it costs, and particularly what our obligations are predicted to cost, are adrift by some £87 million per annum by 2025. The run rate of our state pension provision will be exhausted in about 17 years or so; and that presumes current revenues do not deteriorate or are hit by further economic shocks, such as COVID.

Now, it does not take an economist, consultant, book-keeper or even a politician to recognise that we are spending more than we are earning and we are not saving enough towards the future. If Guernsey was a business you would have three options to remedy this. Well, actually you would have four: you could cut your costs; you could expand your client base; or you could put up the prices you charge those clients; or you could change your business model – or a combination of all or one of these very approaches.

915 Consequently, I do have a criticism of this green paper and it is this. It is very largely focused on the putting-up prices option as the remedy. Granted it mentions, almost in passing, that the costs need to be looked at and growing the economy is of course desirable, but there is simply no detail.

It does undertake to set up a working group to explore cost savings across Principal Committees, but I would argue that until that has been done, the ramifications and need or scale for further tax increases cannot be judged with any degree of certainty. (A Member: Hear, hear.) My concern, however, is that there may be little appetite to do more than attempt to address any excess fat, and perhaps seek improved productivity. This of course must be done, and it should continue to be done, but what I believe is actually required is a top to bottom assessment of our entire provision of public services to see what the cuts would look like across a range of cost envelopes. (A Member: Hear, hear.)

925 Essentially, to establish what universal entitlement might need to look like as a consequence, primarily in the big budget Committees. Potentially this could result – and please do not shoot the messenger – in reductions of some tens of millions, including options in which some services that are currently free may become chargeable. Now, there will be some in this Chamber, perhaps even many, who believe such an approach would be unthinkable. But consider this: what would we do if COVID re-erupted, or if we had another banking crisis, or some other financial shock which knocked 20% off our revenues? Would we resort to simply jacking-up tax massively to compensate? *Shocks happen.*

935 I spent a portion of my professional life in the optical industry. It was populated for decades by small, independent concerns. Following a significant regulatory change, large retail chains entered that market aggressively and decimated those independent opticians. With diminishing returns, many resorted to doing exactly the wrong thing, they put up their prices to try to sustain their income. Many went out of business as a consequence.

940 Now, I was involved in doing that and actually, Guernsey substantially benefited from it. Looking at saving considerable cost is not being unrealistic. For example, as a consequence of the shock of lockdown, we had over 1,100 people unemployed last year for a period of time. Can anyone here recall numbers like that before? (A Member: Yes.)

945 In 2008, Zero-10 wiped millions off our corporate income. Arguably, although perhaps justifiable at the time, Zero-10 may well have precipitated the structural deficit we now have. It necessitated the introduction of a range of indirect taxes, which even the green paper suggests cannot realistically be pushed much further. The problem is, we did not use the intervening period from 2008 to seriously explore opportunities to diversity our considerable reliance on finance. But, beyond that, we continued to add public services seemingly with little regard for cost.

950 Our economy is finally balanced. The 6% of taxpayers mentioned by Deputy Helyar is evidence of that. In addition, since a fair proportion of our overall Island income is derived from tax and regulatory arbitrage, it means we have very little wriggle room to adjust domestic taxes without falling foul of international directives. Brexit has further changed the landscape for us. We have signed up to, and introduced a number of UN and other jurisdictions' initiatives apparently designed to make Guernsey a better world citizen. Which is all well and good if they are actually affordable or indeed necessary.

I am going to suggest that we risk an inflated view of ourselves if we do not accept that we are a small speck on the world economic landscape and hence our economy is something entirely unique to our circumstances and our ingenuity, and we should cut our cloth accordingly. (A Member: Hear, hear.) We are not Jersey, with nearly twice our population, and we are not some county of the UK which is a thousand times our population. And, as Deputy Meerveld noted, we cannot hope to sustain the same level of public services or enjoy the same economies of scale, not without driving up the very thing that Guernsey has got a reputation for: low taxes.

We are told that we are one of the few jurisdictions that have no GST or sales tax. But that is now somehow being seen as a negative and evidence, yet again that because it happens elsewhere we should be doing it here. Well I have ... [*Inaudible*]. Firstly, I simply do not get the logic which is being suggested that it would bring in millions of pounds from visitors. I would propose the opposite is very much more likely. Whenever we *do* get cruise liners visiting again, visitors are much more inclined to spend money on a luxury item, like a watch or jewellery, because they are *tax free*. (*Interjection*) They are more likely to spend money if they perceive it to be of great value –and many of these visitors are on all-inclusive packages anyway, and their discretionary spending will never be particularly large unless something is of remarkable value.

Secondly, we are advised that a reasonable amount of the substantial income support expenditure today is to pensioners. Now, notwithstanding that we are being advised of mitigation measures that would be taken to reduce the burden of a tax on everything they buy, I have to wonder how often and by what means we would ensure that pensioners already struggling could rely on getting on top of what they would need when they need it, rather than after the fact. We do not know but might they have to account for what they spend to expect some mitigation in the first place? But how ever it is proposed to do it, there is going to be an administrative cost to such mitigation which everyone will have to pay one way or another.

Thirdly, the impact on local retail. Nobody is blind to the challenges that local retail already face. It is not just what we hope will be temporary increases to hit their cash flow, arising from importing goods as a result of COVID and Brexit. It is the structural change from consumers buying online that is already squeezing margins. GST will inevitably add administration costs, make local purchases even less competitive, and/or inhibit some purchasing altogether.

Fourthly, in addition to the aforementioned administrative burden on all or most businesses which in itself is potentially inflationary, we can look, as some here want to do, at what has happened in Jersey. They have had GST for years, and just last week announced a range of cost-saving measures in their public sector. So GST is no silver bullet for addressing a structural deficit.

Against all these very real downsides, we are told that measures will be introduced to take the lower income families out of the tax net by adjusting allowances. But is it not therefore likely that families, too, might be waiting to get benefit after the fact and be facing cash flow pressures of their own as a consequence? The task of administering the continual adjustments needed to mitigate the cost of living for those on lower incomes is not unsubstantial. The cost pertaining to doing this at all will inflate the actual percentage that needs to be charged to some degree, and that is the other concern that the public at large will have. How much confidence will they have that it will not simply be ratcheted up time, after time, after time? Do we really think that anyone trusts that it would ever be ratcheted down?

We are told there is a fairer way to distribute tax, that there are people living off capital not paying tax. Well, there may be those doing so, but that does not necessarily mean that they are well off. It is also a reality that many will have planned their retirement early. Taking cash sums and the relevant tax properly accounted for, but live quite frugally and carefully. This simply increases their cost of living as it does, frankly, for just about everybody.

And what of new business opportunities? Not much talked about in the green paper.

Deputy Inder talked yesterday of a particular blue economy opportunity that would be adversely affected by the introduction of a sales tax. I believe exemptions would be made for financial businesses, but what about transactions which occur locally but are with off-Island clients, for example? With digital asset management, a potential new growth area, effectively the management

of clicks locally but with international brand clients, be subject to a sales tax? This is closely linked to the growth potential of intellectual property registration and management, but I believe that falls within the remit of substance requirements and might be classified as financial.

Similarly, digital currency. Block chain evolution, along with e-finance are natural opportunities for our existing main industry. Growth in high-net worth individuals would reduce the reliance on the magic 6%, but only if they brought associated businesses with them. Guernsey has become a considerable place of interest for relocation, following our management of COVID. Tax incentives, rather than charges, could further that appeal. We would need far less population expansion and much less additional accommodation by targeting these individuals.

And what of Alderney? Undoubtedly, their demographic difficulties are even more acute than our own. We need to assist to help their economy to grow, the ability of their airport to be accessible to our ATR fleet opens up commuting possibilities. Living in one Island and working in another, in both directions, has many opportunities for both Islands to benefit from. A lot of discussion yesterday was in relation to renewable energy such as wind and tide. Well, we share that together.

Whilst on the subject of blue-sky thinking and not wishing to set hares running: is Guernsey's airport in the right place? (*Interjections*) It occupies a *huge* area offering considerable residential potential in somewhere other than the north of the Island. Would we consider permitting licensing a private consortium to construct and run a new airport elsewhere on the Island, particularly if servicing offshore windfarms became a reality?

Where else can we contemplate private partnerships playing a role? The problem with exploring big ideas like this is that Government has no forum for doing so. It has no focus for horizon-scanning other than 'econ dev', and they are afforded too meagre a budget to do it justice. Plus, we are talking about planning years into, and actually designing the Bailiwick's future. That requires joined-up Government and not Committee silos. Preparing for an economic future in which the demographic has and will continue to change, requires serious reconsideration of our priorities of which taxation is an important part.

So, if we do all of the associated work on looking realistically at what savings could be possible right now, by rationalising the existing range of service provision and establishing just what everyone could live, or universally be entitled to expect. If it is proposed, we examine how to make social insurance more equitable and what exactly it will provide and, more importantly, what it will not.

If we continue to make the public sector delivery as efficient as possible and improve productivity using technology and relevant APIs, if we begin to explore where other options might really exist to expand our future economy, and thereby increase the tax take before jumping into introducing something as contentious as GST, then I will certainly reconsider to what extent increasing the tax burden remains unavoidable. But please look at these savings and explore other opportunities with as much rigour as is apparent in this green paper before simply deciding there is no other option than increasing tax.

Thank you, sir.

The Bailiff: Deputy Dudley-Owen.

Deputy Dudley-Owen: Thank you, sir.

It is clear that far more consultation needs to be done around this subject. Many more people in our community need to be engaged to hear their various concerns, comments and questions. I am surprised by the lack of public comment on this matter. People seem to be focused on life in a COVID world which is more uncertain and at times exhausting, constantly concerned with whether one of the family, the whole family or even the whole community will be chucked unceremoniously into isolation.

Things have changed, and this term the public seem to be engaging less with the business of Government. The complexities of changing the tax system and using other levers to raise revenues and to make efficiencies needs to be pushed into the public consciousness, so that our community

1060 feel included in the process and are aware of the ramifications of the decisions that we will ultimately have to make here in this chamber next year.

1065 People in the street need to know how our decisions will affect them and their pocket. I will give a gentle rebuke here to the media because I do not believe they have been helpful in applying the essential scrutiny we need from them. Scrutiny and comments based on facts and intent. Rather, they have focused on what was said in manifestos at the election by specific Members, which of course is important, but glossing over or misunderstanding the purpose of this debate is unhelpful for listeners, readers and the community at large. A quick plug for some useful pages for people to visit to get those facts and intents is on the States of Guernsey website which is gov.gg/taxreview2021.

1070 This debate has been looming for a few years, which is why it was mentioned in so many manifestos last year and as much as no one likes paying taxes, nor did anyone come into this Assembly saying, 'I have a great idea for the future of Guernsey, let's raise taxes arbitrarily for no particular reason'. A sentiment which actually was reflected by Deputy Burford earlier today.

1075 Now, I have not done a comprehensive trawl of manifesto statements because, quite frankly I am too busy, but I can bet that most of said, like me, 'GST? Only as a very last resort.' So whilst Members entered the States of Guernsey last year knowing about the impending review on tax, they did not know the extent and the detail of our financial situation, which is far worse than we had realised.

1080 We had been made very aware of that over the last 11 months. But, for some time before, we have known that continue to spend, raise taxes in the same way, deal with the issues of an ageing population and reducing fertility rate, and population, to continue to do things in the same way that we have always done them is no longer possible. It was no longer sustainable. I just want to reiterate here for the record that the point of this policy letter is to give direction and I quote from the policy letter that: 'Further resources will be invested to develop these proposals to a point where there is sufficient detail to implement them. The next proposals laid before the States will expand in detail what changes are proposed, what mitigations need to be put in place and how these will work, and how changes should be phased. As directed by Rule 17.9, Members will then have the opportunity to amend these.'

And that is from the policy letter.

1090 So to be clear, the vote on these proposals does not result in a GST or social security restructure. What it results in is directing the next phase of the review. Not only with these substantive proposals from the steering group, but also the themes arising from comments and discussions gleaned here today and yesterday from this debate.

1095 So, despite having the after-lunch graveyard slot yesterday, colleagues will have, I am sure, listened very intently to Deputy Helyar. They will know that what I have just summarised he actually said in his opening speech, but I think it is really important to reiterate that because of the misunderstanding from commentary that I have seen that what we are deciding here is to introduce GST right here, and right now; and that little focus has been given, quite honestly, to the rest of the content of the proposals put forward for what the consequence of those proposals will be.

1100 My response to the few emails that we have received recently on this subject is along the lines of what I have said so far, to help clarify things in people's minds. But, in addition to this, I have also said that I could only stomach GST as a last resort. If we have exhausted other possibilities such as how we approach social security contributions, make reductions in spend and/or better use of taxpayer's money and make investment in economic diversification, etc. So, given that I do not want to see GST in Guernsey unless we have explored everything and anything else in between, where do I stand on this matter – knowing that things are not getting better economically, and in fact assumptions based on previous forecasts are now materialising as known facts?

I know that a vote for the relevant Proposition 4, and I will read this for the sake of listeners,

To agree that any restructure to meaningfully diversify the tax system requires the introduction of a broad-based Goods and Services Tax and that the Policy & Resources Committee should develop detailed proposals including the measures

necessary to mitigate its impact on lower income households in the context of a restructured Social Security contributions system.

1110 I know that this vote is not a vote from me in favour of introducing GST. For me, it is an acknowledgment that this is the only real way to meaningfully diversify the tax system, even if I do not agree with the tax being introduced. (**A Member:** That is right.) My vote in favour of this proposal *might* give us the opportunity to see more-detailed proposals in addition to the ideas that the Committee glean from us during the debate if, obviously, sufficient of us vote for that proposal and it becomes a substantive resolution. That is what I want to see: more detailed proposals.

1115 I completely endorse the views of the IoD this week that Deputy Falla has already read to us verbatim. Their message of, 'Raise money by growth and focus on efficiency of public spend', well you cannot argue with that. It is the right thing to do. But the IoD feel like I do. They want to explore other avenues. But, like me, they have a realistic view that the gap between where we are now and where we need to be to pay for things that we want, is just too wide to be bridged by reductions and creativity in spend and/or economic initiatives that will take some years to bear fruit.

1120 Now, if we think that our tax system should adhere to accepted principles of being stable, sustainable, adequate, progressive, efficient, transparent and responsive to economic social and environmental factors, then it is obvious from the issues which have been summarised in the policy letter that we are struggling to adhere to these principles. But we want to, and in large part that is what successive terms of Government have identified and is also so contentious.

1125 I believe that this situation has not been helped by the lack of independent fiscal oversight during the last term, but with an *extant* Resolution in play that I had a hand in drafting last term: 'To commission the independent fiscal policy review panel to undertake regular reviews of and provide assurance on the economic and physical recovery plan and its delivery', I think that we can take some comfort that review and scrutiny of our plans will be undertaken so that we can test their efficacy and resilience against these principles.

1130 So I do want to acknowledge here that we have had concerns raised by parishioners who have contacted us, though there have not been as many as I would have expected or wanted from proposals to make a fundamental shift in tax policy.

1135 A small business owner said to us, 'I know the added stress and cost that this will incur for us and that is before we also have to pay for the extras of state staff and their pensions and high-paid managers. The net return to the Island will be much smaller in real terms and result in less profitable and efficient businesses. If you have to find additional funds then you should do it in a manner which costs nothing to implement and run, and is easily reversible in the future. Here is a personal view. I would like to express my concern over the introduction of GST. The thought of this really scares me, as I am not sure my family and many others I know will be able to afford the increase in cost on every item we purchase. Food costs are starting to increase with 40p added to many items over the last few months and already costs are passed on. I do not claim to know the answers to Guernsey's financial situation as I am certainly not intelligent enough for that'.

1140 Well, I do not think that would be the case actually, I think this person is not being generous enough because they have hit the nail on the head with some of the issues that a lot of our community feel. But I do know that hitting middle to low earners is going to affect many families with other costs of living rises in food shopping, insurance premiums and general day-to-day living

1145 Now, those are *valid* concerns and they demonstrate that we need, as a States, as a Government body, to do much more to reach out to the community. We must explain the issues and the difficulties and the challenges very clearly, what the mitigations and changes are, and how those will impact people in our community.

1150 I will conclude by adding some suggestions because that really is what we are here for, most of which have already been mentioned, but hopefully these will contribute to themes arising from the debate. Now, one of my favourites is packaging tax and it is one that I think would have a number of benefits. I have been surprised over the last few years to learn of the increasing amount of orders for groceries from Amazon and other food outlets that are being made by local households. I do get that in terms of the ease of delivery to the front door, but is that not a great business opportunity

for some of our local retailers to actually start doing household and food deliveries? Some do, but maybe it is not as much as it could be for the demand that is clearly out there, otherwise people would not be ordering straight to their door from the likes of off-Island providers.

Denmark has interestingly had this tax in place since the 1970s, four years after I was born they put that in place and that was a long time ago, and it is tried and tested. There are templates out there that we can pick up and lift and change to suit our local environment. But I believe that this would have a two-fold benefit of helping to keep money on Island, and also go some way towards paying for our waste charges. Those charges that customers are subject to twice, once when they purchase the goods and again when we pay for the waste.

Like Deputy Inder, I would like to explore a return to motor tax because a tax on fuel is unsustainable and, whilst it is user-pays principle, which I do like, we know that this tax is a diminishing revenue stream and needs reform with an increase in electric vehicles on Island. It is something that has been raised again and again in this Assembly.

There is also the strange anomaly of marine and aviation excise and I am seeking confirmation from Deputy Prow under whose remit this lands, so I will try not to go into too much detail because I am sure I will make a mistake with it. But obviously with due regard to exemptions for our fishing fleet due to all this 'reducing sector can still run as going' concerns, I do think that with the amount of leisure craft that we have on our Island, we really should be looking at this area as well.

I understand that we are subject to external vagaries of bodies like the OECD or the EU in terms of our corporate tax regime and there is, to my layman's ear, much logic in what Deputy Parkinson says about the deferral of tax for some of our corporates. Those points he raises, along with other ideas, will be captured to form part of any work and consultation going forward and feeding into the final paper that comes forward next year. I really look forward to seeing the detail on that particular issue.

I agree with Deputy Aldwell that Islanders would stomach an increase in income tax. Certainly this has been an area that has been positively received as a suggestion, as positively as any tax hike can be, when I have spoken to people about our financial difficulties. And it was interesting to read earlier this week a 'starter for 10', begun by Deputy Roffey, views of Members this week on solutions to local labour shortages which speak directly to the issue we face in terms of our Income Tax base. My vote for Proposition 4 is purely to see more detail on GST because, as I have said, I do not want to see that tax introduced without exploring business development opportunities and initiatives for the Island where we can invest to create a return. Initiatives which, to coin a phrase from Deputy Roffey, form a 'mosaic' policy approach from various different Committees.

But I am not sure, however, without an overarching strategic view of where we are headed economically, that we will get anywhere fast, other than applying policy plasters in a scattergun approach. There is a lack of common purpose from us and where we are headed with our economy in the future. What industries are we pinning our hopes on and what would be the support and core sectors that create employment opportunities as well in between? Until we determine this, then planning for long-term labour requirements and therefore mitigating future labour shortages will be very difficult. The link here, remember, is that labour generates income and wealth and that forms the basis of our tax take.

So an 'invest to return' look in our early years' provision to see what investments could be made to further encourage full-time parents to return to work – when they want to and to make it worth their while to do so. This was an issue that I faced when I was a full-time mum with my little ones. It needs a joined-up approach with Social Security, though, to make it worth people's while and to make that income contribution back into the States' coffers.

Exciting interest in industries traditionally difficult to recruit to locally and being creative about how we do this, such as working with other jurisdictions through education and immigration – yet again, another joined-up Committee approach. Further work needs to be done by all committees to see what a reduction in budgets would look like in preparation for worst case scenarios as well as follow the example of ESC Committee – and I am not trying to be virtuous here, but we are trying to rebalance the budget and we know that it is contentious but it *must be done*. We want to make

sure that every single pound is stretched and used where it has most impact, and that is incumbent on every single Member of this particular Assembly and the Committees that they sit on.

In closing, sir, very reluctantly I will support all the Propositions only to see further information, not because I want to see GST or tax hikes arbitrarily. I acknowledge we have system issues to fix but, in return, we must make sure that no turn is left unturned in exploring and implementing different ways to reduce, invest and stretch the use of public funds before we agree to tax increases.

Thank you.

The Bailiff: Deputy Soulsby.

Deputy Soulsby: Thank you, sir.

I have heard a lot of talk over the last few weeks and, indeed, over the last couple of days on savings. I have seen and heard comments that we do not need to raise taxes or that before we do raise taxes we need to be certain we have made all the savings we can. Of course, such statements are easy to make and play to the popular narrative of a bloated Government doing far more than it should, and inefficiently to boot, and the canny approach to putting off a difficult decision. As Deputy Prow said yesterday, which politician really wants to vote for tax rises?

The impression that has been given, Government has grown and grown without considering what it is doing and has just been ploughing on regardless. Well, with my various hats on, since I was first elected, I have probably got more knowledge and understanding of what has gone on in the last decade when it comes to savings; and, at the expense of sounding like Deputy Gollop, I think it would be very useful to give Members a brief history of the success or otherwise of attempts to do so. Now, this is not my usual habit but I am doing so as Members need to have a clear understanding of what has happened before deciding how to vote and with our eyes wide open to the consequences of their decisions.

So let's get back to 2009 and the fundamental spending review on the back of Zero-10, where the States was facing a structural deficit and considering an increase in taxes to close the gap. Sound familiar? Tribal Consulting had been appointed to consider various opportunities to make savings and that ended up with 107 opportunities which they claimed would make £70 million savings over five years. The States loved that idea: 'No need for new taxes right now. Let's put the difficult decision off until we have done this major exercise.'

So the Financial Transformation Programme was born which ran from 2009 to 2014. Things began slowly, there was not buy-in across the organisation and there were issues with the governance structure, so little was achieved for half the length of the programme until things changed in 2021, when responsibility for making savings was passed to Departments with targets set for each subsequent year.

In its End of Programme Report five years later, Policy Council claimed that the baseline net expenditure over the States had reduced by at least £31 million. Now, I was chair of the Public Accounts Committee from 2012 and that Committee monitored the progress of the FTP when it took office. This culminated in a review undertaken on completion of the programme with an independent analysis undertaken by KPMG on the top nine projects by value representing £11 million worth of savings that were claimed. Concerns arising from the review included the lack of consideration of the effects of savings on other Departments and States-owned entities; the automatic treatment of a reduction in budget as a cash saving; and, whilst acknowledging that significant savings had undoubtedly been made, it was not clear whether in all instances they would be sustainable.

The best example of real transformation was out of the Social Security Department that remodelled its claim management process and saved £565,000. Other major savings were the result of increased charges such as by the Guernsey Registry which raised £2.3 million, and a reduction in grants to the colleges. Voluntary severance produced a reduction of £1.6 million. Now, all these may have been sustainable; however, other savings probably have not stood the test of time, most glaring of which was a cut in subsidy to Aurigny of £365,000.

The FDP was a major programme of work that cost a lot of time and resources to administer with consultant fees in the millions and its own management office. That was completed seven years ago and, whilst managing to save a significant sum, was less than it had originally been forecast. However, things did not stop there and that leads me to my other direct experience of savings and that is as HSC President.

When the last Committee took office in 2016, we were faced with a £4.5 million overspend. We turned that around into a £600,000 surplus by the end of the year. In the following years, we gave back in-year savings to Treasury to support other Committees and in the end made over £8 million worth of recurring savings through thinking differently and working differently.

However, by the end of term the budget was still higher than when we started. Why? Well, let's look at orthopaedics to give some insight. Last term we saw demand on secondary care rise by 22% one year with radiology being similarly impacted. This was partly due to an ageing population. We are now operating on 80- and 90-year-olds so you naturally have more complex medical issues, often required post-operative intensive care; where, in the past, such operations would not have been done. But with medical advances now, we make them routine.

But it is not just about the fact that we have a proportionately higher number of older people that is growing year-on-year. We are also becoming an increasingly obese population too. The bigger you are, the more likely you are not only to put wear on your joints but also contract diabetes which affects circulation and leads to amputations. Now, this is just one area of health and care, but similar pressures are being experienced across the services. At the same time we are seeing medical inflation and the constant changes and service standards being issued by various professional health and care bodies.

There is a misunderstanding about what we mean by an ageing population. This does not just mean people are living into their 90s or getting a card from the Queen; but, thanks to the fantastic advances in medical care, at the other end of the spectrum people born with specific conditions who just 10 years ago may not have survived into adulthood are now, with good care, living for many years.

None of this new, though. We have been saying this through the whole of last term and previous Committees were saying it a decade ago. In 2017, KPMG forecast that the States' spend on health and care would increase in real terms by over £20 million in the period of 2017 to 2027, even after the savings which we made; and that this would increase to £75 million if increases in medical costs, like drugs, and competitive wages for medical staff and general inflation were factored in.

Both KPMG and BDO who undertook a review of Health and Care Services in 2014, said savings could be made. And that is true. Whether they were overstated as the claims by Tribal Consulting is a point for debate, but they have been, and nor can be. However, as was said in the Partnership of Purpose policy letter in 2017, they would not result in the overall costs of health and care in real terms dropping any lower. It is about minimising the rate of increase, not eliminating it, and that is what we did last term.

Actually, I think that is part of the problem, because we were managing within our budgets and making savings. I just do not think Members last term took our warning seriously. It was only in 2019 when the *huge* pressures really began to show, when budget requests increased considerably, that people began to wake up to what we were saying, which eventually led to the review and the debate we are having today. Ironically, it was because we were the victims of our own success.

After years of struggling to get staff, we were recruiting nurses up to establishment. We needed to, due to demand, but for years there had been a vacancy factor that was used because this had never been done. Indeed, the introduction of a vacancy factor in the States of Guernsey, of which this was part, was an FTP saving back in the day. So the increases in public sector staff in 2019 and 2020 which got a lot of people hot under the collar, were not civil servants but health professionals. And on that, I do not think it is well understood what constitutes a civil servant, or what is more properly called 'established staff'. It is not just those who work out of Charles Frossard House. For example, our Medical Director and Director of Public Health are both classified under that heading.

1315 So, in summary, the last decade has demonstrated Government has been pretty successful at making savings, thank you very much. Can it do more? Absolutely. Should it do more? Absolutely. There are clear opportunities within Health, Education and support services and I know these are being actively addressed in the respective transformative programmes. However, as I hope I have made clear through the detail I gave at the start, it is not easy. Embarking on a savings programme is far easier in theory than practice. It is not really something that can be done around a table producing lists of stuff that can be stopped or changed. It in itself takes up resources and takes people away from other work that has already been prioritised. Also, you have to think really carefully about the consequences of your actions.

1320 One of the supposed savings that was made was a closure of the King Edward VII Hospital and, with it, 100 care home beds. One of the most short-sighted decisions that States made in the last 10 years, the consequences of which led to the crisis we are in now and can only spend our way out of. We *do* need to make savings, not to prevent taxes from rising but to minimise the cost increases. And whilst this increase will be most keenly felt on our Health and Care Services, this does not mean it is only a problem for health and social care. In fact, the only sustainable way of managing health and social care budget is for every Committee of Government understanding its role in Health. As I have said numerous times, only through a 'health in all policies' approach will we be able to keep costs down.

1335 Three principles underpin a Public Health approach: focus on the health of the population as a whole; a sense of collective responsibility and organised action; and an emphasis on creating good health opportunities and preventing ill-health. None of these are just the preserve of the Committee for Health and Social Care. It is for the whole of Government to consider Public Health and what all Committees can do to support our community's health and well-being. It will save us money. It is the wider determinants of health, such as a good quality education, sufficient income, good working and employment conditions and adequate housing that make the difference. All the research shows that these social determinants are more important than healthcare itself in influencing health.

1340 Committees should be working with Public Health as part of a requirement to consider health in all policies. This includes supporting development of health needs assessments, and using the findings to support prevention and early intervention which keeps the health and care bill down. That is why I believe the Public Health function should not sit in Health and Social Care, but it is a core strategic support together with policy and analysis teams for all Committees of Government. This is not some random statement, because a public health function is seen as a core part of Government in many other jurisdictions, including by our neighbours in Jersey. I think the pandemic has made it obvious, too.

1345 So yes, savings can be made but they will not happen overnight and selling off our family silver, be it properties or utilities, will only provide a one-off saving. And in regard to the latter, as Deputy Haskins said the other day in respect of our natural resources, 'when they are gone they are gone'. We literally cannot afford to wait and look at what savings we can make before deciding, as the train has already left the station and we do not have the luxury of time. We need to make in-principle decisions *now*. Kicking the can down the road will only make matters worse.

1355 Be in no doubt, all those who think we can make savings painlessly. We cannot. The difficult reality is the only way we can prevent taxes from rising is through cutting services. Again, do not think you can do that without touching health and care, at 50% of total States' expenditure, and the gap that needs to be filled. If you do not want to increase taxes, Health and Care Services cannot be off limits.

1360 So what services will they be? I am guessing no one thinks it should be the Hospital, which is the biggest cost at £39 million, or surgical services at £6 million? Adult Disability Services? That is £11 million. Community services, about the same; children's services; adult mental health at £9 million. We are told it needs reviewing, will that review include looking at cutting the costs? Hmm, somehow I cannot see that happening.

1365 The easiest thing to do would be to cut off Island services where people go to Southampton or other hospitals for cancer treatments, organ transplants and other specialist services which, by dint

to our size, is not cost effective to run from Guernsey. That would bring in £9 million. Imagine that: the level of care would depend on the nature of the problem you have. It might mean no care, or delay in care, and then having to have those NICE drugs.

1370 We could cut the MSG contract; consultants are expensive, after all. All that training and experience does not come cheap. Waiting times would increase, there would be delays in diagnoses and we would have to take those NICE drugs. See the pattern there? Here is the perversity. We have Members who were happy to vote for the NICE drugs last July, although they did not have a sustainable source of funding; but, at the same time, are happy for other services which keep costs
1375 down to be cut, just to avoid their tax bill going up.

Cutting services will have longer term impacts and unintended consequences on the health and wellbeing of our community. A spectacular own goal. So I ask those who believe they can have it all ways to put their big boy pants on and make some difficult, grown-up decisions.

1380 So, looking at tax, and that leads me to what those difficult decisions we need to do are. We just looked at these two taxes – there are lots of other taxes we can look at, indeed there are, and as I referenced, and we did provide links to Members ... The Personal Tax and Benefits Review that was done in 2015, which covered and dealt with a lot of various different taxes and explained the benefits and the disadvantages. They are all in here for Members who are interested; and it also covered off ... Actually, on that, we also had different ones mentioned today, car tax or I think a
1385 carpool tax I have heard mentioned at some point.

Now, we think, 'It's going to be easier having lots and lots of little taxes will make it ... The public will be so much happier with that than just looking at a few percent on Income Tax or bringing in GST.' But I think Deputy Burford, who is not here at the moment, could really speak for what people think about anything to do with taxing their cars. I mean, we are likely to see more people
1390 campaigning on the North Beach if we do that. (*Interjection*)

So, yes, a lot of this was in the Personal Tax and Benefits Review and then we hear about Territorial Tax. This was also referenced in the Personal Tax and Benefits Review of 2015 which Deputy Parkinson references. He talks about P&R not having any experience in this area and we obviously did not know anything about corporate tax. Well, actually, I started my career in corporate
1395 tax in the City, so I do know a bit and I have worked in fiduciary services for quite a long time. But then I have not worked in it for a very long time, and I do not know how much more recently that Deputy Parkinson has.

But there are issues with territorial tax. Within the 2015 policy letter was a recommendation that the Treasury Department at the time keep it under review, and that has been done. But I am not
1400 going to go any further than that because I think I do not want to steal Deputy Helyar's thunder, which I know he has got up his sleeve for his summing-up.

That brings me to GST. We have had lots of emails and letters and people rushing to media to say they hate GST. Well, so do I. I have campaigned against it myself; I have voted against it myself; and I have voted against *investigating* it myself. And, in the purest form, I could not accept it. But it
1405 has been abundantly clear that people have not read the policy letter. The proposals are not just to bring in GST but a consumption tax and mitigations. Mitigations that would actually make the poorest in our society better off, as Deputy Roffey covered off earlier.

It is clear and evident, before we went into COVID, that there is inequality within our community and COVID has only made it worse. But by adopting the proposals put in here for GST, in many
1410 ways we are trying to put that right; whereas bringing in an income tax, quite the opposite will happen. And, like an extra income tax will be more aggressive and put the burden on a reducing number of people. Small businesses can opt out. I understand in 2015 I think 70% of Jersey businesses would be exempt from GST through the £300,000 threshold. I think preliminary calculations are that it would be at least 50%, although we cannot be absolutely certain at this
1415 moment in time. Finance businesses will need to pay to be exempt, bringing in £10 million. And we will directly make money from those who visit us.

So how is it possible, faced with that evidence, not to want to investigate it further? Deputy Falla made a lot of reference about Jersey yesterday, but he did fail to reference the fact that Jersey itself

does have a GST. We are happy to spend time and resources to look at whether we create another quango, but not when faced with one of the hardest decisions we have to make that will impact people's lives directly. Okay, if you do not like it when presented in July, reject it. If I do not like the detail in July, I will reject it. But it would be unjustifiable to strangle it at birth before we have had that public consultation, before we have shown people what the opportunities are, before showing them alternatives. That is why I will support Proposition 4 as much as I hate having to do so.

So, finally, I am just going to read out the last part of my speech that I made in the debate on the 2020 Budget in November 2019, as I do think it is pertinent to this debate.

[The] Budget indicates that the time has come for a wider conversation over what the community is able and willing to pay to maintain our services. The current arrangements are unsustainable if we are to meet growing expectations, be it in how long we have to wait for surgery, how much we have to pay to see a GP, the drugs and treatments we want or the level of care we desire in the community. Something has to give.

All the savings that HSC has made over the last 3 years have been made without cutting services. We've done it through thinking differently and working differently. The time has come for all of us to think and work differently and think and work together to find the best solution for the people of the Bailiwick because decisions need to be made and made now.

Sir, I was not going to stand again at the last election. I was not one of those who said they would not but was always secretly going to do so, (*Laughter*) and I did not say I was not going to stand in this place either. But I was indeed planning for the future away from politics, as those who know me well are only too aware. Indeed, I have to say there have been moments hearing all the noise over this policy letter where I wish I had my paint brushes out instead of my laptop. (**A Member:** Hear, hear.)

However, at the last minute I did decide to give it one more go, not because I thought everything would be so easy after the last term, quite the opposite. It was because I knew the enormous challenges ahead and I felt I could not walk away. I know, and I knew, difficult decisions would need to be made and I came here with my eyes wide open. I was *prepared* to make those difficult decisions and I ask Members to do the same.

Thank you.

The Bailiff: Deputy Fairclough.

Deputy Fairclough: Thank you, sir.

Some excellent speeches today and yesterday. What is clear from the policy letter, for which I thank P&R, is that we need to facilitate economic growth, reduce expenditure and increase revenue-raising measures to meet the projected funding gap and demands of the Guernsey Insurance and Long-term Care Schemes. A three-pronged attack, if you like. Can we stimulate growth? Maybe. Can we reduce expenditure? Almost certainly. Will we also need to raise more revenue? Probably.

Whatever the Assembly decides in this debate, I feel we need to collectively support a *sustainable* economic recovery and accelerate public service reform; and, as stated in this green paper we need fiscal self-discipline and political co-operation if we are to move forwards. (**A Member:** Hear, hear.)

P&R says if the Propositions are accepted then the Committee will return with detailed proposals, a point emphasised by Deputy Helyar during his opening speech. But, like others, I feel that perhaps we have missed a stage here. That said, a bit like the Government Work Plan, there is no perfect way of doing this, and I take reassurance that the Committee says it is in listening mode as it seeks the direction of travel. It is easy to criticise.

So, while I generally favour taxes on consumption and the user-pays principle, I remain unconvinced GST is the answer. It is a hard sell and the public have hardly been taken on the journey thus far. Deputy Helyar admits more public consultation is required but on what, exactly? Have we gone about this the wrong way? I fear so, focusing perhaps too much on the solution rather than the problem. But we have to somehow move forward constructively.

I listened intently to Deputy Helyar's opening speech and while I agreed with many aspects of it, I was concerned to hear him say something along the lines of, 'If Propositions 3 and 4 are

overwhelmingly defeated, they probably will not be considered' – or words to that effect. Am I to take from this, then, that if they are only narrowly defeated, that detailed proposals will still be developed?

A lot of this is about timing and the order in which we do things and there are many factors at play here, one being what role tax on corporate profits will play. In some ways these options, while long overdue, are also somewhat premature given the fact that a detailed implementation plan on a global solution to reform the international corporate tax framework is now imminent, and I thank Deputy Parkinson for his speech this morning. Clearly, the social security contribution system is unsustainable. It needs to be both more equitable and more progressive. I support the principle of its restructuring to put it on a more sound footing, and I welcome the phased increase in social security contribution rates under the existing structure in the meantime. I think that is prudent and I will be backing that Committee's proposals when they come before us later this month – Deputy Roffey's plan B.

I do, though, wonder what is happening with the Island's population policy, because it is very difficult to look at the big picture and come to meaningful conclusions without all of the information in front of us. I know this was one of the priorities agreed when we debated the Government Work Plan, but I seek guidance at least on the direction in which that work is heading. I do not think there are any easy answers, but we do need to understand why we currently have 544 job vacancies, for instance, which sectors these are in and how we get more people into work. But some things are clear, underlined by sobering statistics in this document, not least the fact that there has been a 24% increase in the number of people claiming a state pension in the last decade. Incidentally, and for the record, I am absolutely against the means testing of pensions.

As I have already said, it is clear that expenditure restraint and economic growth will need to carry a significant part of the burden. The prospect of raising revenue is a difficult one but, on the basis of the current information before us and what we have been hearing, I feel that we cannot afford to shy away from it. And, as the policy letter sets out in Section 6.1, it is a decision best taken before the financial situation reaches a crisis point.

I am not looking to hold up this essential work, rather ensure that we have taken everything into account before we move a step closer to hammering the community with new taxes. The conundrum I am faced with is an inherent dislike of GST while at the same time acknowledging we have to broaden our tax base. Now, I accept that measures such as TRP, environmental levies and customs duties may not be practical options for meeting the scale of the challenges presented here, but they do need to be a part of the mix, I feel, as does corporate tax. But I think, rather than being considered in a rather piecemeal approach annually during every budget process, they also need to be considered front and centre as part of this tax review, which has not been wide enough for me. As I said, I think it has been narrowed too quickly.

If revenue-raising measures can be introduced which also have benefits in terms of driving positive behavioural change, then I would rather embrace these than simply slapping a percentage on something we all need to consume and which is actually good for us, for instance fruit and vegetables. Why not look instead at measures such as a sugar tax, and we have heard of ideas of packaging taxes (*Interjection*) – as part of the mix at least? And, despite us knowing for years now about the falling revenues from fuel duty due to more efficient engines and the shift to electric vehicles, we have still failed to find a substitute policy as yet, although I know through my meetings at E&I that we are now trying to accelerate this work.

We are told that two-thirds of the States of Guernsey's total revenue is derived from people's income and that this approach of income-based taxes is more volatile and less stable than consumption taxes, which are less economically sensitive. But the paper also sets out on page 9 of Appendix 2 that:

The structural changes may include a reduction in the size of sectors such as wholesale, retail, and repair ...

– if GST is brought in. I wonder, have we braced ourselves for this?

Taxes on income are less likely to impact on inflation and an aspect this paper seems to have overlooked somewhat is that the cost of living in Guernsey, as some Members have already mentioned, is already high. People are struggling *now* as the cost of everything rises at well above inflation increases, (*Interjection*) be it gas bills or ambulance subscriptions. GST would exacerbate that problem and push up inflation at a time when it is already on the rise. This could have potential implications for pay awards at a time when we are looking at costs and staff costs, one of our biggest areas of expenditure.

Now, I do appreciate that there are advantages and disadvantages to every revenue-raising option and none of these measures are vote winners, let's face it. Again, we are faced with a difficult decision and the easiest approach is to not support any of these options before us today. But in an attempt to be constructive, of the three potential solutions I could reluctantly support the working-up of option 1, focusing on income-based measures only in the form of a 3% Health Tax combined with increased revenues from a restructured social security contribution system. I accepted increases for the reliance on earned income, but I think it one of the more acceptable approaches before us.

I do *not* support the development of GST although, having read all the documents before us prior to this debate, I do acknowledge the merits of this approach, and I never thought I would say that. I accept that mitigations are possible to overcome the regressive nature of GST but the argument that there is such a tax almost everywhere else is simply not a good enough reason or even factor to persuade me to support it. If anything, like Deputy Inder, I am pushed the opposite way and will do what I can to protect the things that make us *different* from other jurisdictions while still playing our part on the world's stage.

A lot has been made of our manifesto pledges and one of mine stated:

A full appraisal is needed of States spending – alongside the already planned tax and benefits review – before key decisions can be made on how to tackle the inevitable deficit in public finances ...

And, as the *Guernsey Press* were keen to point out recently, in a pre-election questionnaire I said I do not favour GST. My views have not changed. We need to approach this problem in a number of ways, and so I have to accept that the problem means that we will need to raise more money from taxes in the future, and I agree that we should reform the social security contribution system so that everyone is assessed on the same definition of income and has access to an allowance which would make it fairer and more progressive. But I am not convinced that we will need a GST.

Before I could support that, I would have to be convinced that we were doing all we can – and I mean *all* we can – not so much to cut services, because I do not buy into this notion that there are loads of things the States are doing which we could simply just stop doing but, rather, to do things more efficiently and use our resources better. And here as Deputy Falla mentioned yesterday, there is huge potential within our property portfolio, not to mention the tens of millions of pounds of taxpayers' money haemorrhaged through States-owned airline Aurigny, although I do take comfort from the recent presentation and words from the company's Chairman and Chief Executive. But, to be perfectly frank, I cannot look constituents in the eye and tell them I have voted to tax them *more* until I can say we have done all we can to be less profligate with their money.

As ever, sir, I will listen to the debate but it is currently my intention to vote for Propositions 1, 2, 3 and 5. Thank you, sir.

The Bailiff: Deputy Brouard.

Deputy Brouard: Thank you, sir.

I think we all know and I know on a daily basis that, irrespective of our commitment to financial discipline, the reality is that healthcare is expensive and it is getting ever more so. As a community we are getting older, which is great, I was reading in the newspaper I think it was a day or two ago that a lady just recently passed away I think in France at 120 or something, and it is looking as though some people will soon be reaching going up to 130 years old. So that is a fantastic age.

1560 I think it will continue that we will have longer and longer lives, although in the UK I think recently the average length of life has just dropped by about three weeks or so, something of that nature.

We have more long-term and chronic conditions. We are placing greater and greater demands on services and we have higher and higher expectations; and where in some fields technical advances may be making services more affordable, in *health* that means more and more is possible, bringing with it more and more cost. And, of course, all of this is then subject to the effects of medical inflation. It is a good news story and, as the alternative to it, it is not attractive at all. There is no silver bullet and thanks to the efforts of previous committees and officers, HSC's budget is already lean. On this point, it is important that there is no misunderstanding. I do not think there are any significant savings available within HSC while maintaining the current level of services.

1570 Transformation through the Partnership of Purpose will slow the rate at which healthcare costs rise but it will not reduce the overall cost. That is not a bad thing, being cured or having your shoulder repaired.

We can, of course, make difficult short-term decisions. We could ration services or make them available only to those of acute need; we could consciously reduce the quality of the service provided; we could remove some services entirely. But this has the potential simply to store up costs in the future.

1575 As we know, spending now can have a positive effect in the future, especially in the sphere of prevention and early intervention. There are a range of things that we can do and *are* doing that might mean increased spend in the short term, but mitigate spend over the long term, whether through business cases for service developments, the Hospital Modernisation Programme or community service transformation – but you only see that scale of these savings in the long term over the course of an individual's entire lifetime.

1580 A healthy economy needs a healthy community and we have a duty to our community to think about how we can leave that legacy. As an example to you, we have shown our commitment to healthcare this term through, for example, the debate on NICE TAs and the Government Work Plan. So if we can continue to believe this and believe that the analysis that has been there for years showing us that the rate at which healthcare costs are increasing, then difficult decisions need to be made on how to increase revenue. HSC do not have a collective view on the approach that should be adopted, but do agree that it is vital that the proposals fulfil the States' commitments to the Partnership of Purpose to use the opportunity to improve health or reduce health inequalities across all Government policies.

1590 I just want to touch just briefly on the review of primary care. As recognised in the Tax Review and supported in the Government Work Plan, a review of the model and funding of primary care is ongoing – and I am grateful to Deputies Roffey and Falla who, along with HSC's non-voting members, for their participation in the working party, and I am pleased that we have made progress since the first meeting several months ago. No decision has yet been made on the final recommendations which will be informed by careful analysis and stakeholder engagement. I, personally, anticipate that a range of options will be presented in the final report, ranging from cost-neutral reallocation of existing funds in a way that provides greater value for money, right through to how we could make primary care free at point of use. This latter option, which I should stress is not being identified as a preferred option, is reflected in the Tax Review as the upper estimate of £20 million per year; and officers will be working closely with P&R to ensure close alignment between the two work streams.

1600 Now, we are lucky Members. We are very lucky. We are in this Assembly and we are lucky in some ways that the electorate voted for us. We all have a good mix, good brains, good spread across the political spectrum from right to left, and that right-to-left position is not fixed, it moves from time-to-time on particular votes. We are really lucky to have Deputy Helyar, (**A Member:** Hear, hear.) an intelligent businessman but the lead on Treasury and, if anyone is going to look for opportunities not to increase tax take with a personal manifesto and a party manifesto, I can feel his pain. So his pain is my gain, because I cannot think of anyone better to ensure that every stone is not left unturned. So I think we are well placed by having the right person to look at it.

I just want to touch on a couple of other little points. The 'death by a thousand cuts', not as Health Minister this is, (*Laughter*) but I just want to touch on what I call death by a thousand cuts. It is what I learnt from going through the aftermath of Zero-10 and I think a couple of people touched on it this morning. If we need to raise funds, which I do believe we do, let's look at some significant move that will make a real difference. Not just a lot of engaging small taxes and fees here and there, because people just get very annoyed – I think Deputy Soulsby mentioned it – about cardboard tax, and this tax, and that tax. I think, if we are going to do it, we need to be fairly bold.

That brings me on to the spectre of paid parking, another one of those that turn up every now and then. So it is okay, then, just to tax the people who have to work; (*Interjection*) it is okay just to tax the people who have to provide the engine room for the finance industry; and just the people who happen to park in town? Hmm. (*Interjection*) But the boss, he can park his Porsche in the corporate garage without paying the fees. Hmm, yes ... So if you want to hit middle and the lower Guernsey income, please bring on paid parking. (*Interjection*)

I will give way to someone who is going to have the opposite view –

Deputy de Sausmarez: No, not at all!

I thank Deputy Brouard for giving way but I would be really interested to hear his views on whether he thinks actually paid parking for those corporate Porches, etc., is something that should be looked at instead of (*Interjection*) on the public piers.

Thank you. (*Interjections*)

A Member: Hear, hear.

Deputy Brouard: No, I do not, honestly.

But if you are going to bring in paid parking, do those first. Enjoy that journey (*Laughter*) because if you ever want any articulate people, those will be the people who will contact you.

I just also want to touch on corporate COVID. I know it is a very niche market and it is not one that will fulfil forever, but it just picks up on what Deputy Inder was saying. I think there is an area that needs to be looked at. It will not give us the substantial help or the money we are looking for in the longer term, but I think it will just give us a little bit of relief, and that is to look at where we have given substantial help to local businesses which we gave as a Government through the continuing COVID crisis.

The idea was that we would help businesses survive where we could, but at the time the future was unknown, as it usually is with the future (*Laughter*), it goes with it. Not all corporate businesses would necessarily be saved but it was about survival, just surviving. But some businesses have bounced back very well with profits and I would ask those who have bounced back very well with profits, to repay. (**A Member:** Hear, hear.) Not necessarily today but over the next coming years if they cannot afford it all in one go, but our help was given to you to survive and if you have done that very well – and I definitely need profits because that is what pays for our Health Service, etc. – I would ask you just to return those funds that you no longer need, but you needed them at the time, back to ourselves. I will be watching certain businesses with interest in that regard.

Pensions. Oh yes, another one. I have lost the debate in the past but hopefully we may be able to do this again. I have real concerns over pensions. Not so much the States' Pension, but our own pensions that we provide to our Civil Service. It is the fact that it is the length of the liability and the size of the liability where there is no real cap. Now, when I worked in banking, we had a deal I think with myself – and I was with NatWest, one of the clearers. I think the deal went something like: 'You work for us for 40 years, you give us your best years, we will put up with you at the end, we will put up with you at the beginning – but, at the end of it you have got 10 years to live, and then you can have your pension for 10 years and then, hopefully, you will be dead, Mr Brouard, at 70.' (*Laughter*)

I am going to probably try and change the rules now, now that I have left and try and live a little bit longer. But we are all doing that. Civil servants as well and across the piece. I do not think we are going to get to a sustainable position where you can work for 40 or 50 years and then have

another 40 or 50 years, somehow, in paid retirement. The maths just do not stack up. So I think it is a big ticket item on our balance sheet and I think it is something that P&R need to relook at. I am not saying about changing Civil Service pensions or the Law Officers' pensions for the existing people, but I think we have got an opportunity.

We have got quite a high turnover of staff coming up. Why not bite the bullet now and say, 'Actually, for any *new entrants only*, they are on a defined contribution scheme?' I think, over the years that will be the way to go forward. I know we refined it in the last term to a career average, but I do not think that scratches the spot from my point of view. I do not want to disadvantage any of our existing staff, they do a tremendous job, they have joined on a particular deal and I think it is right that we should respect; but I think for anybody joining the service, we should very seriously look at a defined contribution scheme.

Silver. Oh, yes, okay. The reason I entered politics, or put my name forward at the very beginning back in 2004, was after the debacle where we gave away Guernsey Telecoms. Now, how did that work out? This new nirvana of a world-leading company... I mean, at one stage Guernsey was a leading company in telecoms. We had I think it was System X, or something, and a few of the others and we were one of the first to have phones in houses. But we decided back in 2002 that we would go with a world-leading company to really put telecoms in Guernsey on the map because we were too small to do it on our own. And how did that work? We have ended up now with three different separate companies with three lots of masts, with three lots of infrastructure. We then pay a regulator over £1 million – that is £7 a head *at least* for every man, woman and child on the Island – to then control it. What an absolute farce! And we gave away our main company for nothing because they were able to pay the first instalment back with the money that was in the balance sheet of the accountants in the first place.

So it is not the telecoms' fault, no, please do not walk away thinking that I am upset with Sure or whatever its latest name is, or Airtel, or any of the others. They have done a fantastic job in their own right because that is what they have come to the market for. The mistake was made by our predecessors, or my predecessors. I do not want that repeated now and I hear little rumours about, 'Oh, we could recapitalise Guernsey Electricity by doing this', or 'We could sell some shares in Guernsey Water by doing that'. No way, please. (*Interjection*) The reason – not only because it is not a good idea, but the other reason is you could end up with people like me being in the States because that is why I joined. (*Laughter*) So, if you do it, you will have people like me coming back here saying 'How dare you sell off our family silver?' (*Interjection*)

The other one is private sector partnerships. This has been tried in the UK. There were some very clever brains, they have very clever universities over there, but it is just unequal arms between the government and private businesses, and it just did not work out well. It worked out well for the businesses, they built schools and hospitals but the government paid well over the odds for those services in the longer term. So if we are ever going to go down this route of private partnerships, please be extremely careful and get someone who really knows how to negotiate, because the history in the UK is not looking good.

So to tax or not to tax? I am in no doubt we need extra income and I do understand the call from some Members to go back and look for savings, to cut services. When they say 'cut services', I never see a list. They never come up with a list of what they are going to cut. 'Take the States out of people's pockets', a great soundbite, but it feeds no one. I have voted against GST in the past, so what choice do I have? Do I have number 1, the responsible, legitimate perhaps we need to raise some taxes and have funds to pay for the services for the demand that is increasing and increasing? I do not have people phoning me up, saying, 'Please take this service away so I don't have it', I have people phoning me up saying, 'Please put this service in because I *want* it!' (*Laughter*)

Or number 2, do I look for hippo land? You will like hippoland. It is along the lines that: I know we need more money, and I want my operation, and I want NICE drugs, and I want the care home, and I want to have the care home subsidised for dad, because I do not want to sell the family home. But it is not a popular vote. Hmm. But I still want the services. So, what I will do is I will vote against

1715 tax rises and let others do the heavy lifting so I do not take the flack but it will happen anyway because it is the right thing to do. That is hippoland. So do I do that one? (*Interjection and laughter*)

Or, do I go for option 3? Do I go for cutting cloth? Hmm. Now that is a legitimate position, do not get me wrong. Who do I stop going to the Hospital? Which teacher do I remove? Which services do I not provide? And sometimes it is the same voices who want the services but are not really keen on paying the extra taxes for them. But really, do people really want Government out of their pocket? Do they really mean it? So that would mean that people will choose and use their own money to pay for their operations. Will people have £10,000 for their shoulder operations? (*Interjection*) Will they sell their house? Because I am not going to be taking their money, it is them using their own money.

1725 I will give way to Deputy ... Meerveld. (*Laughter*)

Deputy Meerveld: Thank you for giving way, Deputy Brouard!

Would you agree with me that the issue is that this conversation has to be *had* with the public? They have to decide, or be involved and engaged in the process of analysing this, and coming to the realisation that they either have to pay more taxes for what they currently receive, and what they have to receive in the future; or there have to be cuts in services and benefits? But that conversation has to be had with the electorate and the public if we do not want to have a pendulum swing at the next election?

Thank you.

1735

Deputy Brouard: I think Deputy Meerveld makes a reasonable point there and I am hoping between now and the debate, I think, next year when we start moving this to the next level, we need the public to get engaged in this.

But going back to what I was saying, this is my option 3. Do people really want me out of their pocket? So that would mean that people would then have to choose, they cannot come to the Government to do the subsidy for their care home so they are going to have to, what? Keep dad at home in the lounge unsatisfactorily?

A Member: That will do. (*Laughter*)

1745

Deputy Brouard: Or do they then have to sell their house to pay the £50,000 a year for the care home fees? (*Interjection*) Or do they have to pay for their own operation for their heart condition? Do people really want that? I mean if they do, that is fine. I mean, it is a legitimate position. But I really do not get that feeling from the electorate that contact me.

1750 So that is my dilemma, I have got either, 1: legitimately raise some taxes because I think we need it; I can move over to hippoland, which is also quite a nice place to be; or I can cut my cloth.

I will go for my option 1. As P&R will look at the options I think there are several things that need to be looked at between now and next summer and I would very much like them to look at the corporate world and I think Deputy Parkinson made a very good speech this morning. I think we need to have that stone well and truly turned over several times and, also, the increase in corporation tax which is coming down the tracks anyway across the globe. I think that is a *definite*.

I am reluctantly warming to a GST, not from the point of view that I would particularly like it but I think it is almost the least worst. I quite like the idea that people who come here on holiday pay a little bit more tax. I quite like the idea that there would be a corporate taxation system as well, and I quite like the idea that we do have some very wealthy people but they still buy Ferraris or other high-value goods. So if we had a VAT or GST, those high-value goods would be another way of capturing some of that money.

1760 So, I will probably vote for all the Propositions and reserve my final position until next year, and in that time I will cross my fingers and support our lucky Deputy Helyar.

1765

The Bailiff: Deputy Mahoney.

Deputy Mahoney: Thank you, sir.

I rise not to go over my position in detail on this, as it is in the papers already before the Assembly. I will be quick looking at the clock, although I must confess I am still trying to get my head around moving the Airport. (*Laughter*)

I listened with interest yesterday and this morning to the many speeches and the many more suggestions, some perhaps more realistic than others. I know there will be many more today. Whilst most Members seem to be suggesting they cannot support Proposition 4 as it stands, I am actually somewhat heartened by the mostly relevant and useful suggestions that are being aired. It was one of the purposes of this meeting.

I am sure Deputy Helyar will also wish to pick up on this when he sums up the debate. The view of P&R is as highlighted by Deputy Helyar in his opening speech. We have a choice and it is one that must be made. We can take responsibility for it now and in July, or leave it for the next term to pick up and run with. Of course, if in the summer the Assembly chooses the latter, the problem will be four years' worse and that is not what we are paid to do. You are taking the money, so take the responsibility that comes with it. That has just disappeared ...

These are difficult decisions but the facts in the paper before us speak for themselves. The choices are stark and if we want to carry on investing in the Island's infrastructure, we need to raise more revenue. If we want to be able to continue to pay for pensions, we need to raise more revenue. And, if we want to meet the skyrocketing costs of long-term care, we need to raise more revenue.

Against that backdrop, the Tax Review Panel sat with Treasury and Deloitte's as an *independent* expert and went through many options. The rule was, nothing was off the table. Options from paid parking to inheritance tax were considered. The viability, cost effectiveness, revenue capacity and importantly the consequence of each were tested. Finally, three options were chosen and put before the Policy & Resources Committee. Having considered each and every one, the advice of the panel is the paper that you have before us today.

So we get to: what are we actually deciding today? If this green paper is given the green light, have we approved GST? No. If the Assembly approves the paper, what it will have done is acknowledged that there is a problem, and an urgent one, and that something needs to be done; and that when the policy letter is brought before the Assembly in the summer, that it should include GST *for debate*.

There has been a lot of noise outside these walls (*Interjection*) but as with all of these things, there has been even more silence. I am not suggesting that everyone that has not written in or given their expert opinion on social media is a supporter of any of the proposals but, rather, many people do see the problems galloping towards us and accept that something has to be done.

Talking of the noise, it is completely understandable. Any new tax is clearly not going to be welcome, which is why in our view it is only a viable option if it is accompanied by other changes in our overall tax, pensions and benefits system. Wise words if I do say so myself. Prescient, perhaps. I just wish I could claim them, alas they belong to Deputy St Pier from a TV interview at the time of the previous GST debate.

Many of the comments we have received – and perhaps as a member of the panel I may have received more than some – are pretty specific: 'You don't know what you're talking about.' 'How dare you.' 'Stop lying to us.' 'You should take a pay cut.' That was a regular one. 'Put it on TRP.' Or 'Make the rich pay it.' That was another regular one.

There are *many* more but I will not list unless Members would like a Deputy Queripel-esque run down of my top 40. (*Laughter*) Judging by the hundreds of emails over the past few months it is safe to say that GST on its own is regressive. We all know that. But, as already mentioned, that is not what is being proposed. The green paper speaks of GST *plus* mitigation.

We all, I hope, have looked at the case studies of the various earnings and family situations and seen that the mitigations remove the regressiveness of the GST. If people choose to ignore this, then they are doing so with an agenda. If you are still unsure of the numbers, please re-read the papers. We can achieve some cost savings and we are doing so, but they will not get near the amounts that are required. They will help but they will not cure.

1820 Voting for Proposition 4 does not mean your pint will cost 5% more tonight. There are a bunch of hurdles to clear before that could happen, the most obvious of course being a full debate and a vote by this Assembly.

1825 We have read that a USP for Guernsey is that we have no consumption tax. Well, to my mind, what nonsense. I have never met anyone that has chosen Guernsey because we have no GST. As correctly noted by Deputy Helyar, I was against GST and in fact I feel the need to say something, and issue, perhaps, an apology. When I stood for election at the backend of last year, it was against the backdrop of wishing to give back to Guernsey as, despite the grey hair and beard, it has been kind to me. Nearly 12 months in and I have learnt a lot about being a political figure. For a start, you get blamed for a lot of things that are not your fault. (**Several Members:** Hear, hear) Also, some people just cannot be reasoned with. And, wow, Guernsey has a lot of couch experts and backseat drivers. (**Several Members:** Hear, hear.)

1830 Perhaps most importantly, though, is that most people are pretty reasonable if you are straight with them. So I will be straight. (*Interjection*) Let's deal with the elephant in the room, Deputy Trott. (*Laughter*) Sorry, my apologies, a full stop missing there. (*Laughter*) Let's deal with the elephant in the room, full stop. Deputy Trott is well known (*Laughter*) for carrying with him a handy copy of the manifestos of each and every one of us. As he and others know, many of us voted that we do not favour GST. Then again, I favour four-day weekends but that is not going to happen. (*Laughter*)

1835 So what I *can* add to the previous list is that being a Deputy involves some unpleasant decisions; decisions that make a good portion of the public dislike you; decisions that have to be made on the evidence presented to you. So having read in great detail the evidence, and having spoken to the people who know, I will be making one of those tough calls referenced by Deputy Roffey in his speech. I will vote to continue to explore the possibility that GST may form a part of this Government's thinking. As has already been said, any debate and vote will not come until the summer.

1840 To those who did cast the vote my way, I apologise, but I am prepared to make those uncomfortable decisions and I would like to see it explored to whatever end comes. To those that know me, they will know I must have very good reasons for doing so. For those that do not, some will trust my judgment and some will not. This is *not* a finished paper. It is seeking views and discussion and, as I said at the start, it is good to hear those opinions, and we have not finished yet. I hope they continue to be mostly positive. It was noted yesterday that we must raise funds but people must not be adversely affected; but of course the disconnect there is that *someone* has to pay the piper. All we are looking to do is make sure the piper gets paid and is playing the right tune.

1850 Sir, I will finish with a nod to Deputy Parkinson, it is a shame he is not here, and an apology to Members for being remiss. I am the owner of a *very* small coffee company so if any Member wishes to have a trip in the company jet or perhaps a whizz around its mega-yacht, just drop me a line.

1855 Thank you.

1860 **The Bailiff:** Well, Members of the States, normally we adjourn at this time until 2:30 p.m. but I have been encouraged to test your appetite to returning at two o'clock. So I am simply going to put to you the motion that we now adjourn until two o'clock rather than 2:30 p.m. Those in favour; those against.

Members voted Pour.

The Bailiff: I will declare that carried and therefore we will adjourn now until two o'clock.

*The Assembly adjourned at 12.35 p.m.
and resumed at 2 p.m.*

**The Tax Review –
Debate continued –
Item deferred**

The Bailiff: Deputy St Pier.

Deputy St Pier: Thank you, sir.

1865 I am going to begin by speaking strongly and indeed enthusiastically in favour of the Goods and Services Tax, and I want to explain why, despite its almost universal unpopularity. I think Deputy Aldwell explained the position that she found *[inaudible]* But it is actually the sensible tax that we all have *[inaudible]*

1870 I am probably the only successful candidate in the Election who referenced GST in their manifesto without saying I would oppose it, and failing to do so may well have cost me votes, of course. In fact I know that it cost me votes because I had an exchange of correspondence this morning with the same individual that Deputy Helyar was corresponding with last night, and he confirmed that he did not vote for me in the Election because he remembered my position on GST. So it did definitely cost me votes.

1875 Now, I co-led the Personal Tax, Pensions and Benefits Review with former Deputy Allister Langlois, which came to the States in March 2015. That policy letter, like this one, recommended keeping GST on the table and undertaking further work on it. Deputy Helyar opened yesterday with a version of the speech that I gave in 2015 when leading that debate, albeit I did not use the phrase – but I could have used the phrase – that we were at *three* minutes to midnight at that point. Obviously we have now moved to two minutes, as he said yesterday. He gave a version of the speech that I would have been giving had I been leading this Review.

1880 The 2015 proposal was revenue neutral, as it proposed concomitant reductions in Income Tax by raising personal tax allowances by 70%. That part of the policy letter was heavily defeated. So what are the arguments in favour of GST? Deputy Helyar gave you some of them but they do bear repetition. Their repetition is warranted.

1885 Firstly, as any tax economist will tell you, taxing consumption with a single, low rate of taxation with few exemptions is the one form of taxation which has the least distortive impact on individuals' behaviour. Deputy Roffey made that point when he spoke. In other words, when we consume we consume what we consume. We do not, or cannot really plan to avoid the tax.

1890 Secondly, in a tax system such as ours, which is already off the scale – again, as Deputy Helyar has said – by any comparisons to any other jurisdictions in relying on the taxation of personal income, GST diversifies and so helps stabilise the tax base. Why? Because consumption is more stable than income, at least at a macroeconomic level, not perhaps at a household level. It is less impacted by a rise and fall in incomes as consumers draw down from or increase their savings to maintain their consumption levels as their incomes fluctuate.

1895 Thirdly, with an ageing demographic we need to recognise that personal incomes typically peak for individuals in their late 40s. After this – again, not for everyone clearly, but enough at an economic level to make a difference – individuals, if their family circumstances allow, may work fewer hours or in less demanding but less remunerative roles. So as our population ages, as Deputy Helyar said, as our generation moves into our 60s, we will be earning less, paying less Income Tax, but needing more Health and Social Care Services in particular. And if we continue to tax income, whether as Income Tax, a Health Tax, or through Social Security, we will be placing an increasingly disproportionate burden on younger generations to match the decline of their elders' revenue contributions, and that intergenerational iniquity is unsustainable.

1905 Fourthly, the most often-cited criticism of GST, and we have heard it several times already in this debate, is that it is regressive. But this can be addressed *if* the appropriate increases to tax allowances and benefits are made up front to cushion low- and middle-income households. At the wealthier end of the community, it can become progressive, because many households will be consuming more than they earn. How can they do this? They can do so by funding their lifestyles

1910 out of accumulated capital or capital gains. If someone goes out and spends £250,000 on a new yacht to put in the QEII Marina, they will probably be doing so, not out of taxed income, but from capital, and that single purchase would yield £20,000 of GST, remembering that £20,000 in Income Tax would require an income of £100,000 and only of course the top decile of our earners are earning at that level.

1915 Fifthly, GST is the most cost-effective tax to collect, approximately a penny in every pound of the GST that is collected. And that is the estimate that also appears in paragraph 9.6 of the policy letter and is of course Jersey's experience. It is far more cost-effective than collecting Income Tax. The fear of a whole new overblown Civil Service Department to operate GST is frankly unfounded. Indeed, the most obvious solution if implementing a broad-based GST with few exemptions, as is
1920 proposed, would be to outsource this function to Jersey, given they already have the infrastructure. Of course, most of the cost of operation is borne by business rather than Government, but again this argument is overcooked. Every accounting package and system in the world has provision for sales taxes, as this is a standard requirement in 170 other jurisdictions. Ironically, it is necessary for this functionality of accounting and till systems to be turned *off* in Guernsey.

1925 Sixthly, it is often said that GST is just taxing the same 62,000 taxpayers. It is not. It draws in revenue from non-residents, in particular £10 million would be collected from visitors. Just as we all pay VAT when we visit the UK or anywhere else in the world, those who visit us would pay GST, helping to contribute to the public services they enjoy whilst they are with us. In addition, if we adopted, as is suggested, Jersey's international services exemption fee for financial services
1930 businesses, that would obtain another £6 million contribution from that sector. So GST would raise £16 million that would not need to come from Guernsey's own hard-pressed taxpayers. That is not to be sniffed at.

Sir, before I move on, as I have said elsewhere, I have a great deal of empathy for Deputy Helyar. He has got a tough job. I know; I held Deputy Helyar's portfolio for eight years. You make few
1935 friends in that role. I think Deputy Parkinson and Deputy Trott will provide the same testimony. (A Member: Hear, hear.) I think Deputy Mahoney also too deserves credit. He said, as he said when he spoke before lunch, that in his manifesto he said:

In the coming sitting there may be pressure from some quarters to impose a sales tax and I will not support this.

A Member: He did.

1940 **Deputy St Pier:** In his wildest nightmares he did not expect to find himself to be one of the quarters applying pressure to impose a sales tax. They both got elected on one set of promises, and then, having been appraised of the facts, they have adapted their positions and have to break those promises. (*Interjection*) That is politics, and that is not easy. It takes courage to row back from such unequivocal positions, and that should be acknowledged and credit given when that is due. And
1945 Deputy Soulsby too, of course, having voted against GST, as indeed she told us she did, in March 2015.

Sir, I said at the beginning that I was going to speak strongly in favour of GST, and so I have. But I am not going to vote in favour of Proposition 4. So now I am going to explain why. Firstly, Deputy Trott opposed the 2015 proposals because he argued then that sales taxes are the easiest
1950 tax for governments to raise. (A Member: Hear, hear.) This statement is a statement that can undoubtedly be evidenced from the briefest reviews of tax history from around the world. And Deputy Trott was not alone. Deputy Helyar of course said in his manifesto:

History tells us that in almost every jurisdiction, once a new tax is introduced, it never goes away. Once we put our taxes up we will have let the genie out of the bottle.

Deputy Helyar and Deputy Trott were literally on the opposite sides of the Assembly yesterday, they are not today, but they are both correct.

1955 This Assembly has already demonstrated that it is the most spendthrift and lacking in fiscal discipline of the three that I have served in. It ducked any unpopular but necessary tax changes in the last budget and we will see what next week's budget brings. Meanwhile it has refused as recently as the Government Work Plan debate in July to investigate even the most obvious of opportunities to operate more efficiently, namely the review of 600 excess primary school places that we know
1960 we have. It has also chosen, in my view, an absurdly expensive secondary education model that I fear time will prove to be even more costly than the very thin figures glossed over in that policy letter and debate. So I am not inclined to give this particular alcoholic the keys to the drinks cabinet.

Secondly, as I said at the beginning, GST is universally unpopular. It is everywhere and whenever it is introduced. Jersey, Canada, New Zealand, Singapore, the list goes on, have all faced long and contentious opposition campaigns and so would Guernsey. Planning for the introduction of GST
1965 that would straddle an election would be a complete and massive waste of time and resources, otherwise it will simply become the sole election issue, which is irresponsible and dangerous.

If GST is to ever be successfully introduced in Guernsey, people's hearts and minds must have been won over well before any debate on the floor of this Assembly, including, I would suggest, this one. Others have already said that – Deputy Burford has said that as well. It requires 18 months of engagement so that the community can understand the issues and advantages of GST, along with absolute clarity about the mitigations that would be put in place for low- and middle-income households. It needs two-thirds support of the community and any vote in this Assembly needs to have the support of 28 or 29 Members, failing which it will just be overturned before
1970 implementation.

Instead, I am sorry to say, we have witnessed what can only be described as a totally shambolic launch from which it is difficult to recover, particularly with, I am afraid, weak leadership from Policy & Resources on the back of its narrative that Government is wasteful. So it is any wonder that the community's reaction is, 'Sort your *own* house out first before trying to raid ours'?

We have had the Treasury lead tell us, and Islanders, that he is a tax sceptic. Well, of course he is. Aren't most of us? Rightly or wrongly there are very few people in Guernsey whose approach to taxation is that it is a good thing in its own right, for example, to redistribute wealth. Even Deputy Ferbrache, who has told us in the past that he voted Labour during its high-tax heydays of the 1970s has grown up. Most regard it as a necessary evil to raise revenue to provide public services and help those in most need in our community.
1985

I think it was Deputy Mahoney, sir, who observed during his maiden speech – and I am paraphrasing rather than quoting, so forgive me if this is not an exact quote – when he said we do not need political experience. So I must admit that there was a little *schadenfreude* in hearing him frankly admit that a year in things do look a little different. I am not surprised but I am pleased that he has acknowledged that experience. And I hope he will forgive me, but my advice to he and his Committee, based on my political experience, is that the Committee will not win the hearts and minds of the community by rehashing political tropes such as, 'We are tax sceptics.'
1990

I am going to share an anecdote from my own experience, own novice experience, as a newly elected politician who had all the answers. In December 2012, nine months after being elected, I presented a budget that included a proposal to withdraw mortgage interest tax relief.
1995

Deputy Vermeulen: Yes, you did.

Deputy St Pier: It was a logical, common-sense move, well evidenced in terms of the relief's long-term negative impact on residential house prices and so on. We had made no effort to garner support amongst political colleagues or the public, and it had to be ignominiously effectively withdrawn before debate. Like Deputy Helyar yesterday, we could have blamed a lack of understanding in the media and social media. The blame did not lie with them – it lay with us. Failures of understanding are normally a failure of communication, and so it was with us. That was the point that has been made so well by Deputy Burford.
2000
2005

Three years later, after we had put in the legwork, with a clear timeline, having explained its role within the package of reforms that was the Personal Tax, Pensions and Benefits Review, whilst of course not universally accepted, it did win majority support. So to succeed, GST will need a sustained period of political leadership, and leadership with conviction. It can be done. Deputy Trott did it in 2006, facing strong headwinds with Zero-10, (**A Member:** Hear, hear.) and that took him to over, I believe – and I am sure he will correct me if I am wrong – a hundred public meetings. (*Interjection*) It will be exhausting and extremely hard work. Which segues me to my third reason for voting against Proposition 4, and that is corporate tax.

I find myself in the same place as Deputy Parkinson on this point for the first time in 15 years, and I say this as the person who spent eight years explaining and defending why our corporate tax regime was what it was, on and off Island, while simultaneously extending it in successive budgets from banking profits only to drag in all regulated financial services businesses, and of course new sectors such as the cannabis industry. The policy letter plucks a number – £10 million – completely out of thin air. It is unsupported in the policy letter but that, we are told, is the assumption of the increase in Corporate Tax revenue that is baked in, underpinning the need for GST.

The policy letter, to any practical extent, ignores the seismic movements in the international corporate tax tectonic plates. These have shifted markedly, not only since the introduction of Zero-10 in 2008, but also since the Personal Tax, Pensions and Benefits Review in 2015. Indeed, most of the movement has taken place this year. In June and July, the G7, then 130 members of the OECD, and then the G20, have approved the adoption of a minimum rate of corporate tax of 15% for the largest multinational companies. Quoting from the OECD:

Participants in the negotiation have set an ambitious timeline for conclusion of the negotiations. This includes an October 2021 –

– i.e. this month –

– deadline for finalising the remaining technical work on the two-pillar approach, as well as a plan for effective implementation in 2023.

Given the speed of developments in this area of international policymaking, it is no great surprise that the policy letter has glossed over it, not least because much of it has happened *after* Deloitte and the working party concluded their work. But we cannot simply ignore those developments.

The developed economies desperately need to be able to find tax to fund the enormous sums, far greater than we have relative to their economies, that they have spent on the Covid pandemic. So it will happen, particularly given the support of the new US administration under Biden, which of course in the US drives the work of the OECD.

I would postulate that it is inevitable that once introduced it will, in time, a minimum corporate tax rate, be extended to other companies, and if so that will start to create the long sought-after level playing field and that would, in all probability, create opportunities for Guernsey to re-extend its corporate regime to many trading businesses, with consequent benefits of increased revenue. Many people have said no stone must be left unturned before moving to GST. Corporate Tax is a huge boulder in the road that we just ignoring and driving around. In short, it is a gaping hole – mixing my metaphors – in the policy letter. Until that is recognised and addressed, I cannot say every stone has been turned.

Deputy Parkinson articulated well his views on Corporate Tax. I think there will be some trading companies that hoard profits and use them to provide corporate jets and Swiss chalets, but not a huge number. The reality is most local traders, the butchers, the bakers and the candlestick makers that he referenced, will distribute and pay tax on dividends. However, there is another group that he did not mention. Actually I was minded to ask him to give way and then ask him to explain it, because he would be able to do so far better than I, and that is investment holding companies, a standard piece of asset protection and estate planning pre-2008 with no tax advantages. But after the abolition of deemed distribution rules in 2012 forced on us by the European Union, they are now an extremely efficient legal tax-planning tool for high-net-worth families to defer Income Tax

pretty much indefinitely and actually avoid it entirely if they become non-resident before they distribute.

Proposition 4 has been presented simply as an investigation. It has been presented in this debate simply as an investigation. But that is not what Proposition 4 says. It says to agree that we require 'the introduction of a broad-based Goods and Services Tax'. So sir, I cannot support Proposition 4 and therefore cannot support Proposition 6 either.

But just picking up on Deputy Ferbrache's intervention when we were talking about going into Committee yesterday, he and the Committee should not take that as a vote against a GST forever. As I have made clear today and in my manifesto, I think it has many strengths, just that the case has not been adequately made to our community to date and therefore the time is not right today to move it on. But if P&R are *truly* serious about it, they need to do much more groundwork and engagement with the community, detailing both mitigations and present – this is important – a politically deliverable implementation timetable that does not straddle an election. And they need to lead with absolute conviction and not with reticence and reluctance. It is going to be an extraordinarily tough and difficult job, and if they do that then they will have my support.

With regard to the other Propositions, I will support Proposition 1. Reaffirming this part of the Fiscal Policy Framework so soon after I led the arguments for its adoption makes sense.

I cannot support Proposition 2. Firstly, it creates a mini-Policy Council, but secondly, and more substantively, the work has already been done. In the last term there were oversight groups between P&R and each of the big spending Committees: Home; Health & Social Care; and Education, Sport & Culture. Those groups identified savings opportunities. Those spreadsheets exist, there were a whole host of political reasons at that time why they were not progressed, but the first action is they should be revisited by the present Policy & Resources and Principal Committees, rather than starting afresh in a larger group. Thirdly, this Proposition is not needed because the group has, to all intents and purposes, been formed anyway by Policy & Resources.

I will support Proposition 3, which is entirely sensible.

Proposition 5 is motherhood and apple pie. We want reductions in public expenditure and economic growth, combined with, frankly, some pretty meaningless and weasel words about affordable Government that is proportionate to the Island's size. I cannot really find a reason to vote for or against it, because in my view it adds nothing whether it actually passes or not.

Thank you, sir.

The Bailiff: Deputy Dyke.

Deputy Dyke: Thank you, sir.

First, it would be remiss of me not to thank the Policy & Resources Committee for their excellent work that they have undertaken over the previous 18 months in preparing this tax paper and generally working through these difficult economic times. They are deserving of huge respect, and frankly I rate their performance as world-beating, both in terms of economics and handling COVID over this period, certainly considerably better than the UK, I would say.

Turning to the paper, I am not too bothered as to whether this a green paper or something that looks like a policy paper. Deputy Helyar has explained that its primary intent is to elicit our views as to the way forward, including to elicit our views as to how we might avoid the need for tax rises or at least minimise the need for them. I think we can take that at face value. I know for a fact that that is a powerful point for him. He is full of good ideas himself for growing the economy and improving the tax base by organic growth. These proposals are timely and start the ball rolling on key issues that we face this term. Certainly we have fiscal problems on the horizon and we need to start addressing them early, and they have started to address them early. The only issue I have is the precise order of how we go forward.

My concern is that we have decided rather too quickly that tax rises are the only way forward and I think we should pause before reaching that point. That may be right. Deputy Helyar may well be right on that. There are definitely issues, but I do think we should pause to consider whether tax

2105 rises are absolutely necessarily the way forward. (**Deputy Vermeulen:** Hear, hear.) In terms of economic growth, no tax ever helps – at all. Let me pick a random tax that we have in Guernsey right now, which does not appear as a tax: GP11. That is actually a tax, it means that if you develop a large plot of land you have got to give 30% of it away, so it is a 30% land tax. The net effect? How many properties of that size have been developed since GP11 was introduced? The answer is none. There is now one, after all these years, before the Planning Department. So that is the sort of effect that taxes have and we have to keep them down. The history of our successful economy is based on low taxes and we should be very reluctant to move from there.

2110 Sir, we have heard a lot of discussion about the various other taxes that might be introduced instead of a Guernsey Sales Tax. Car taxes, parking taxes, this tax, that tax, the other tax. All very interesting, all possibly good ideas. Deputy Parkinson has given us a good analysis as to why we should think carefully about changing our Corporate Tax regime, Deputy St Pier has raised other points in respect of how the background to all that may change because of international developments, and certainly that is something we need to bear in mind and it is quite likely that we will have developments over the next year in that regard. Perhaps I might, as an aside, ask Deputy Parkinson if he could educate us all further at some point with a memo as to the points he was making, because they certainly bear further thought.

2120 But I do not want to talk about new taxes right now. Rather, I will turn to the Propositions in the order in which we face them. Proposition 1 is that States' revenue should be capped at 24% of GDP. I am in favour of the tax cap, inevitably, but believe that this may be too high for right now. What is concerning me – there seems to be a generally accepted figure here, but let me just throw a spanner in the works – from the Deloitte report attached to the green paper, the percentage of GDP taken in tax in 2019 was 19.1%. So we are talking of a jump which actually exceeds 25% in terms of a percentage of GDP in two years. I question whether that leap is a good idea or should it be staged. I am not missing out on the points and the problems we have with the ageing population. Should that percentage be in some way staged, rather than one huge leap right now?

2130 So, in brief, I believe that the increase should be much tighter for right now and Government really should not be given headroom, I think is the word, as to how much will be spent, otherwise they will simply spend the headroom. (*Interjection*) Yes, exactly. (*Interjection*) I do prefer to clamp down when it comes to taxpayers' money. What we must now do very seriously is look at spending.

2135 I will get to the summary now that Policy & Resources have given us. Unfortunately I missed their meeting earlier in the week, but I did take a look at their slides. So P&R advised that if we reject Income and GST rises we will have to do a combination of increasing the population to 70,000 to 80,000 to rebalance the population, and/or achieve cuts of 10% of Government spending in addition to the £10 million budgeted. So that is quite difficult to do, but I do believe that it is achievable, at least to a material extent. We could split this between a more limited population increase and a slightly lower level of cost reductions.

2140 **A Member:** Yes, we could.

2145 **Deputy Dyke:** Growing the population is a must, especially the working population, and also we need more high-Income Tax contributors and job creators at the top end of the Open Market. But this requires us to know how quickly we can grow it and what level is acceptable. The social and infrastructure implications, for example, how we would cope with housing. We need an agreed population strategy sooner rather than later.

2150 In terms of timing, I do not feel that at this moment our backs are really up against the wall quite yet anyway, depending on how we handle infrastructure spending, although I recognise that the impact of an ageing population is looming. The projections still show a budget surplus on revenue spending of £12.8 million in 2025, and I think that has just been improved upwards by the recent figures to around £16 million. It is the long-term requirements to fund the Insurance and Long-term Care Funds that take us into deficit and we are trying to play catch-up after some years of underspending on infrastructure. Although with infrastructure spending we do have a discretion as

2155 to precisely how and when we do it. In that regard, we have authorised borrowing of £200 million and interest rates on that should be low, a little over 1%. We have not yet spent around half of the £330-million bond issue taken out several years ago, so that remains available before we even get to new borrowing.

2160 Also, as we rationalise the use of States' properties, we seem to have hundreds of millions of pounds' worth of spare real estate to sell or develop. It seems that States' properties could be valued at upwards of £1.8 billion, but we do not really know as that has not really been properly audited and the figure, even if audited, is going to be a bit of a guesstimate. But anyway, it is a big figure, pushing £2 billion. With those assets, which are not properly used right now, there are huge opportunities for their sale or rental into the private sector for private purposes. We could even take
2165 the leap and do some of our social housing tenants a service by, for example, allowing the partial owners, or possibly others, to buy out their homes in full, (*Interjection*) and thus becoming homeowners as they mostly want to be. The whole housing issue is another issue but I would love to talk about that at some point. In short, by making use of existing unused borrowings, coupled with cheap long-term borrowing if necessary, along with property sales, we can fund capital
2170 expenditure for many years ahead if necessary.

We then come to savings. There seems to be an attitude that it is just impossible developing in this States to affect savings, which I find a bit disappointing. I think we need to be quite positive and aggressive on that. So here is an interesting line item from the new Green Book, which we all just received. 'Between 2018 and 2021 employees defined under the public administration head
2175 rose from 5,464 to 5,673.' That is 209. When in fact at the time a programme was supposed to be in place to reduce the numbers by 200. So that is a failure of 409. If we had achieved that saving and not increased by 200, that would save a salary bill of between £16 million to £18 million *per annum* based on the average payroll cost per employee. That is quite a material figure: £16 million to £18 million. In the context of a total deficit, including capital and social and everything else, that
2180 is quite a big part of it.

Next possible item: the introduction of zero-based budgeting for each Committee would be a huge improvement in terms of avoiding wasteful expenditure.

Oh, I just sat on my birthday cake! (*Laughter*)

2185 **Deputy Inder:** Thank you for giving way, Deputy Dyke.

I am intrigued. What I found is that having worked, been around here for four years, we always see the savings everywhere else. As a direct challenge to yourself, Deputy Dyke, you sit on the Scrutiny Committee. I think you have got about five members of staff and I would imagine –

2190 **Deputy Dyke:** On the Scrutiny Committee?

Deputy Inder: Yes, you do ,don't you? (**Deputy Dyke:** Yes.) Yes. You have got £¼ million. What savings, just as a fair challenge to you, you have been around Scrutiny a while, for a Committee that does not seem very active, what savings might you make on your Committee? Not names, just your
2195 general view. How would you see your Committee making savings?

Deputy Dyke: Well, you have caught me out there. I am not the President of the Committee and we have not had budget discussions at this point. I am, however, on Development & Planning and our budget there, between last year and this coming 2022 – the figures are not finally settled –
2200 will be about 10% down. So I am on a Committee that is saving money and I know you are too. So you can tell us about that.

The Bailiff: Can I just remind you before you resume, Deputy Dyke and Deputy Inder, that you are not to address another Member directly.

2205 **Deputy Dyke:** Sorry, sir.

So, yes, zero-budgeting. The current system where there is a tendency to rush to use up any budget that is left at the end of the year to avoid losing it next year is very wasteful. I understand that Deputy Helyar is probably thinking about that already, as he is thinking about all sorts of things.

2210 We must improve our capital procurement arrangements, which do seem borderline dysfunctional in terms of the cost of everything we do in real estate development. The prices are very high indeed. Hopefully this can be sorted pronto and hopefully before Education go out to tender for their new buildings. If we could just get those costs down to the kind of price per square metre that they have in the private sector, we would save possibly tens of millions of pounds per project.

2215 We know that P&R are currently working on public sector terms and conditions, and this is a huge project. Credit to them for starting it. I assume it is going to be an absolute nightmare, but it is long overdue and should be supported by all the Committees.

2220 So those are some of the big things. Some of the smaller things add up. There are a lot of smaller things that I have come across in the course of my lengthy career in these States. For example, we were informed at our last Meeting that Guernsey Electricity spends £180,000 per annum on a regulator that Deputy Roffey has described as dysfunctional and virtually non-existent. In which case, why are we spending £180,000? *(Interjections)* We have a passive bank deposit guarantee scheme that according to its accounts costs £250,000 per annum to monitor. Why are we spending 2225 £250,000 on that? Is it absolutely necessary? It seems to me not.

So on and on you could go on about these small things forever. I do not want to take up too much time. But in short, we must all go back to our Committees –

2230 **Deputy St Pier:** Sir, a point of correction.

The Bailiff: Point of correction, Deputy St Pier.

Deputy St Pier: The Depositors' Compensation Scheme is not funded by Government.

2235 **Deputy Dyke:** Sorry, the Bank Deposit Scheme (**A Member:** Yes.) has a cost of £250,000 per annum.

A Member: Funded by the banks. *(Interjection)*

2240 **Deputy Dyke:** I stand corrected on that. But the point remains, it is still *somebody's* £250,000 that is wasted.

The Bailiff: Deputy Ferbrache.

2245 **Deputy Ferbrache:** I am very grateful to Deputy Dyke for giving way.

As an intelligent person, I am sure he would want to be consistent, and consistent from the last States' Meeting to this States' Meeting. He wondered why Guernsey Electricity was having to spend £180,000 per annum on the regulator, and yet if my memory is correct, last time Deputy Dyke wanted to *continue* with the regulator. Perhaps he would explain that inconsistency.

2250 **Deputy Dyke:** I am not sure that is an inconsistency. I wanted a regulator to continue to regulate Guernsey Electricity but was told that it could not do so because it was dysfunctional and virtually non-existent. So if I accept that it is dysfunctional and virtually non-existent, which the majority of this Assembly seem to do, then we should not be paying £180,000 for it. That was my point, so I think that is valid.

2255 Sorry, where was I now? (**A Member:** Regulator.) So all of these things must be addressed before we go back to our people to demand from them more taxes. It will always be middle Guernsey that will pay. They know it, and they resent it. The mood out there is a mix of livid, and despair at the

prospect of living in a democracy where they can change the faces in the Assembly, but never the result.

So for these reasons I will vote against Propositions 1 and 4. It may well be that at some point we have to come back to look at further taxes, but I would like to be absolutely certain that before we tell the population they have to pay more that we have actually gone through everything under our control.

Proposition 2: I will vote for Proposition 2 but would suggest that the precise arrangements put more emphasis on P&R setting budgets and the Committees working with them. Further, I think P&R should have a definitive veto on high-cost appointments. Everyone should stop engaging consultants unless absolutely necessary. I would also respectfully suggest that the Committees break through the taboos holding us back. For example, Health could consider other semi-private models, e.g. France, Switzerland, Singapore, which all have very good health outcomes. Can the private sector help more in Health? Can we do deals with the private healthcare providers in the UK in the way that we have with NHS providers?

Proposition 3, Social Security Contributions. This is a tricky and difficult one. I appreciate the huge problems, particularly in terms of some of the cliff edges in the calculation of payments, whereby if you earn an extra 50p your contributions go back down and start at zero. That all seems crazy. I think we should look at how these calculations are done, so I will be voting in favour of that, but they should be coupled with looking at social benefits themselves. The way they are currently structured, coupled with social housing rules, do set very cruel poverty traps for those who might want to work their way up the economic ladder. They discourage effort and encourage lone parenting.

Before I am screamed at and labelled the Sheriff of Nottingham again, I do recommend that everyone read James Bartholomew's excellent book *The Welfare of Nations*. He describes how so many jurisdictions have caused social havoc, especially to children, with well-meaning but overgenerous and ill-conceived welfare policies. I think the whole question of social security payments and benefits needs to be looked at as a whole as a project. Not just from the fiscal side, but from the social side as well in terms of how best to achieve good outcomes.

On the social side, as an aside, Deputy Falla made a good point regarding introducing GST possibly having the effect of tipping more people struggling at the margin into the welfare net. That would be a very unfortunate unintended consequence.

On the subject of benefits generally, the social care benefits might be improved by some sort of insurance concept. I do agree with a suggestion made by Deputy Roffey – you know it is bound to happen at some point, but there is still surprise when it does. But I agree with him on this point. His idea was that care home support should not be paid to people who have just arrived on the Island. There should be some pay-in period. (**A Member:** Hear, hear.) That idea could be worked through and expanded and, in addition, careful attention could be given to requiring co-payments or other payments up to a capped sum for care home fees. That one is going to be a bit of a live wire, I suspect.

Another large issue that needs to be looked at is the pension systems generally. It works okay for people of my generation but will be somewhat unfair on the younger generations as they come through. We need to do what other jurisdictions have done and transition gently from the current set-up to the personal pension pot arrangements now used across the globe in e.g. Chile, the Cayman Islands and Singapore. Each person has his own private pension pot managed independent of government by private regulated managers and contributions are put in by the employee and a percentage from his employer. The pot can then be applied to pensions on retirement and other specified payments. For example, drawdowns could be permitted for specific purposes, e.g. buying a house. Those systems are coming up globally, and I think in a way we are moving toward that way with our current proposals for the second pension and the existing arrangements we have for RATS. But that needs to be coupled with a gentle massaging down of the general pension to a more basic backstop arrangement. As I say, I think we should look at those jurisdictions to see how they do it.

2310 Further, something we have not done, that we should have done decades ago and we have not, we must transition the Civil Service onto the same types of pension schemes available to everyone else. It is deeply unfair for a private-sector employee to be paying increased tax for more generous pensions for certain civil servants who may well be earning considerably more than they are. The transitional arrangements will be tricky, but we can probably easily start with new recruits. So I will
2315 vote for Proposition 3.

Propositions 5 and 6 I will work out myself. I do not think we need to discuss them, particularly.

Another issue that we have, and we have not really addressed, are demands for new projects, new schemes, new brilliant ideas – and I will take the obvious one. I have been hassling Deputy Ferbrache with Rule 14 Questions on the £35 million, or £40 million, or is it £50 million per
2320 annum that the public sector alone would have to pay for introducing a legally binding ‘equal pay for equal work’ scheme. I think I can sum up his response as whatever figure it is, it is not going to happen. And that is a relief. But how do we get to have these terrible proposals? That £50 million a year is only for the public sector. We have not talked about the private sector –

2325 **Deputy Burford:** Point of correction.

The Bailiff: Point of correction, Deputy Burford.

Deputy Burford: Sir, there is no scheme for £35 million, £40 million, £45 million or £50 million
2330 for equal pay for equal work.

Deputy Dyke: Well, it is in paragraph 3.2 of the –

A Member: How about legally binding?

2335 **Deputy Dyke:** – Tax Review. It is a Sword of Damocles out there, but it seems that Deputy Ferbrache has assured me that it has gone now, which is good.

To get a bit closer to home – (*Interjections*) (**A Member:** It’s gone.) It has gone, has it?

2340 **A Member:** Well, I do not know, you just said it.

Deputy Dyke: Well, I think so. Deputy Ferbrache assures me that we do not have to worry about it. (*Interjection*) Yes. (*Laughter*) Of course he does.

2345 **Deputy Roffey:** Point of correction, sir.

The Bailiff: Point of correction, Deputy Roffey.

2350 **Deputy Roffey:** Deputy Dyke referred to these figures in relation to a legally enforceable system of equal pay for work of equal value. There is no proposal for a legally binding system of work for equal pay for work of equal value, other than on the sex ground. That is entirely different to the £35–40 million for public sector reform which was floated, which was completely on all grounds and not on the sex ground. This keeps being conflated and it really must be sorted out.

2355 **Deputy Dyke:** It remains the case that this proposal was out there, (*Interjection*) whatever it covers, and it should not be. We should not be making that sort of proposal.

A Member: Is it out there?

2360 **Deputy Dyke:** There is another one out there that Deputy Brouard mentioned which is worrying me, which is the Partnership for Porpoise. (*Laughter*) It seems that there are proposals afoot to in

some way nationalise our private primary healthcare at a cost of up to £20 million a year. I do not know the detail of that, but that seems quite a dangerous idea. If we end up anywhere *like* the National Health Service we will pay billions and billions and trillions a year and then go to our doctor who will not be there and pay £80 to go privately anyway. (*Interjection*)

I thought you would stand, please carry on! (*Laughter*)

Deputy Brouard: Thank you for the opportunity.

It depends what society we want and how we want it divided up, and this is where it comes in.

At the moment, primary care costs, for all of us, when we go to primary care, something like £20 million. So if we as a society decided that we wanted to have free at point of use primary care facilities, like they do in some other foreign country – UK, etc. – then it would be about £20 million which would be the compensation or the amount that we would have to pay if we wanted that facility. But we have not got to that position yet. At the moment we make a subsidy of about £4 million which we give as a grant to doctors of about £12 and for nursing about £6. So have got about £4 million skin in the game, if you like, but if we wanted to have more skin in the game, the envelope that it is contained in is about £20 million.

So it is whether we want to have really good access for healthcare for everyone, or whether we are going to limit it or keep it the same. That is what the review is going over. So the figures quoted were basically from zero to £20 million, depending where on that scale we as a society, and where this Assembly will actually place it. If that helps.

Deputy Dyke: Thank you to Deputy Brouard for explaining that.

So it is definitely something we need to keep an eye on, I think, if we are worried about these things.

So I would respectfully suggest that every Deputy is under an obligation to our people to do everything possible to make the States lean and efficient and give the country a break from introducing more and more expensive new regulations for a period. We are not the UK, we cannot afford it – I do not think they can afford it either, but they *can* keep printing money for a while. We do not have that option.

Overall, in fact, I do feel very optimistic that this States, working together, can work together very effectively to deal with these serious issues facing Guernsey and take them on point by point over the next year or so, so that we can then listen to Deputy Helyar again explain to us where we have got to and how he sees the options. That, respectfully, I think would be a better bet.

Some of the issue are already being dealt with. As I have said before, I have huge respect for P&R and what they are doing. We must press on and if we can sort out all these issues within the next four years, we could be the best States ever.

Thank you.

A Member: Unless you're poor.

The Bailiff: Deputy Taylor, is it your wish to be relevéd?

Deputy Taylor: Yes, please, sir.

The Bailiff: Very well.

Deputy Kazantseva-Miller.

Deputy Kazantseva-Miller: Thank you, sir.

The policy paper is said to answer one question: if it is necessary to increase revenues to the limit of the Fiscal Policy Framework to meet the cost of public services, what is the best way to achieve this? Many colleagues have expressed the opinion that this was a misguided approach, the wrong question to ask, and the process should involve looking at all the other aspects of the

equation first. I do not disagree with any of that, but we are where we are and we need to have a constructive debate around the question being asked. So I am going to try to focus on that.

In my mind, a review of taxation would have warranted a wider and more comprehensive approach to revisit the structure, the sources and the opportunities with taxation from a behavioural economics perspective. But one cannot stop to have the feeling that the tax debate has already been framed.

So let's take a step back. What are the options for raising additional revenue, assuming that obviously this is done as the last resort? 'Follow the money', a popular saying says. (**A Member:** Hear, hear.) So I have tried to follow the money to understand the Guernsey GDP evolution, and now before I do that I should note that our GDP figures have been restated around 2016, I believe. However, I have to work with the data I have access to, so I am using the numbers over a period of 10 years' time.

So in 2009, the largest component of our GDP, 56%, was compensation of employees. In other words, the wages and salaries earned by households. The second largest component, equivalent to 35% of the economy, were company profits. Remember, this is just in the aftermath of Zero-10, which created a £100 million hole in the revenue of the States of Guernsey. So fast forward to just 10 years down the line and the figure for 2019, and this is from the latest '*Facts and Figures*' booklet published this week, the wages now comprise only 44%, or £1.439 billion of the GDP, while company profits have risen to represent 41%, equivalent to £1.321 billion. So we have gone down to 44% from 56% for wages, and up to 41% from 35% for profits. In other words, GDP growth, which in real terms was about 13% over that 10-year period, was driven by company profits rather than wages.

According to Dr Andy Sloane, an ex-States' economist, the labour income in that period grew by a paltry 4% in real terms. So we have a part of the economy, company profits, doing very well and another part of the economy, the wages and salaries Islanders earn, being practically stagnant.

So let me ask you about where the vast majority of the taxes come from that the States earns. Well, following Zero-10, two-thirds of our taxation today is paid out of the wages and salaries that are earned by Islanders and not by companies. This is also interesting from the perspective of economic growth and the assumption that it magically translates into a one-for-one increase in taxes. It does not translate in that proportion. If our tax system is dependent on wages but wages have only risen by a mere 4% over a 10-year period, then economic growth has a sluggish correlation for growth of taxation with our current tax system dependent on wages.

One may think, well, if companies have more profits they use the profits to distribute more widely among their staff who pay tax. Well, no. Sadly, shareholder capitalism does not, by and large, work like that at the moment. The stats simply do not show that. The stats I presented today show a clear growth in company profits off the back of Zero-10 and at the expense of workers, because their wages have remained practically stagnant in real terms. Income earners have been burdened with more and more tax to fill that hole, with social security, indirect taxation such as TRP, fuel duty and so on constantly on the rise.

So here it is, Members, black on white: the workers are being squeezed out, which is especially affecting not just the low-income families, it is affecting middle-income families too. This is due to the wage stagnation, spiralling cost of living and of unaffordability of housing. If you are a household whose wealth is solely dependent on wages, you are not in a great position. This brings me to the issue of accelerating wealth inequalities – not just in Guernsey; it is happening everywhere. Studies clearly show that the accelerating inequality is not driven so much by inequality in wages, it is especially driven by the huge inequalities in asset ownership. When you own assets such as your house, you can take advantage of rising house prices which allows you to re-mortgage, release equity and buy into bigger properties and so on – and potentially pass the house down the line. When you have assets such as shares in the company you are working for, or you worked for, other investments in the stock and debt markets, you can start to accrue profits and interest that is not linked to your ability to earn a monthly wage.

Now, it is quite difficult to calculate the overall wealth of households and this figure is not collected in Guernsey, but we have a proxy of wealth concentration by looking at the proportion of

total tax paid by the highest earning households. So we know that 5% of Guernsey households – that is about 1,250 – pay nearly 25% of all tax. This rises to 35% of all tax paid by the top 10% of households and nearly 60% of all tax by the 20% of top households, or about 5,000 of them. If you dig further, 1% of the top households pay more than 37% of the bottom households in Guernsey.

2470 Being a small Island community, such profound inequalities are very concerning and also visible, if you dare to look. Guernsey is a great place to live if you have assets and wealth. We have an increasing part of our community, let's generalise them as working class. Let's be so simplistic. Working class because they have to continue working daily to meet their monthly basic needs. They are stuck in a poverty trap underpinned by the housing crisis, and like many other countries
2475 Guernsey has and is developing a worsening societal inequality structure. It has a clear strata of haves and have-nots, and it is not getting any better. As we have seen from the GDP data over a 10-year period, for the tens of thousands of Islanders who are purely dependent on wages, life is not getting any better.

So let's be clear: our current economic and tax system is failing thousands of Islanders. Sadly,
2480 these Islanders are barely represented in this Assembly. Not many Islanders can rise to declare commercial interests in Bailiwick Investments, for example, or other companies, like two Deputies did yesterday when we debated Aggregate. Nor do the vast majority of Islanders have investment vehicles in Cayman. If you think that inequality is just a by-product of economic growth, you are right, but it is a product of an economic system, and especially the tax and corporate system we as
2485 a society have designed and continue propagating. But it is a choice and we can make a choice to design it differently so the system is more fairly distributive.

Inequality is bad for the economy. Economists at the IMF have found strong evidence that across a wide range of countries inequality undercuts GDP growth, and I quote, 'More unequal societies have slower and more fragile economic growth.' So when young people and families cannot afford
2490 to live in Guernsey and decide to leave at a time of labour shortages like we have today, it is bad for the economy. When workers do not want to or cannot afford to come here due to the cost of living and issues with accommodation, suddenly everyone realises that the kitchen porter is the real kingmaker in any hospitality business. When schools and our Hospital cannot open because of a lack of cleaning staff, our entire education and health system cannot function. Businesses cannot
2495 exist with our lowest paid jobs.

Let me give you another stat: based on information kindly provided by Treasury and the Data Analysis team, I found that only 20% of all Open Market Part A households, and that is just about
2500 245, contribute a whopping 80% of all tax collected for Open Market – 20%. This means that the vast majority of Open Market households, nearly 1,000 of them, contribute practically nothing in terms of direct taxation because they are likely to be living off their capital while taking advantage of all the public services, the infrastructure, our wonderful cliff paths and so on. **(A Member: True)** The quality of life we all enjoy here, at the expense of Guernsey people who do not have the means to live.

So which part of our economy and community is the burden of taxation in this policy letter
2505 aimed of? Does it fall on company profits or wages? Does it fall on those with assets or those dependent on wages? Well, I am sure, colleagues, you know the answer. The current tax policy proposes a very modest increase in corporate taxation – £10 million and nothing in relation to asset taxes. As Deputy Parkinson has well explained, and better than I could, the tax policy does not scratch the surface of the opportunities with corporate taxation. The debate has been framed
2510 already that every little helps – a few million here and there, £10 million there, lots of savings that we all want to achieve, etc. All these numbers, if we look at a variety of options, start to add up, but in sum the green paper, to a large extent, propagates the status quo, continuing to tax away one side of the economy that is dependent on wages, even if you throw some social security; and I will come to GST now.

2515 So now you will quickly presume that I am against GST – right? Actually, I am not against GST *per se*. But I am not, I would say, in favour of the three options as presented by Policy & Resources so far. But let me explain: if the choice was between Income Tax and GST, actually, Income Tax is

the worst of the two, I believe, because it indiscriminately cuts a chunk off your income, disregarding how you might want to spend it later. Whether you choose to spend it by investing money into a savings account – which is very good for our economy and future payments in your pension age – or to buy a luxury boat, it does not matter. Or whether you might have a quiet month and not spend any money at all – too late. This chunk of your earnings is taken away. GST allows you to collect taxes from parts of the economy that do not currently contribute more directly. This includes the 80% of households in Open Market A living off their capital, as well as visitors to the Island.

As a Government, we invest actually a lot of money into tourism promotion. The overall cash budget for tourism and marketing in 2019 was higher than what we spend on finance – would you believe that? How, as an industry, that pays very little direct tax due to the low-wage profile of the industry. So collecting revenue from tourism is an opportunity and would at least provide some return on investment from the money we put in.

The other part is that it starts to allow Guernsey to tax more luxury spending, such as boats and cars and so on. So I do think it is positive to have GST as part of the mix. But, I think that any introduction of GST should not only come with a rebalancing of social security. I would like to see it being modelled with a reduction in Income Tax for lower and middle levels. So I am very much minded to vote at this stage for Proposition 4, because I do think it is important that we should continue to explore GST as an option as part of the smorgasbord of options, but I would like to ask P&R colleagues to model options which allow for a high increase of GST and, dare I say, up to 10%, but with reductions of Income Tax levels at the low and medium levels. This helps further mitigate the issue of GST affecting those least able to pay.

Of course this may not be enough to raise for the £75 million gap, but I do believe this type of approach will create a different tax structure and this is what this policy was supposed to be about. It can be potentially tax-neutral, not only to lower-income families but also to middle-income families while being able to raise taxes from obviously those who are currently not paying. There are countries, like Monaco, which have a zero personal tax rate and a 20% consumption rate. So it is not an absolutely crazy idea and I know Deputy Gabriel was researching the option, 'What if we completely eliminate income tax; how much would the GST have to be?', and I think it was 40%, wasn't it? We do not, obviously, have to go as far, but what if there is some kind of way in between.

So in sum, I think this Review *must* focus on restructuring our tax base so it does take away the accelerating burden of taxation on those most dependent on wages. I think if we do not recognise that, we have failed with this taxation approach.

I disagree that there is little headroom for raising additional tax through corporate taxation. The base model of adding only £10 million is too low, especially given that the global corporate taxation landscape is likely to dramatically change. It will be premature to make any decisions on raising wage-based taxes before we fully explore the limits of corporate taxation. I think this argument was well pointed out by both Deputies Parkinson and St Pier.

It was pointed out that OECD tax rules will not affect us much because they actually mainly effect large multinationals. But that is not the point. We should be looking at a competitive but sustainable and fair way for companies to pay taxes in Guernsey, otherwise our corporate world exists at the expense of workers. We want to continue attracting and retaining businesses that contribute positively to Guernsey. There are ways to make broader increases in corporate taxation with exemptions. And, as I said, Deputy Parkinson gave us some ideas.

I do believe we have to find ways to tax assets better. For clarity, at this stage I am not talking about anything like inheritance or capital gains taxes. I do not think we are ready to cross this rubicon. However, one of the largest asset classes is property here, and reviewing TRP policy and perhaps looking at taxing under-occupied large properties is a way. Again, we have households, some of them are in Open Market A and so on, couples living in huge houses that they often cannot afford to pay. This is waste. We need more movement in the property market so that families live in the right sizes for them and those who can afford without Government intervention and support. We talked about assets such as cars, we talked about motor tax, so I think it is really important we look into that.

2570 In the opening speech for this policy it was mentioned that our Income Tax is naturally progressive. I am not quite sure how our Income Tax can be described as progressive. We have a tax allowance that applies to everyone, regardless of income bands, and we have no graduated tax rises – it is 20%. But we do have tax caps, both on income and social security. When you have caps at the top that means you –

2575 **Deputy Helyar:** Sir, point of correction.

Deputy Trott: He has beaten me to it.

2580 **The Bailiff:** Point of correction, Deputy Helyar.

Deputy Helyar: I am very sorry to interrupt you, having had some feedback this morning about letting the flow of things go. Allowances are withdrawn at higher rates of income. So it is progressive at the top level.

2585 **Deputy Kazantseva-Miller:** Thank you for the clarification, but we do have tax caps, again. So we do have a limit of how much taxation you pay at the very highest end. While it does not affect hundreds and hundreds of people, it does affect about 80 people or so, including those paying a standing charge as well.

2590 So I do believe there is a case for introducing an element of more progressive taxation which can include increasing or removing tax caps and having a somewhat high Income Tax at the top end. And it is not about wealthier households paying more, it is simply about everyone paying a fair share. I have spoken to entrepreneurial families who have recently moved here because of COVID, and they said they thought Guernsey was the best kept secret, and they were hoping it would be kept that way. It really felt like they got a brilliant deal and did not want anyone else to find out.

2595 You may say that taxing wealth creates certain disincentives. I do not think so. First of all, data shows how difficult it is for the vast majority of the population to jump into asset ownership, housing being the starting point and other assets such as equity debt and other investments. Your ability to jump this rubicon is often linked to your access to family assets such as property from inheritance or other pots of money. You are unlikely to have been born into wealth. It is increasingly difficult to get there; and this is nothing to be proud of.

2600 So in sum, my redline is a tax policy that continues propagating the burden onto wage earners and does not endorse a more distributive tax system away from the shoulders of income earners.

2605 In addition, I do want to focus on this certainty of the £87 million gap that has been presented to us and the implicit assumption that we need to fill this gap. During the briefing session earlier this week, it was confirmed that the forecast has now been revised because of the very strong economic performance we have had year to date. I believe the revised gap is now about £75 million, Deputy Helyar? Thereabouts? Well, I also looked at what was the last independent fiscal review published in 2017, and in that review it said that the structural deficit of £70 million by 2020 was forecasted to be in our accounts. Well, that deficit did not materialise and actually some of the financial prudence of the previous Government meant we did actually end up with a balanced budget before COVID. So in a matter of only a few weeks since the policy letter has been published, we have a substantial revision to the forecast based on the better performance of one year alone. So I think this serves as a very good indicator that the long-term forecasting of the possible gap in public finances is extremely difficult and is highly sensitive to small changes in key indicators.

2615 One such driver and indicator is the fertility rate. I think no other Deputy has talked about it so far. Very small changes in the Guernsey fertility rate can have dramatic effects on our long-term working population and small changes to our expected working lives can also have dramatic changes. Changes to our population approach, especially if we focus attention on bringing families here, can have a dramatic change. The policy fails to take these significant changes into account, and what is key is that taxation and other policies can serve as levers to affect this change.

Members, of course I do not expect the Guernsey Government to suddenly be able to magic up extra babies, but I would expect us to recognise the critical importance that the fertility rate plays in our long-term demographics and that each child born today and tomorrow has an important value to the rest of the community and that we should do all we can to support families having children. Despite very positive steps taken during the last political term to improve policies, we are still an OECD jurisdiction that provides some of the lowest levels of support for families with small children. This is both for maternity and paternity pay around birth, as well as support for free pre-school education and childcare later on. So, as part of the future tax proposals and social security restructuring, I would very much like the working group to consider wider packages for maternity pay and minimum free childcare support, because I do think, in a climate where the cost of living is spiralling, actually having a family is *extremely* expensive.

The second part is net migration. Many alluded to how increasing population growth should solve all of our problems, because we will have a more sustainable working population, but I do not think it is quite the panacea as it may sound. Aside from the pressure on our infrastructure, housing specifically, it all depends what kind of immigration are we talking about. Is it about filling vacancies through short-term permits or is it about encouraging younger people to come, settle, have families and contribute to the long-term life in the Island? Our short-term employment system, the STEP permits, do not allow that. They do not allow people to come here with family. Because they force young people to live in shared accommodation, this is not family-friendly.

Brexit and COVID have shown significant challenges in attracting short-term labour and there are risks these challenges will continue. So if we plan to look at a sustainable working population, we really must look closely at attracting youth, young and child-bearing families to come here, allowing for longer-term permits, enabling them to say, have children, raise families here.

The other important part of taxation is the opportunity to incentivise certain behaviour. So, for example, we could incentivise Islanders to save more money by providing tax deduction incentives for savings products. Such incentives are non-existent in Guernsey, but are widely used in the UK through the popular ISA accounts and other investment products. Could we help first-time buyers to get on the property ladder through tax rebates for mortgage interest, like we did before?

The other key point is how we get as many people to be economically active for as long as possible. Guernsey does not have an official retirement age, but of course we do have an official age, which is gradually being extended, at which the States' old-age pension can be drawn from. In a recent email Deputy Roffey was exploring ideas of how we could be potentially incentivising more people to work longer. Nearly 30% of Islanders in the 19-65 demographic, which you might class as the classical working-age period, are economically inactive. They are not even counted for statistical purposes right now, or have been named as a category. They may be caring for others or staying at home to care for children. They may be contributing to charities. There may be other reasons why they are not in the official labour market. The PwC Women in Work Index in 2021 showed that increasing women's participation in employment can contribute 5% of GDP growth, equivalent to £176 million in Guernsey.

So, in sum, there is quite a lot we can look into to address actually the changing demographics, and I do not think we have talked probably enough today about that.

So I am minded to support quite a few of the Propositions in the policy letter because obviously there is much more work to do, but there was one final point that I did want to address, which was in relation to Proposition 2 specifically. So this is in relation to public sector savings and the vehicle for that is through creating yet another political sub-committee. The States of Guernsey is already one of the most hierarchical organisations I have worked with. The attempt to sort public sector savings in a £500 million organisation with more than 5,000 people by yet another sub-committee is nonsense. If we want real transformational change within the States of Guernsey, we need every public service employee to be part of this journey. We need to have the right culture in the organisation to come up with all sorts of little and big ideas for transformation, not for Deputies with no operational insight, or expertise sometimes in specific areas, to be sifting line by line through Committee budgets of different Committees. And also deciding on the subjective narrative

of what are proportionate public services. It is essential that this process is owned by every single employee and driven by the senior Civil Service team, and this Proposition 2 only reflects that it is owned by the political leadership.

So there is much to do and I really ask P&R colleagues to embrace the feedback from this debate, reframe the scope of this Review into a wider and more distributive set of tax options and to look into levers affecting our demographics as well as tax levers that affect positive behavioural changes for a more sustainable economy and community.

Thank you.

The Bailiff: Deputy Queripel.

Deputy Queripel: Thank you.

Sir, what I am going to do is just expand on a couple of points, and then I am going to email my top 40 (*Laughter*) – as I am sure Deputy Mahoney would be glad to hear if he was in the Chamber – to P&R. If I were to speak about all my ideas, I would beat Deputy Ferbrache's one hour, 23 minute speech on Education, and I had to resist that – I was tempted to, but I had to resist it. Because I am mindful, sir, of the tolerance levels of my colleagues. (*Interjection and laughter*)

The first point I want to focus on is Income Support. Now, in my experience these last nine and a half years as a Deputy, that benefit is an absolute lifeline to the most needy in our community. Deputy Falla touched on that briefly in his speech yesterday. Now, as we already know by looking at bullet point three in paragraph 9.2, Income Support is part of a suite of mitigation measures. It is the extra cost associated with Income Support that really concerns me because I think that extra cost is going to be a lot more than people think it is going to be. I say that for the following reasons.

I have worked on almost 300 one-to-one cases in my nine and a half years as a Deputy, and the majority of those have been helping people to attain Income Support – or 'Supplementary Benefit', as it was once known. As a result of that, I have cost ESS hundreds of thousands of pounds in those nine and a half years, and I make no apology *whatsoever* for doing that, because every single penny of that money has gone to the most needy people in our community and the most vulnerable. Now, the point I am making here is for every person I have managed to persuade to apply for Income Support, there are dozens who have not. I know that because I have spoken to them all. And they say, 'Yes, I probably do qualify for the benefit, but there must be people out in our community whose need is greater than mine. So I'm not going to apply for it.' Either that or they are too embarrassed, understandably. I even know it is not their fault they are in that position. They just do not want to go cap-in-hand, 'begging for money', and those are their words, not mine.

If GST comes in, they will have no choice but to apply for Income Support because they will *really* struggle if they do not. We do hear, and I have met, I am sure my colleagues have met, sir, lots of people in the community who have to choose between heating and eating in the winter. I will just move onto that a little bit more in a second. I want to explain, though, why I have cost ESS hundreds of thousands of pounds in nine and a half years.

The lowest figure I managed to attain for an Islander was £15 a week, and the highest figure I managed to attain for an Islander who was struggling for years, and was not even aware that she could apply for it, was £120 a week. The rest were between £60 and £80 a week. If you add all those together, week after week after week, for nine and a half years, you will see why I am saying if GST is introduced the cost of Income Support will go through the roof. That issue has not been given anything like the focus it should have been afforded in this green paper. So I ask P&R, sir, through the chair, to take this on board, because even though I have managed to attain Income Support for hundreds of people, I have spoken to hundreds more who were either too embarrassed to apply for it, or they adopted the approach that even though they needed that extra help, there were people in our community who were in greater need.

Now, sir, I can assure my colleagues I am not exaggerating. When I was Chairman of the Age Concern Fuel Fund, which I set up and I ran for six years, I used to go into the homes of pensioners on a regular basis and many of them were sitting with their coats on, blankets wrapped around their

legs, hot water bottles on their lap, sitting in front of a one-bar electric fire in the winter trying desperately to get warm, and failing miserably. In fact, some of them never even got out of bed. It was warmer to stay in bed all day. It is not just in winter, of course, because due to health problems some people are even cold in the summer, and that is not just pensioners. I have worked with several couples with young families who have said, 'Yes, okay, we're struggling, there must be people worse off than us', and they have not applied for Income Support. If GST is introduced, they will have no choice but to apply for GST.

Then, and this is the irony, if GST is introduced, we will be taking GST from them in one hand and giving the money back to them, in another. Where is the sense in that? If any of my colleagues think I am exaggerating, sir, then I will ask permission of some of the people I have worked with over the years and then those colleagues can come along with me and visit some of the people, and see the conditions, the appalling conditions, some of our fellow Islanders are living in, through no fault of their own. Sir, I have never considered myself to be a Luddite, but I just cannot see how introducing GST is going to result in progress when the mitigation measures simply are not anywhere near as robust as they need to be.

What about the cost of inflation, as well as GST? Has that been considered at great length by the steering group? Deputy Dudley-Owen touched on that a little in her speech earlier. It is also touched on in paragraph 10.7, but once again I do not think enough focus has been attributed to that whole issue. As we all know, the price of gas is going to increase by a massive 16%. The cost of food goes up weekly, and often daily. I will give an example. We all know the cost of food is going up quite considerably, we see it for ourselves when we go and shop for food, but there is a certain kind of ham I buy on a regular basis. Last week it was £1.10 a pack; this week it is £1.54. That is a 33% increase in one fell swoop. And that is just one example out of hundreds. So then, if we add a 5% or 8% GST on top of that, it is not too difficult to see why so many of our fellow Islanders will need Income Support to simply survive.

Sir, some of my colleagues might be aware of this, but just in case some of them are not, the actual figures: 3,197 of our fellow Islanders currently receive Income Support and 920 of them are pensioners. Now, bearing in mind I have worked with hundreds of pensioners and hundreds of parents with young families over the years, I would not be surprised if 10,000 people apply for Income Support if we introduce GST. Once again, as I said earlier, we will be taking in one hand and giving back in the other. Where is the sense in that?

Now, sir, as I said earlier, I have an abundance of ideas how I think we can make more money, and I will be emailing all of those ideas to P&R to put it in a boiling pot. But I just want to touch on two.

The first involves how we can save money and stop wasting money, and we all need to play a part in that as we all know. Now, no matter how small, every little helps. If every one of us can add a piece of the jigsaw, eventually the jigsaw will be complete. Now, on that point, just a few years ago the States ran a Financial Transformation Programme. The intention was to save recurring annual savings of £31 million. We did not quite get there. We got to something I think like £29 million – I am sure colleagues will correct me who were in the Assembly at the time. But we almost got there.

So during that, as soon as that process started, I started to think of ways I thought we could save money. One day I was reading a report. It was about 90-pages long, it was printed on gloss paper and it was in full colour. (*Interjection*) This was a report that was going to be read once and then put on the shelf to gather dust. So I asked every Department to print their reports in black and white from then on, if possible.

Deputy Gollop: I hated that! (*Laughter*)

Deputy Queripel: Deputy Gollop said he hated it, sir, but it saved money. There is only a need to print a colour report if, for example, there is a pie chart, several slices. Yes, I can see the benefit

in having colour in the pie chart. But other than that, there is no need to print documents and reports in colour.

2780 A year later, when I asked a question in this Chamber about how much had been saved in that year by printing reports in black and white instead of colour, Deputy St Pier informed me it had saved the States £80,000. *(Interjection)* Sir, Deputy Gollop says no, but through the Chair, he was here, so I am sure he would remember that, surely. That is a recurring saving: £80,000. I got a tremendous feeling of fulfilment from that, sir. In a real sense, a very real sense, that was two and a quarter years of my salary covered. So I could have sat back and done absolutely nothing for the
2785 next two and a quarter years, if I had been that kind of guy, but I did not, because my conscience would not let me. But this is exactly the kind of thing I am talking about here.

If we could all come up with those sorts of savings – £80,000 a year, or even more – including our colleagues from Alderney, sir, because we are all in this together, that would be an annual saving, even if it was just £80,000, of over £3 million, which may not sound a lot in the great scheme of things, but it would go a long way toward funding the NICE drugs programme which
2790 Deputy Roffey and I, along with several colleagues, fought for successfully not so long ago.

Just staying on the issue of saving money and not wasting it, I am not the only one to say this – other colleagues have said it, and I take great comfort from their saying it – it really is time we put the idea of spending £100 million on a direct cable to France into the long grass. Kick it out. There
2795 are far cheaper, far more sustainable ways in which we can generate our electricity than that.

Sir, moving on to one issue where we can focus on moneymaking. This idea has been written off by the steering group and I do not understand why, so perhaps Deputy Helyar could elaborate on this when he responds, please. It explains in the report, but it does not explain satisfactorily. It does not convince me that it should be written off. Oh, just before I go ahead, sir, I just want to commend
2800 the steering group for all they have done. They have obviously put a lot of hard work into this and I commend them for it.

If that fly does not stop buzzing round my head, I will have to swat it.

So the issue that has been written off is online purchase tax. There is a song written by George Harrison which contains the following line: 'O, what a tangled web we weave ...'.
2805 *(Interjection)* That certainly applies in this case, because we told in paragraph 10.33 that, even:

If the UK were to introduce an online tax ...

– and Guernsey followed suit –

... it would still be [very] difficult [for us] to argue that the intent of such a tax is not to discriminate in favour of local businesses at the expense of external trade partners.

So, in other words, the UK can do it, but we cannot. Is that not in itself a form of discrimination?

Going back to paragraph 10.3.1, we are told in that paragraph:

While [introducing an online sales tax] could be considered quasi-environmental charges, relating to the potential cost of disposal of packaging, this would be less likely to be a cause of concern if it was applied at the point of disposal rather than at the point of import.

2810 So the country where the goods are purchased and disposed from, can add online purchase tax and get away with it, but we cannot – if we had an online purchase tax here.

Oh, sorry, I give way to Deputy Oliver, sir.

Deputy Oliver: Thank you, Deputy Queripel.

If you do a tax on the disposal, I can foresee many people will just start burning their rubbish in
2815 their garden rather than taking it for disposal to pay the tax.

Deputy Queripel: In that case, sir, they would be breaking the law. *(Interjections)*

Yes, so the country where the goods are purchased and disposed from can add a purchase tax and we cannot. Is that not a form of discrimination? Surely this is bureaucracy gone mad? Many of us in this Chamber say we detest bureaucracy and we want to dispense with as much of it as we can; and here there is yet more red tape to get to grips with. Red tape and bureaucracy trying to keep us locked in a cage with no apparent means of escape.

When did we sell our independence down the river and why? (*Interjection*) I do not remember doing that. It must have happened before I was a Deputy, but perhaps I am wrong there. Perhaps I let the small print go by somewhere in a report and I am as much to blame as anyone else. But, as George Harrison said in his song, 'O, what a tangled web we weave ...'

Surely there is a way around this? The first thing I think we need to do is adopt a can-do approach, instead of this *mustn't-do*, *can't-do* approach that often prevails. What are we so afraid of? I do not get it. I do not get what we are so afraid of.

Oh, sir, before I continue, I want to commend Deputy Trott and Deputy Moakes for their excellent articles in *The Guernsey Press* (**Deputy Trott**: Hear, hear.) recently. They both focused on growing our economy. That is the sort of positive, can-do approach we desperately need right now. Deputy Moakes' article was headed 'Reduce costs, grow the economy', and Deputy Trott's was headed, 'One per cent economic growth saves 1% on income tax'. I took great comfort in reading those articles, sir.

Then moving back to the issue of online purchase tax, because I cannot let this one go without a fight, if we look at paragraph 10.27, we are told in that paragraph:

It could be considered that a levy on online purchases or on certain postal packages destined from the UK to Guernsey and applied to domestic/personal packages at the border would be considered as a customs duty and therefore the Islands would not be compliant with the Islands customs arrangements which forms the basis of both our domestic and international trading relationships.

Two points on that, sir. I am not talking about packages exclusively from the UK to Guernsey. I am talking about packages arriving in the Island from anywhere in the world where goods have been bought online. Secondly, the sentence begins with the word 'could'. *Could*. It does not say *would*. It says *could* be considered. It does not say would be or will be. It says could be. So with that in mind, we *could* adopt a can-do approach or we *could* adopt a mustn't-do, won't-do approach, and just accept we are going to be completely negative and not do anything to fight this.

Now, if we decide to adopt a can-do approach, that *would* do two things. It *would* act as a deterrent for Islanders to shop online and encourage them to purchase their goods and products from local shops, thereby helping the local businesses stay in business. Does that not make perfect sense? Maybe I am missing the fundamental point somewhere along the line, sir. Maybe some of my colleagues can tell me if I *am* missing the fundamental point.

And (2) should some of them still decide to shop online it would bring money in via the online purchase tax. Surely that can only be a positive move, sir? As I said yesterday in a speech, it is buy local or it will soon be *goodbye* local.

Just to finish on that particular issue, this is a crucial paragraph, actually. Paragraph 10.29. It says that none of the obligations 'stop countries from applying taxes'; – and I repeat that, none of the obligations stop countries from applying taxes, as long as they are applied in a 'fair and transparent manner'. So we comply with that. We are fair, we are transparent. What is the problem? I am sure Deputy Helyar will tell me there is a problem when he responds, and I realise of course that fair and transparent could be subjective, but surely we could fight our corner on that one?

I see no reason why we should always fall into line with Jersey and the UK. On this occasion, they set the same *de minimis* which, as we are told in that paragraph, is £135, which means purchases below that value are not taxed. We told in paragraph 9.1.9, 'the tax is still cost effective to collect'. So why can we not set a much lower *de minimis* than that, if we *do* introduce an online tax? To state the obvious, sir, if we did that we would collect a lot more money, and is that not what we are all talking about today? Saving money, making money?

2865 So, sir, I would ask P&R, through the chair, to do a lot more work on that whole issue, please. Unless of course Deputy Helyar might blow it out the water, quite justifiably, giving me an explanation where I have missed a fundamental point somewhere along the line. I appreciate that. But if we can, I would ask them to do a lot more work on that issue because I have spoken to several retailers, I am sure we all have, who are wondering why we have not introduced an online purchase tax. They are not interested in the tangled web of bureaucracy. What they are interested in is their survival. Buy local, or it is goodbye local.

2870 Sir, moving towards a close, I am obviously not going to vote in favour of Proposition 4 because I do not see the need to undertake all that work, seeing as we do not need to introduce GST. What we need to do is stop wasting money and look where savings can be made. Yes, introduce taxes to encourage changes in behaviour, such as a sugar tax, as Deputy Fairclough referred to when he spoke; and also grow the economy. That would be enough in my view, especially with the blue economy, the green economy, the medicinal cannabis market, to name just three at our fingertips. Big money to be made there and we can turn this whole issue around, as long as we add the vital ingredient, which is a can-do approach, instead of a mustn't do, won't do.

2880 Thank you, sir.

The Bailiff: Alderney Representative Roberts.

Alderney Representative Roberts: Thank you, sir.

2885 Alderney and its economy have suffered for years, and one of its biggest challenges, as a small Island, is our connectivity has impacted on the ability to progress. This very morning we were struggling to get an aircraft to operate an air medical for a sick patient. I do not know the result but I just know that my colleague and myself will not be going home tonight.

2890 In the early 1990s and late 1980s, before the Lloyds crash, Alderney prospered. This is just but a distant memory and we remain a far more expensive part of the Bailiwick to live in, as many of you must have seen during your welcome visits to this part – *your* part – of the Bailiwick.

2895 Food is about 27% higher in the shops, our latest research shows. Our fuel at the pumps is far higher; *(Interjection)* our electricity is second only to Sark in our Island, pricewise. The *[inaudible]* kerosene drives our heating, thus making costs to many almost unbearable, albeit our housing costs are lower. Alderney needs to retain and grow our working population to encourage them not to leave. We need new businesses to rebuild and I believe we can achieve this with the new relationships built over the COVID lockdowns and the Bailiwick bubble. I hold and gain optimism with this Assembly around me in a way I have never fault before, and Alderney feels a sense of belonging now in the wider Bailiwick like never before. Our thanks to you for your protection and support during COVID, both in this Assembly and the last. But we do need to pay for this. It is just ...

2900 Excuse me, sir. Please excuse me, everybody. I have just lost my place. I just jumped a page, that is all. Right, okay.

2905 Sir, all of us that voted for the NICE drugs must remember that the money has to be found from somewhere. We realise that and most of the public realise that too. We need a reciprocal agreement with the UK and that has to be paid for as well, as do the rising costs of pensions and COVID debt on a scale of never before. Sixty-three per cent rise in pension costs in 10 years is eye-watering. Policy & Finance in Alderney are against GST at this moment in time, and that is the message I bring to the Assembly today. But we still march forward in fiscal step. Down the road, who knows? VAT may be inevitable one day. But let's try other options and ideas first.

2910 Health taxes will have to rise to address spiralling costs like other jurisdictions face, and so will taxes from other areas. Unpalatable, but unavoidable steps. But is health tax just Income Tax under another name, perhaps? Government savings also need redressing and need to be seen to be addressed. Getting our own house in order with less, and unnecessary reviews that are sometimes never even acted upon.

2915 I would support, however, a direct tax involvement in a fairer way forward, and perhaps even banded on income. You could revisit, perhaps, Zero-10 options, I do not know. But Income Tax is the fairest way forward for me.

2920 We also have the tricky solution of attracting high-worth individuals to Alderney to invest and inject locally, creating employment, improving the economy without upsetting the balance of attraction. We have examples of this in Alderney and the difference it can make. But we need more of the same. We need them in both Islands, along with a younger working population going forward. As I said before, Guernsey and Alderney have never felt more united. However, Alderney fears the avenue of GST.

2925 'No GST' is also a great bragging point to attract tourism and business in the future against the majority of jurisdictions that do not hold it. Can we find another way, going forward, and accept or suggest other options and ideas, and reject it at this time. A GST charge, or as Deputy Inder called it, 'VAT', its proper name. Deputy Inder always tells it how it is. I like that. Relationships with the electorate are like any other human relationships. When the big bills come in, love flies out the window.

2930 Well, you asked for ideas, and we have had a few ideas this morning. So, well, I hope you will forgive me. Freeports through the Bailiwick would help greatly in both Islands – explore that option. A joint energy programme and a sharing of tidal Bailiwick waters with Alderney. A joint share in wind power; help us develop this with your resource and expertise. Our potential of the second highest tidal flow in the world and share it between us as partners. Our doors are open for joint progression and our doors are open for business and for partnership throughout the Bailiwick.

2935 **(A Member:** Hear, hear.)

2940 Now, yesterday, I disappeared for a little while. You saw me go off. I had to go up to the Hospital because I had forgotten some tablets. I took a taxi ride to the Hospital and it was the most memorable taxi ride I have ever had in my life! *(Laughter)* The driver was a real character. We chatted as we went along and he said he wrote poems, and he began to recite a long poem on the joys of driving a taxi! Every word memorised in this long poem, spoken without him reading a word, that took me to my destination! I thought: how bizarre! I said to him I had an interest in musical instruments, as I do collect them. He reached under his seat and he produced a mandolin! *(Laughter)* And started to play! And very well, all in his taxi! I was entertained as never before on such a journey. I left the car smiling and thinking: how bizarre, how bizarre! **(A Member:** Yay!) *(Laughter and interjection)* Deputy Falla and Deputy Queripel would appreciate that, I am sure. But perhaps we need a bizarre out of the thinking box to rejuvenate our Bailiwick for a rebuild income, **(A Member:** Hear, hear.) tax invitation and a forward approach of investment to our Islands.

2950 You asked for extra ideas on the possible raising of revenue and avenues to future prosperity, however bizarre. Well, very limited, targeted tax concessions to boost our Islands may be an avenue to replace Zero-10. I do not know. It sounds weird when we are discussing raising taxes. You could perhaps invite very high-net worth individuals to be encouraged with perhaps a zero-taxation licensing, a very few number, given a legal written commitment to invest heavily in both our Islands – in housing, infrastructure, harbours, hospital, airports, green energy, tidal power and wind power. Issue a very limited, rated licence scheme to both Islands with very high due diligence to stimulate growth and all that it could bring. Job creation feeds the tax pot. Investment in infrastructure impacts, thus easing Government cost and paying for it ourselves. It also encourages new working settlers of a younger age vital to redressing our joint Island ageing problems. A new and vibrant society planned for a bright future. A vision of an expanding economy.

2960 Yes, the few investors would be zero-tax rated. However, much more tax could be gained indirectly through taxation and spending from the private investment they are committed to bring forward to the Islands and our ports, boosting the growth that we need. We would lose nothing, but everything to gain, as these licence-harvested individuals would never have settled here anyway had we not invited them, along with the strict due diligence, pairing that with compliance to satisfy any objections from any area.

2965 My taxi ride was indeed really bizarre, and some might feel this is too. But I am not really crazy, you know. It is time to think out of the box. Like the tunnel idea in the last Assembly coming from leading politicians at the time. Rights of residence and zero taxation limited to a very small number could turn our Islands around in a very short period indeed, shared between the Bailiwick, especially in Alderney at a much faster pace. Non-taxpayers generating much more indirect taxes, with large project investments and guarantees – a tax tool of a different type.

2970 Please consider this as an option. I brought this to Alderney States 12 years ago, but it fell, as some objected. They did not like some people paying no tax. As I said earlier, VAT is also rejected in Alderney, but that is a message I have to convey today. But, myself, I do favour taxes that are fair to all and realise, as the public do at this defining time, taxation must arise from other areas to redress that ‘two minute to 12’ scenario. We seem to have to accept that and I believe the public accept that.

2980 I really thank Policy & Resources for their difficult efforts in bringing this forward and they really have to be commended in such testing times. (**A Member:** Hear, hear.) I have much confidence in them and in Deputy Helyar. It is a heck of a job. They certainly are a good Committee. I feel Guernsey is in good hands and together we all owe it to the electorate to get things right, and I am confident we will. My bizarre idea might take longer than my taxi ride did, but it did leave me smiling. Perhaps it could lead our Bailiwick smiling, too, in the future.

2985 Alderney, part of our Bailiwick, is much more expensive to live. We, as a small Island, cannot absorb it. It would kill our Island, set us in reverse gear. We would contribute less to the tax purse, disrobing an already fragile economy that is delicate. Direct taxation is more understood and acceptable in both Islands. Just my view. It would be a false economy against the fragility of Alderney, its demographics and its future.

2990 Again, I think this is a great States Assembly, and it holds a great mix of common sense, a great leadership quality, and plenty of real characters. We *can* do this together, we *can* do it fairly, almost no one wants VAT or GST as an option, but I respect those that do and I do see their point, and it may well surface and it may well go through at a later date. But let’s not impose it just yet. Let’s find other ways. Let’s be together.

2995 Alderney and Guernsey are together like never before, complementing each other, and we could really lead the whole of the Channel Islands, given time, if we just have the courage to explore other ways and other directions.

Thank you, sir.

The Bailiff: Deputy Matthews.

3000 **Deputy Matthews:** Thank you, sir.

I would like to start off by saying I am against GST, and I would almost like to leave it there, but I do feel obliged that I should probably go through and offer some explanation about how I arrived at that decision and what I think the alternatives might be.

3005 Sir, the Tax Review from Policy & Resources is the Committee’s answer to a question that is two-fold: (1) whether there is a need to raise States’ revenue within the Fiscal Policy Framework limit of 24% of GDP; and (2) whether this can be achieved by adding a Goods and Services Tax or simply raising the rate of Income Tax. I will respond to each part of the question in turn.

3010 Firstly, the need to raise revenue up to 24% of GDP. I have not seen any specific or convincing justification for the number being set at the magic value of 24%, rather than 23% or 25% other than that 24% has become a self-fulfilling prophecy because this is the number that the States has been working to for some considerable time. This means it would be required to meet our current known commitments, even allowing for expected economic growth and savings in the cost of delivering public services. So, although I can find no special justification for 24%, I have no reason to challenge this number either. Our tax take as a proportion of our GDP is quite low compared with many similar jurisdictions, and 24% of GDP does place us broadly in line with our near neighbours in Jersey.

3015 I also note the analysis from Deloitte’s in Appendix 1 states that:

... the aggregate effect on the economy from an increase in taxation to 24% of GDP should be negligible in the medium-to long-term.

There is a certain inevitability about the requirement to raise revenues. Successive States have voted for and approved a level of services that cannot easily be reversed without making drastic cutbacks.

3020 The other part of the explanation is changes in our demographics. These changes are simple fact. However, I would not say that the Island's problems are caused by too many old people but, rather, not enough young people. People are living longer and having fewer children, later in life. These are social changes that are happening in developed countries worldwide. Indeed, the world faces demographic challenges very similar to our own. However, in Guernsey we have additional
3025 contributory factors that exacerbate the demographic changes.

For many years young people have left the Island, sometimes for university, and not returned. In addition, few young people and families have arrived to replace them. We have plenty of employment opportunity so that is not the issue. Partly it is due to population controls. There are other factors where the Island may not be seen as an attractive destination for prospective arrivals.
3030 Guernsey is sometimes seen externally as a little old fashioned and unexciting compared to more cosmopolitan destinations in the UK and Europe. However, I think we know the primary deterrent is a lack of housing and high property prices.

We know that property prices make it extremely difficult for young people and families to live on the Island. We are in the midst of a housing crisis. This is not a short-term squeeze but a long-
3035 term imbalance that has been building for decades. We cannot ignore these facts and continue as if nothing has changed. The demographic time bomb has been known about for quite some time, but we are at a crunch point. There are no simple cutbacks to be made, there is no realistic option to reverse the planned spending such that it can be funded with existing tax rates. So I support the principle that revenues must increase up to the limit identified in Proposition 1.

3040 This moves on to the second part of the question: how to raise revenues up to the limit identified. In the presentation to States' Members, the Tax Review was described as a comprehensive look at all the available options in the toolbox, including even unpopular options to raise the necessary revenue. I found this reassuring, as in my manifesto I had committed that I would *not* support a GST unless as a last resort. I was disappointed to find, however, that section 1.11 in the report rejects all
3045 alternative forms of taxation and presents only a primary choice between GST and income-based taxes. I cannot accept the report's statement that other available taxation options are presented as simply supporting measures with limited revenue-raising potential without further evidence or analysis to support this position. As a result, I do not believe a convincing case has been made for a Goods and Services Tax.

3050 Paragraph 6.3 of the report appears to dismiss out of hand all forms of tax other than GST and Income Tax. It says:

The Steering Group concluded that of the levers available, taxes on income and taxes on consumption (e.g. a GST) offer the greatest potential for raising additional revenues. Other measures such as TRP, environmental and customs duties may contribute but are not practical options for meeting the scale of the challenge presented. The primary focus therefore should be the choice between taxing income and taxing consumption and the Steering Group concluded that a tax on consumption should be at least part of the solution.

But the wording of Proposition 4 is even stronger and more definite. It says:

To agree that any restructure to meaningfully diversify the tax system requires the introduction of a broad-based Goods and Services Tax ...

I accept there is a clear advantage in diversifying our tax base from its reliance on Income Tax, but I am not convinced that a strong case has been made for GST by rejecting other indirect taxes
3055 and property taxes out of hand.

Deputy Inder in his speech included a laundry list of indirect tax measures, some of which I agree with, that could help raise some revenue, to which I could add. For example, I am not in favour of

paid parking, but I am a proponent of congestion charging instead, which uses technology to automate the collection of road charge uses, so is far more efficient than parking charges.

3060 **(Two Members:** Hear, hear.) It raises some revenue, but also helps reduce congestion on the roads.

As another example, I have heard Deputy Helyar describe GST sometimes as 'unpalatable'. Well, sometimes some sugar can help for that, and I am sure that we could consider a sugar tax, which I think has been mentioned by Deputy Fairclough previously. Now, a sugar tax on its own will not fill the black hole, but taken together those targeted indirect taxes could contribute significantly and, as a side benefit, improve our environment and health at the same time.

3065 Now, I do not want to go through and list any more indirect taxes *or* talk about corporate taxes, because I note that Deputy Parkinson made a very good contribution on corporate taxes and I think that there is very clearly a case that there could well be much that could be done with corporate taxes, some of which may be immediate, some of which may take some time to develop a policy.

3070 I think one of the issues with GST which many have identified is that it is very difficult to go back on. So if we introduce the GST and then subsequently find there are corporate tax changes that could resolve some or all of the issues, then it is very unlikely that we would repeal a GST.

But, sir, the taxes I wanted to concentrate on as a possible source is property tax. Our current form of property tax is TRP. I have been advised very kindly by the States' Treasurer that to raise
3075 £75 million by a straightforward increase in TRP would require a raise of 260% to our current rates. Now, TRP as it currently stands raises £26 million per annum and is split between commercial and residential. The split is uneven, so we get about two-thirds from commercial, which is £19½ million and £9½ million from domestic. So a 260% increase applied to both would raise commercial rates from £45 a square metre to £162 a square metre, and the average domestic bill would go from £280
3080 today to around £1,010. So per household that would go up around £60 per month.

Now, of course, that assumes the whole £75 million is raised through TRP and ignores any of the long list of indirect taxes which could help that. It also assumes the ratio between commercial and domestic rates remains the same, where I think there is a strong case to weight the increase much more towards domestic rates, which I will explain.

3085 As it is, an average bill of £1,010 would be considerably less than the average English council tax bill of £1,818; and in at least two regions, the south-west and north-east of England exceed £2,000 per annum. The average bill for domestic TRP would approach this amount in Guernsey *if* the commercial rates of TRP were to remain largely unchanged and if the sole method of raising the additional £75 million were entirely TRP.

3090 It is certainly true that raising tax this way would be unpopular. Council tax is unpopular in the UK. However, there are no popular choices for raising tax. Implementing a new GST is also an unpopular option in Guernsey because it is regressive by nature, though there is significant mitigation in the proposal. Property taxes have a potential to be far more progressive, and some would say fair, depending on their implementation. It is therefore worth considering what the
3095 alternatives to TRP might include if the amounts collected were to be substantially increased.

Sir, Guernsey introduced TRP in 2008, based on the calculated area of properties, using the then emerging digital mapping technology from Digimap. It replaced the system of tax on rateable value, that is domestic rates, which had been in place since 1947. The UK also had a similar tax on domestic rates dating from 1925 and based nominally on assumed rental values of properties and revalued
3100 infrequently. It was replaced by the Community Charge, a flat rate known as the Poll Tax, first in Scotland in 1989 and then in England and Wales in 1991. The Poll Tax proved extremely unpopular, sparking riots, and very nearly brought down the Conservative government of the day. It was replaced by the Council Tax in 1993.

Both TRP and Council Tax aim to approximate a tax on property value, because of the assumed
3105 administrative difficulty of holding a register of actual property values. House prices are recorded only when a sale takes place and can vary if it has been some time since a transfer has taken place; and, in any case, would not take into account alterations or extensions or other factors that might affect a property's assumed market value. It may, however, be possible to maintain a register of actual market values and there is an argument that it would be desirable to do so.

3110 Sir, the amount Guernsey raises by TRP has historically been less than the UK and I believe this is in part simply because Guernsey did not really need to raise very much tax this way, and we also have a fairly sizeable group on the Island that are asset rich but cash poor. (**A Member:** Hear, hear.) There is certainly scope to raise some revenue this way. The analysis from Deloitte in Appendix 1 does not consider property taxes in depth, having been designated out of scope. It does note that
3115 Guernsey raises only 4% of its revenue from property taxes, higher than Jersey's 1% but considerably less than Luxembourg's 9.7%. Other countries may be even higher. The UK equivalent is 12.88% of total revenues.

The UK system of property tax may raise significantly more revenue but is not always considered fair or progressive. Commenting on it, the Institute of Public Policy Research, a left-of-centre think
3120 tank, notes in its report 'Pulling down the ladder: The case for a proportional property tax':

The UK's current system of property taxation is unfair and outdated. Council tax is based on 30-year-old property valuations, varies widely around the country, and is capped at relatively low property values, meaning that a multi-million-pound property in the South-East of England can attract the same tax bill as a normal family home elsewhere. Stamp duty, the widely disliked tax levied on the sale of properties, acts to 'gum up' the housing market and to hinder the efficient use of housing. Neither has done enough to address the enormous increase in housing wealth over the past 40 to 50 years that has been primarily concentrated in London and the South East, and disproportionately benefitted the old and already wealthy. Reform is overdue.

That is talking of course about the UK Council Tax system, but we see a similar pattern here with even greater gains in property prices in Guernsey.

There is a strand of economic thought that the housing market has been almost entirely responsible for increases in wealth inequality in G7 countries since the 1970s. Now, I do not believe
3125 that most people buy a house intentionally as an investment. For many people, a house is a home to live in, not an asset class. But the fact is in recent decades investing in property has outperformed almost any other asset class you could have chosen and, for most people buying on a mortgage, their investment is highly leveraged, increasing the risk and the gain.

The average property price listed on gov.gg property price index pages goes back as far as 1981. In that year, Prince Charles married Lady Diana Spencer, IBM launched a personal computer, *Raiders of the Lost Ark* was released in the cinema, and the average property price in Guernsey was £28,135.
3130 In 1991, it was £94,841; in 2001, it had risen to £210,000; in 2011, it had risen to £400,000; in 2021, was £551,000. So an awful lot of price gains have already happened and the taxes needed to look forwards, not retrospectively. It is too late to tax capital gains that have already been made.

I also read the census from 1981, which was available at the same site. It was signed by Allan N Grut, which would be Conseiller Grut of the Advisory and Finance Committee of the time, and includes a comment on page 38, that reads:

It is interesting to note that people aged 20-29 years are generally considered to be those most likely to enter the Island to seek work, yet the above figures indicate a reduction in the rate of immigration for this age group.

He is right. The figures he is referring to show a reduction in that percentage of non-Guernsey-born persons in that age group had declined since 1976 from 50% to 32%, showing that 40 years
3140 ago we were starting to see a decline in young people moving to Guernsey. Now, that is a trend that continues to this day and I believe that trend is largely related to property price inflation. There is a very real possibility that this trend, if it continued, could strangle our economy. Guernsey would become a place that is too expensive to live and too expensive to do business.

Given this, thinking about a more radical solution to taxation would be to do something like scrap Stamp Duty altogether and replace it with an annual property tax that is proportionate to property value. Now, it is true that this would be a form of wealth tax, but in my view a fair and progressive one. Stamp Duty simply makes the housing market less liquid. Scrapping it would greatly help young people and families trying to get on the first rung of the ladder. We have a housing crisis. We are debating tax changes required largely as a result of too few young people
3150 and families on the Island. Our tax policy should address the *cause* of the problem, not simply react to it.

If we do not tackle the issues of high property prices, in 40 years' time we may be back again – well, it will not be all of us back again. I did note the comment from Deputy Brouard that ages are extending to 130 so maybe actually many more of us would be back in 40 years' time. In 40 years' time there will be somebody back in this Chamber debating the same issues and how an ever-shrinking pool of young people can fund an ever-growing group of retired people and the cost associated with them. So I think we need to think now about how we can take action to help to alleviate that situation.

Thank you, sir.

The Bailiff: Deputy Vermeulen.

Deputy Vermeulen: Thank you, sir.

I cannot support this direction of travel. I simply do not believe the options that we have been presented with are satisfactory on a number of levels. I understand, as Deputy Helyar has put it, we are at the end of the runway. But I believe we need to complete an emergency stop and roll out the safety protocols, otherwise we will be heading for a collision.

When I stood for election, I clearly stated my position as anti-GST. This was not to be populist or ignore the challenges on the horizon. It was because, and I still believe, GST would be severely detrimental for Guernsey. (**Two Members:** Hear, hear.) We are one of the few places in the world that does not have a sales tax and I believe that is a massive benefit for the Island. Just when retail is starting to prosper again, we are looking to lob a hand grenade at that sector. We need to be supporting our high street and not threatening to choke it. But this is far wider than just retail.

Sir, I support evidence-based decision-making, and I do not believe we have the evidence here today to support this green paper. The States is not armed with the information it needs to make this decision that will impact on Guernsey's finances and society for decades to come. We were elected to bring new ideas and fresh solutions to the States. Islanders do not want the same old, same old. They voted with their feet to support us in our quest to grow the economy and enable the Island to prosper. GST does not fall into this category and we are having the same arguments, the same old, same old, same arguments that we have had before, divorced from any imagination or new ideas and discussing a regressive tax that is not welcome.

If we do not materially address current and projected States' expenditure on delivering what we deliver and how we deliver it, and whether in fact we should be delivering it at all, then the whole debate will be focused on answering completely the wrong questions in totally the wrong order.

Sir, we must ask uncomfortable questions instead of swerving them like we have done over the past three States' terms. We need to examine how our taxation policy can be used as an enabler for increasing economic growth and, indeed, the opposite of how a tax policy can actually deter increased economic activity. This Assembly needs to agree the direction of travel that it wishes to take, otherwise this debate merely answers questions which are based on the fiscal position as things currently stand, without any consideration whether that status quo is even desirable, or indeed viable.

It goes without saying that nobody likes paying additional tax. We owe it to all taxpayers to try to firstly avoid tax rises and, if that proves impossible, to minimise any tax rises which prove unavoidable. Nobody is wanting to see front-line services cut either. The focus must therefore not only be on how we deliver, but also whether we are actually trying to deliver the right things in the first place.

Now, if we are efficient at delivering something that we do not need to deliver in the first place, is that really being efficient? There are a number of areas which need rigorous review, including States' borrowing; the performance and apparent EBITDA losses of the States' Trading Board entities; redundant States' assets; public sector reform; establishing the accurate deficit within the public sector pension scheme; Population Management; zero-budgeting; affordable housing; and benefits. We need to squeeze the pips.

We do not have all the answers today, but they *must* be known before P&R come back to this Assembly with whatever policy letter emerges from the outcome of this week's debate. Guernsey should be attracting successful, economically active individuals to grow our tax base and contribute to our economy, thus reversing our trend of a reducing tax base. Before we make any decisions to fundamentally alter our *fiscal* landscape, we also need to consider the impact external decisions will have on our domestic ones. With the unknown position regarding Global Corporation Tax on the horizon, I do not believe that now is the time to set the wheels in motion for GST without looking at the bigger picture.

Sir, tough decisions need to be made. If I was marking this paper it would be sent back for a redraft. GST is *not* the answer and we owe it to the people of Guernsey to fully consider other options before laying this burden at their door. We must leave no stone unturned.

The Bailiff: Deputy Blin.

Deputy Blin: Thank you, sir.

Let me clearly state my position and the position of the electors who voted me into Assembly nearly a year ago, and we are now dealing with one of the most important debates of this term. Incidentally, others have alluded to it and I will too. The colour of this green paper is, in my eyes anyway, more white than green. It sits here, we are unable to amend it, and yet we have to vote on its six Propositions. However, I endorse the opportunity to debate this paper and these Propositions provided and am particularly pleased with Deputy Helyar's clear introduction before this debate, demonstrating it will give direction for future work.

So I am against any form of tax rise until this Assembly and the Government, and Civil Service it presides over, has cut its costs and done all it can to grow Guernsey's economy to increase revenue. Therefore, I know, and my voters know, that this is not the case. Therefore, for example, we as an Assembly cannot expect hardworking Islanders to pay a regressive tax like GST. I will consider voting for some of the Propositions but, for now, I will not consider GST or the potential tax rises. To be clear, I do not want to see these increases until we have proved to the Guernsey people and ourselves that we have identified all of the options available to us on growth, creating efficiencies and shaping an optimum size of Government for our Island.

On Proposition 3, I do consider the idea of the social insurance reforms in line with tax. We all experience a frustration of how the rates vary, the caps changing. And actually, if this was streamlined as well, it would be less costly to implement as the Revenue Service would have an easier role to administer. But it does mean the reality is there will be considerable increases to compensate for the deficit in pensions, as the paper rightly discusses contributions to social security and the already highlighted structural issues to maintain pensions, healthcare and long-term care. So I may support this on the basis that it will be explored further before a policy letter is brought to a future Assembly.

On Proposition 5, I stated in my manifesto that I am against GST because it is regressive, despite any ameliorating factors, suggesting by the paper, to help those on low incomes. You could perhaps say there is a positive. It could raise money from businesses, business users and visitors coming to the Island. This sounds good, even that our main source of Income Tax is on resident workers and generally nothing from visitors. But it does not work financially, does it? The take would be less than £5 million and although it may seem like a solid figure in the right direction, against what background, though, we ask? Sir, Guernsey's hospitality costs to the visitor are already more expensive than other places, with higher travel costs, hotel costs, restaurant costs, staffing costs. Asking visitors to pay GST will not be a great help to the economy, especially post-pandemic and Brexit. Offset that against the effect it will have on low- and middle-income workers. GST? Thanks, but no thanks. The cost of introducing GST and the need to employ more people to implement it should set the hares running for all of us.

On Proposition 1, the 20% to 24%, once again, this is the way to do it, in my opinion. We are giving the options of showing what it is of the GDP. It shows the maximum limit where the GDP can

3255 go. But this green paper is not saying that it is going to increase it to this figure. It is that it is really
a benchmark of the maximum of the GDP, not the tax. I know it is not a policy letter, so will not be
set in stone, but I am unsure if I can vote for this Proposition until I am convinced that the other
requirements can be fulfilled. I do not believe many were urging raising taxation to a higher
percentage of 24%, because it could be higher; but nobody, including Deputies, want to pay more
3260 tax. Islanders have the right to be convinced that there are no other viable alternatives that could
come in its place. So again, I will consider supporting this, *knowing* it is going to be studied further.

Sir, we are trying to fix a Guernsey problem and we need to find our Guernsey solution. Sir, this
feels sometimes like we have cut and pasted from other territories. We have got to look at what we
have got and fix it accordingly to fit our Island. If I look at the utilities sector and the STSB's remit,
3265 GEL is currently in trouble, yet it is the only market option. How can that be? We were told years
ago that importing electricity would keep prices down, but no one sees that in their bills. The failed
implementation of an overarching IT system last year saw the timing of bills bungled and represents
a massive drain on public finances. We have to fix this state-run enterprise and make it efficient and
profitable before we go cap-in-hand to Islanders, asking them to pay for more taxes.

3270 We should consider a similar route to Jersey. Capitalising GEL was outlined as an idea by
Deputy Helyar and also by Deputy Falla. If it was not draining us and at the same time not restricting
us from developing new routes for sustainable energy then there alone we would have savings, and
even profits. And where *do* we stand on renewable energy? Morally and economically we should be
leading the way on this, not just in the Channel Islands, but in Europe, in the world.

3275 But what have we as a Government done? Well, we have put up a wind detector at Chouet to
see if it is windy enough for offshore turbines, and so if we all got – (*Interjections*)

I just checked on the thing, has it been removed? (*Interjection*) Okay, well it has been there since
2011 though. But we know that we have the wave and tidal conditions and we know that we have
it in all of our Bailiwick Islands. We as a Government should be making that happen. Instead, we are
3280 not doing anything at all.

Then we have Aurigny, an airline that has caused us so many financial headaches over the years.
In 2015 it was recapitalised and its balance made nil, six years later it has haemorrhaged a colossal
amount of money, and all of that is not down to COVID – some £20 million is due to operating
losses. But we own this financial liability and we need to harness it. We need to make it do what we
3285 want it to do so at least it should break even – something the former CEO promised but never
delivered. But, that being said, we have a new CEO and he is working with P&R and Economic
Development to turn this around. We now have a chance to change the direction of this company
once and for all, and although I listened to Deputy Falla's suggestion on privatisation, I still think
we have the opportunity here to turn around Aurigny to make it what we want it to be as *our* carrier.

3290 The Dairy, another opportunity. We need to explore and turn this around to at least generate
profits and more. We have the best milk in the world, (**A Member:** Hear, hear.) UK market sell it as
a premium, why is our Dairy not finding ways to make more of its assets with such a golden product?
(**A Member:** Hear, hear.) (*Interjection*)

Growth is the other key. We need to commit to business growth. That includes joint work from
3295 ED, Economic Development, to Home for Population Management, and I now think that giving the
stats we have a clear and ageing or reducing population, we do need to grow and bring in more
working people compensating for these changes. (**A Member:** Hear, hear.) How long is the
demographic crisis predicted to last. If it is to say for 10 years whilst the baby boomers bow out,
then surely we should create a population plan to replace every person that bows out with a new
3300 person under-50 coming to the Island? If it is 20 years, we should drop the age to 40, etc.

But it is not about shall we increase our population now but, rather, by how many. If business
leaders understand the situation, which they clearly do from statements you see, you will hear from
them, and from the savvy leaders in the Island and the IoD. That will create dynamic growth and is
what the Assembly needs to look at.

3305 We have for too long put too much emphasis on the finance sector and we continue to perceive
this as the golden goose. But we have to go grow other sectors. Let's also look to align more with

Jersey and the Isle of Man on business, as we have done with Zero-10 originally. Corporate tax is an option, but I do think further consideration of territorial taxes by Deputy Parkinson should be explored further. I know that if we did have small tax on businesses, that would probably be well received by many of the small business owners, by increasing it slowly, though, to give our economy time to grow; and also at the same time helps us to remove us from the OECD list.

Let's keep supporting the finance sector and keep the focus on making the Island attractive for high-net-worths. But not just for those content to move over here for their personal gain, or rather saving, but for those who have entrepreneurial spirit and choose to get involved in the economy, develop businesses and help our community. I have the pleasure of knowing a few of those, and one in particular who is not only trying to bring businesses here but trying to bring other high-net-worth friends and colleagues as well. I can also add, one of the interesting stories he told me, the main reason why he chose Guernsey was because Guernsey did not have GST.

Sir, we need to focus on the economic growth, bring people in and, if necessary, co-invest some of the family silver to make it generate better income for us. That overreliance that we have had on the finance sector for the last 20 years is going to hurt. Taking money out of the economy by income taxation will shrink, rather than grow the economy, and risks a downward-heading spiral. The focus should be on generating income from new sources to reduce concentration risk and replenish our coffers. Quoting the IoD:

We would encourage all involved to ensure that opportunities to raise revenue via growth and save money via efficiency are assessed to the greatest extent feasible before setting the wheels in motion with measures that permanently alter our fiscal landscape.

Deputy Vermeulen: Hear, hear.

Deputy Blin: I had 'Hear, hear', in this quote!

We have other sectors. We see that with medical cannabis, which is beginning to thrive. Culture and art too. We will see that with the Renoir exhibition in 2023, which I am sure will be a huge success, not only culturally, (**A Member:** Hear, hear.) but also financially. And all we had to do and have to do is help the creativity of a number of passionate individuals who see success for Guernsey. It does not actually require our input, just our support. The same for ensuring, personally, the hope of having the Victor Hugo film *Les Travailleurs de la mer* or *Toilers of the Sea* filmed here, even a small amount would leverage this Island, this national treasure, Victor Hugo.

Tourism: nothing here that I would say is new; it has already been voiced by many Deputies and Economic Development. But it is a reminder that we are all able to push this forward so we must do whatever we can do in this sector, and we need to work in partnership. We should still aim to build a Victor Hugo Centre, develop the Festival of Guernsey and, above all, help the tourism sector. Furlough this week comes to an end, so we need to give help in different ways. One strong message that will help is to ensure that all hospitality staff with EU settlement schemes ... Try and let them stay. We can do that. There is a lot we cannot do with the UK protocols and rules, but there are some things we *can* do here. So that message also to be shared for Home Affairs. We need to build our relationship –

Oh, I will give way.

Deputy Taylor: Sir, I am very grateful to Deputy Blin for giving way there.

It is just to put across a counter point there to extending people who may currently be working in hospitality, and extending their licence so they are no longer required to have a licence. We would potentially be shooting ourselves in the foot in terms of hospitality as, once that licence is not required there is no longer the requirement to also work in the hospitality industry, and people may move out.

Thank you.

Deputy Blin: Thank you.

I actually disagree with that. We have around 4,000 people with EU settlement status on the Islands. As lot of them are in finance and lawyers. There is no issue there, they can renew. The ones that we are concerned about are the ones working a lot in hospitality and they have already been giving their time here for years.

Now, it is true what Deputy Taylor says, that they can actually leave and work in other areas. But they are also used to working and supporting the sector they have been in. They can also perceive hospitality as a trade and a role, and they like it. They work well, they will have opportunities to move around and get better jobs and everything else. Should they decide, because they had a degree in biology or physics or law and they get another job in another sector, congratulations, because they are going to be then helping our economy and leading us to it.

The flipside of what Deputy Taylor has alluded to is that when we do look for permits and visas in the future for the people to help us push our economy, we will not be able to get them, because we will need three years' experience in the job, English exams, etc. So we have to support the people who support us if we are going to be dynamic to make this growth happen. **(A Member: Hear, hear.)**

So to continue, sir, we need to build our relationships with our Jersey neighbours. A group of us, some Deputies, had the opportunity with the CPA, we had the opportunity to meet with Deputies of different jurisdictions and they felt the same way. So we need to work together more. Imagine if we had been more aligned and had an air bridge or a sea bridge with Jersey during or post our lockdowns. Our economies would have been buzzing. This Government needs to enable economic vision, not sit by and watch opportunities go to waste based on historic precedents.

The infrastructure: infrastructure should never be funded from revenue, it should be funded from capital, of which the States has lots and lots of, but does not account for all. To solve part of the deficit of the investment portfolio paying future pensions, why do we not transfer some of the numerous surplus States' properties to the SSE investment portfolio, get them properly valued and managed, or sell them as part of that asset? The States of Guernsey, when the public finally see real savings and structural change being made to the States of Guernsey, as one of the biggest employers then, and only then, will the public be more open, perhaps, to pay that bit more. The States of Guernsey should accept reality. A tailor knows how much he can get from a piece of cloth. We know the amount of cloth we have is going to shrink, so we have to plan to cut a smaller amount of cloth and make the economic clothes we have last longer.

The most telling statistic I see is the average pay of civil servants is second only to the finance sector, and nearly 60% above median earnings. The Government needs to get a grip on the cost too. We should not be allergic to reducing services. So, sir, in conclusion, we must take into account expenditure, the right size of Government and a focus on growing our economy *before* we embark on the journey to increase taxes. For this, we must work together, as this responsibility lies with every single one of us in the Assembly. I truly appreciate the opportunity I have had to share my thoughts and I will be voting for several of the Propositions.

Thank you, sir.

The Bailiff: Deputy Le Tocq.

Deputy Le Tocq: Thank you, sir.

I will be brief because I think we have heard a lot and, in a sense, this debate has been going in the directions that I certainly had hoped it would. We have had lots of concerns, ideas, all sorts of ideas; and the idea of a green paper, in my mind, was an opportunity to look at the direction in which the Committee and its advisory panel had come to the conclusion of and, to add into that other ideas based on the information that was before us. We have heard incredible things like, well, from Alderney Representative Roberts, a ukulele tax and a poetry tax, those sorts of things, I think might be ... Well, I was just wondering whether having arrived at the hospital for his medication the taxi drive on the way home was quite as bizarre as the one there, but maybe not. *(Laughter)* But no, genuinely, sir, we have heard people's views and we are hearing people's views.

My disappointment, as I alluded to earlier when we were discussing whether to meet in Committee, is that we have before us a set of Propositions that I think it would be disingenuous for us to vote on. Because quite clearly, even from some of those who have been quite vehemently against, say, GST, there is a realisation that we cannot continue in the way that the States has been moving and spending and acting for the last few years.

Now, this is a shame, because for some of us here, and I look at my friend Deputy Trott particularly, sir, these sorts of debates, and this one is no different, really, have been happening for some time. In fact, if we go right back to the debates around the Zero-10 regime, which some would say is the main reason we are here, and I do not believe it is at all, but it may feature partly in that. But nevertheless it is not that and I will come on to that in a moment. But if you go back to that there were discussions at that time around other forms of taxation to make up for the black hole that was going to appear in our finances, and Deputy Parkinson was in the Assembly at that time and he spoke very eloquently, as he has done on this occasion, about his ideas.

The trouble is the States as an Assembly, sir, has chosen to kick this can down the road for a long time. But what is in this can? I would like to analyse that a little bit because there are some things that others have said that I would have said but I do not need to say; there are some things that I think have not been really emphasised. I would like to start with one, and it effects the whole of our society in Guernsey.

I grew up, sir, and I consider my upbringing, being adopted into a family of farmers and growers, to be a very privileged one. I think if you had asked me when I was in my teens, probably like most teenagers, I would have said, 'No, I'd like something different'. But I look back now and think how privileged I was. They did not have a lot of money, but one of the things that they taught me – my parents particularly, but also my wider family – was to learn to be satisfied with what we had, not what we did not have. That has certainly set myself up well in life and I have tried to pass that on to my children as well.

Certainly my parents and their generation did not expect that living in Guernsey, and they on both sides, the Le Tocqs and the Le Tissiers – and of course there were *many* Le Tissiers – had lived in Guernsey for many generations. They did not believe that living here on a rock could mean that you had all the opportunities and all the services, and all of the health and educational opportunities that you would have if you lived in a bigger jurisdiction. They did not believe that that was an appropriate expectation. Yet today, and there are lots of reasons for this, because we live in a society where the information of what is available elsewhere is at everybody's fingertips – literally, *here* in this Assembly – we have let that expectation come about. It is I think something we are, irrespective of what we decide today, if we decide anything, but it should be part of our role to communicate to people that we *cannot* have all of those things. Because, for one reason, the economy of scale just does not make it possible.

Now, I am one who will be in favour of growing our population a bit more. (**Two Members:** Hear, hear.) I do not think it needs to grow very much and I have said for many years now that St Peter Port could take another 5,000 people if they were put in the right place and no one would blink an eyelid. I still believe that. There is empty space or wrongly used space in St Peter Port that could do that. That would go some way, a considerable way probably, towards alleviating the sorts of problems that we are facing today. I think that needs to be part of the equation as well. It is alluded to in the policy letter, but I think we need to look at that far more seriously.

The thing is with that, as with a lot of the other alternative solutions that have been mentioned so far – and I obviously cannot comment on any of the others that are going to be mentioned potentially afterwards – the problem is it takes a *long time* to do those things, and time is not on our side. Coupled with the fact that we are not very good at doing things quickly.

Deputy Trott will know, again, because soon after our decision to move to Zero-10 we knew that we would have to make some savings. So for the first time, certainly in living history, the States entered upon a very controversial period of employing a group of consultants – Tribal HELM to begin with, which eventually became Capita – but it happened at the end of my second term when I was privileged to serve under Deputy Trott in the Treasury, to help us look at and help us focus on

areas where we could do things differently, where we could make savings. We needed that because we did not have a culture in the public service – we were not unique in that, public services do not tend to have that sort of culture. I think it was Slovenia at one point made some savings by cutting out completely the government department for savings. (*Laughter*) That is a true story, I think, some years ago.

But we are not very good at those sorts of things and we brought in consultants to do that. That alone was easily criticised because we are paying consultants to help us make savings; and you are setting yourself up for trouble when you do that. But we needed that and, in fact, during Deputy Trott's time as Chief Minister – I did not stand in that four-year period – whilst there was this financial transformation plan, not a penny was saved during that time. Deputy Parkinson was at the Treasury at the time. Now, I am not criticising them. They will confirm how difficult it was to get Departments, to get the civil servants, to get the public service as a whole to actually focus on saving money!

Now, we did eventually do it. We managed, as I think it was Deputy Queripel – he is not in the Assembly – mentioned before. We had a target of some £30-plus million and we managed to save just under £29 million. It was during my period when I was Deputy Chief Minister and Chief Minister. If I had hair to start off with then, I would not have had it at the end, most definitely. Whilst we achieved that, some of those savings were not really sustainable, because they involved issues which very quickly, in the next term, got turned around. There was not a consistency there. We do not have that ability – we have already said it, we are proud of it: we cannot bind a future States.

So we have to be realistic here. I personally do not disagree with any of the potential suggestions that have been made. Even a ukulele tax, if you want to do it. As long as you do not tax keyboard instruments, I am with you on those things. (*Laughter and interjection*) But the point is we will not do those things very quickly and they are not going to solve our problems. We have already heard this – that, certainly individually, they are not going to solve our problems. But we should be looking at all those things. We should be looking at savings, that should be in our culture and we should speak that to the various Committees and parts of the public service that we are responsible for. We should be encouraging that. It is not going to happen quickly, but it needs to be there certainly. So that was really my first point that I wanted to make, sir.

I was in the Assembly back in 2000, in the term 2000-04, when Deputy Owen Le Tissier – Uncle Owen, to me, who was then the President of the States' Insurance Authority – introduced the Long-term Care contribution and allowance. He said at the time, and I noted it, but it was not really noted because all the focus was on, 'Why do we need to do this and how are we going to solve this problem?'. He said at the time, 'This will not be enough. It will not ultimately solve the problem. It will need increasing or other things will be necessary to be brought in.'

Part of the reason and the fear around that was of course the idea that locals would have to sell their own family home which they had saved for, in order to look after themselves later in life. That was seen very much as an investment for the next generation and I still hold on to that value and I agree with it. But we have forgotten the fact that the demographics even back then, 20 years ago, were already being seen to be a problem for the future.

Now, we have had during those 20 years, in my time in the States, at least three debates, probably more, on this very issue. And what have we done? Nothing. So those that are saying we can afford to wait a bit longer, I am sorry, we cannot do that. I, as I have said in the Education debate, had some children who were young at that time – I have got grandchildren now, and I certainly want to be responsible for them. I am hoping that they can stay in Guernsey and live in Guernsey.

So let us not *blame* the older generation, because I now find myself in that capacity! A different way of doing this, and again this is a conversation that unfortunately we have not really been able to have with the public because over the summer months the focus has been on Education, largely. We need to have this conversation urgently. In a sense you could say the problem is not that we have got people happily living longer. The problem is that my generation, those in their 50s or so, have not had enough kids. Now, if you look at it from that point of view, had we had enough

children then maybe we would not have this sort of problem, we would have a working population that was larger than it is at the moment.

That is a debate in itself, but I do not like to point the finger at anyone unless I am willing to have the finger pointed at me. I have three kids, I could have had more, but I chose to have three. And if you look at our fertility rate and our population's demographical change, it is quite alarming over the last few years. So that is something again that I think we do need to look at.

Somebody mentioned incentives to have children, and we laugh at that, but some countries do that. In France there is an allowance for *un grande famille*. I think four or more and you get some extra tax allowances. Well, we can look at those sorts of things and it may be more preferable to some than a larger number of people being imported to live in the Island, as it were.

But I want to come therefore, sir, to the issue that has been, I suppose, the main issue, of GST. Now, I have voted again and again against GST. I did not put it in my manifesto. I did not say I would vote for it or against it, particularly. But I have changed my view over GST over the years, because when we first looked at whether to bring it in over the changes in the Corporate Tax regime back in the 2004-08 term, I was very much against it. I was against it because I saw it as almost identical, or just another set of words for 'Value Added Tax' – and some have conflated the two here as well. So I am completely sympathetic with those that do. I just thought it was a clever way of saying the same thing. I was very much against VAT because my first job out of university as a graduate in music, French and theology, was to work in VAT fraud. (*Laughter*)

Now, I thought when I worked for the UK Civil Service they would put me in the Foreign Office or the Home Office or something – no, I went to Customs and I was trained in accountancy and I was put in VAT, something I knew nothing about whatsoever. But I learnt very quickly a number of things. First thing is, it was an exceedingly expensive tax to administer; it was bureaucratic, it was complicated and it was really as a result of that very open to fraud. That is why the group that I managed in the end, in south-west London, were very busy, because there were all sorts of opportunities for fraud. The paperwork – and okay, today it would probably be far more digitalised – but we had computers even in those days and we could communicate information by modem between offices. It was very modern in that respect. *Still*, there was a huge amount of bureaucracy. The costs rose and the number of people needed to be involved in it, and the training for them, the cost of those, increased.

I did not want to see that here and I thought that a place like Guernsey would suffer hugely by bringing in such a complex tax. The benefits would not outweigh the costs and disbenefits involved. I really expected Jersey to see that when they introduced GST. I certainly was not surprised that when they introduced it initially they put it up very soon afterwards, because that is what happened with VAT. Although, contrary to what people say, VAT *has* been reduced. It was introduced at 10% to begin with, then it went down to 8% and then 7½% I think. It is not true to say that introducing a tax means it only goes up. But in Jersey that was the case.

I expected inflation to skyrocket and to remain way above ours, and I expected on my visits to Jersey to see prices in excess of those in Guernsey. That has not happened. There was a bump, an initial peak in inflation for about a year, but it trailed off; and, after that experience, certainly the prices in Jersey seemed no different to ours. That is why, over a number of years, I have looked at their experience and I felt my views on introducing GST here have ameliorated as a result, because I think we could certainly, if we chose to, as part of a package, bring something like that in that would not be regressive.

I agree with some that certainly if you just brought it in by itself without any mitigating actions, that that would be regressive, but I do not think it is automatically regressive. In fact some people would say because it is a tax on spending – and we already have consumption taxes, let's face that, we have on alcohol and tobacco and things like that, but we are used to those sorts of things. But some would say, because it is a tax on spending, that those who spend the most and have the most disposable income to spend the most, *pay* the most. So, in some ways, in that respect it could be *more* progressive. Okay, that is a moot point, but I raise it because I do not think we should just jump to soundbites and maxims when we are talking about things like this that affect our whole

community. Certainly the sorts of things – and they are only guidelines – that have been produced in the policy letter and in the report, would indicate that we could bring in mitigation to make a GST as part of a package. Let me remind you what I said before: it should not be seen by anyone as a silver bullet to solve all the problems, but as part of a package to help ameliorate our current situation that we are facing.

I was also surprised at Jersey, and did not know for some years how the money was raised, but because of the exemption fees that financial services companies can choose, *millions* are raised in that way from the very companies, that some would say they would like to see taxed more here in Guernsey, that have benefited from the regime that we brought in.

So from those points of view – and I have not mentioned what others have mentioned, the fact that we could tax visitors to our Island. At the moment if they bring their cars obviously they will pay an element of fuel tax and road tax, because we have added motor tax into fuel duty they pay that. But other than that, they do *not*. So it would help from that point of view to share the load. Also, for those – and of course there are many of them in our community – that largely live off capital and spend out of their capital reserves.

So from those points of view, I think we need time to inform our community, the residents in the Island, we need time to say this should not be written off completely. You can see where I am going with this. I have changed my mind on a number of these things, but I would be *very* against anything that is done where we cannot mitigate the effects elsewhere.

At one point I would have liked to have seen a 10% Corporation Tax, 10% Income Tax and 10% GST. I think that would have been clear and simple. But that will not work at the moment, I know that for certain. But what we could do, as has been pointed out, we can certainly reform our Social Security Contribution System and bring in allowances there that will really help those on lower incomes. I think to increase Income Tax allowances ... We have to be careful with that because there are those that already receive it, they will get no benefit from it being extended, and perhaps you could argue that those right at the bottom are those that need it the most. But, nevertheless, there are other ways. I would like to investigate reducing the headline Personal Income Tax to, say, 18%, or something like that. Why can we not do that?

So I hope, whatever the results of today – and that is why I think voting on the Propositions would be somewhat disingenuous of us – we need to note everything that has been said, we need to *all* work together, not just P&R. This is not P&R's problem, it is not ESS's problem, it is *our* problem, corporately. We need to work together to put all of these ideas together, find out an arena of areas where we can work on, and we can believe that some of this will work, and then start having that dialogue that we have not really had unfortunately yet with our community. So in other words, I think if we can do that we will have made good use of what we have heard today, certainly so far.

Thank you, sir.

The Bailiff: I am going to call Alderney Representative Snowdon next.

Alderney Representative Snowdon: Thank you, sir.

The Bailiff: Principally because he is here today!

A Member: And tomorrow!

Alderney Representative Snowdon: And tomorrow, I think. Yes, absolutely.

Firstly, I would just like to say thank you to P&R for bringing this green paper. I think this is a really important debate. Hopefully, we are thrashing it out and there is feedback that will be productive for P&R.

Regarding the Goods and Services Tax, firstly I just want to go over a little bit of detail for Alderney. My understanding is companies with a turnover of more than £300,000 potentially would be required to pay 5% to 8%. I pick that up just because I would like to touch on Alderney Electric.

If we compare the price in Alderney to Guernsey, our electric is 45p per unit, Guernsey's is 14p per unit. It is highly disproportionate. If we compare heating oil: 66p per litre in Alderney, 60p in Guernsey. Petrol: £1.90 in Alderney, £1.37 in Guernsey. Diesel: £1.80 in Alderney, £1.37 in Guernsey. Construction with building blocks, four inch: £2.59 in Alderney, £2.16 in Guernsey. I just wanted to highlight that, because in one way GST, I think, will hit Alderney a lot harder than it would Guernsey.

I accept there are ways of trying to help – if it is implemented, GST – the lower-income families, but lower-income families in Alderney are getting quite a bit of payment. However, the problem being that there is so much money going out. So two parents with two children, young children, trying to buy healthy food when the boat comes in in Alderney is £200 per week, which is £10,000 a year just on groceries. That is quite a tremendous amount of money that a young family is putting out. High living costs: I am just really worried that also in the Bailiwick people will feel the pinch of GST coming in.

Another example is shipping. We do have in Alderney high shipping costs into the Island. I accept we are on a small Island, however, every single product potentially from the shipping company would have some sort of GST on it because of the bill of the shipping coming into the Island.

Going back to the collection: £800,000 administration fee. What is the cost to the businesses to collect as well? That really concerns me that we are actually quite a high bar before we have actually started getting the income in from GST.

Food and essential items. I am finding that bit really hard and I am surprised that that is actually part of it when you look at the UK, which has not got it on food, that that is being put forward, and I think we do have to raise concerns that that will affect people with medium and lower incomes. Food is a big part of their spending. People are buying luxury cars if they have got disposable money, but in Alderney it is very hard. We are trying to attract that younger demographic but I really feel that they are going to be priced out of being attracted to the Island. We talk about, and in Guernsey, attracting the demographics, the working people. Well, actually, are pushing those working people out by putting too much on them?

Some feedback I would like to give, which is a bit of an off-the-wall one, is a luxury tax. I have got nothing against people that can afford expensive cars or expensive boats paying some sort of taxation, but not for the people that are really finding it hard.

Also, tax evasion: will there be more tax evasion when GST is potentially brought in? I think we need to look at those items and the effect on the demographics and young people that we are trying to attract to the Bailiwick. I think it is going to hinder the next generation.

I do not think we have gone through the public consultation, I do not think we have got people to buy into this yet and I do not think that people have actually understood what this is. (**A Member:** Hear, hear.) People have worked very hard on P&R, and I really do think they have, but I think we just need to get more of a connection to how we move forward.

Touching on the taxation, can we explore incentives to actually attract that working population that we so desperately need to the Islands? Of course they need to pay some sort of taxation, but you have got the whole situation in COVID, everyone coming out of COVID not having potentially to travel into London or go to offices, we should be tapping into that, get them to relocate as much as possible into the Bailiwick. Working on Teams or whatever they need to do, I think the door is open to attract that working population if we can target it and have those incentives to come here.

Unfortunately, I feel GST is counterproductive and will have long-term impacts and, potentially, cause inflation locally, hitting the lower and medium end of our community. For the record, currently the States of Alderney and the Alderney Chamber of Commerce are against GST in its current format.

I will just move now on to the Health Tax. I think we do need to look at it; I think it is a very important subject. However, as I will repeat again, more consultation and public engagement is needed to actually understand that. We do have a changing demographic. I am not sure about living to 130, but we will see how that one goes.

Another minor thing, but an important item, is potentially a Bailiwick Health Payment Policy. I think we do need to explore that so that people who are coming into the Islands at retirement age

3665 pay something in, rather than everyone else having to pay towards that. So, I think, something for P&R to look into, and it has got to be a Bailiwick policy. I think Alderney is happy to go along with it as long as it is a Bailiwick policy, but sooner than later. I think that would be quite beneficial.

Savings: this has been part of the debate, but we do need to look at savings. We need to have more details about potentially what savings could be done, across the board and making more of an efficient Government. I look forward to hopefully more proposals coming forward, but we have got to stop wasting public money. Unfortunately, I have been down here a bit of time now, and in Alderney I see it as well, but endless consultancy reports with no action. It just seems to go on and on and on. So I think we need to actually make sure that if we are spending money we are spending it correctly, and the outcome is hopefully the majority of the Assembly want to go in that direction, otherwise it is just wasting money. And now is not the time to waste any money, as we know.

3675 I look forward to hearing more about the Civil Service reform and how Government can hopefully be run better. I think that is an important bit of work that hopefully will be pushed forward rather rapidly.

Investing in infrastructure: I think the whole Bailiwick needs to invest in infrastructure now. I think now is the time to actually do it. I would like to actually know a bit more about, potentially, long-term borrowing, with projects that actually pay back. So medium- and long-term projects that could actually benefit from borrowing, as long as you can justify a return. I am not for borrowing money just to waste it, but if there is a return on important infrastructure projects, I think that should be looked at while money is cheap and potentially inflation will go quite high.

3685 I have been quite encouraged to hear about renewable energies. There is a global movement with renewable energies, and I think the Bailiwick is in a good place – and the Channel Islands – to hopefully take advantage and move forward with that, and have some sort of brand that we are actually ... What are we selling? What could we move towards? How could we work together and how potentially bigger projects may be on the horizon. At the moment, I was hearing about the wind monitor or whatever you have got down here, but there need to be bigger steps with renewable energies. As you know, regarding tidal, Alderney is in a very unique situation with major opportunities and I think now is the time that we all work together and actually see can we create something important that is going to move forward, and potentially generate massive revenue streams if successful.

3695 We also need to think about attracting more working-age population to the Islands. So I think I have touched on that a bit more, but now is the time to actually get on with that and push it a lot more.

Touching on the special Alderney cap of £50,000, which I think was created, or valid, from 2016 to 2025, that is a sort of bespoke tax that I feel *has* helped the Island. We have got quite major investments. I think maybe 10 years ago, or even seven or five years ago, Alderney was a little bit forgotten, but now we have got some major investment in the Island. It is really thanks to private money being put into the Island, which is beneficial. So it is really how do we look at more bespoke taxes, not all mega-rich, as it were, but I think more the working-class population. How can we look at those bespoke taxes to try and attract those people to relocate into the Islands? I think that is a really important one, if we can actually tap into it.

3700 For Alderney, we have got changing demographics. I think some people have said we are 20 to 30 years *ahead* of Guernsey; so in one way, if we can get Alderney right, you can copy what happens, if it goes correctly. Tax incentives for 25 to 45 year old age groups, still paying tax, but benefiting and attracting to the Island. And I have touched on the COVID factor regarding people changing the way they work. So relocating, hopefully, to the Islands and not leaving to go to London.

3715 There has been a bit of debate, and it has been quite interesting, actually, hearing about Zero-10. I think personally that Zero-10 is coming to the end, some time, and I feel that in one way the jurisdictions that have got the zero corporation tax all need to get around the table and actually say: where are headed? Where is this going? We seem to be waiting for other people to show their cards first, but if we can actually work on something together with the other jurisdictions, that are competitors – however, they do have the same problems as us – let's see if something can be

thrashed out. Because what does worry me, and I hope I am wrong, is potentially if we keep on the way we are going, we could – and I do hope I am wrong – be blacklisted by the EU because we are not having any corporation tax there at all.

3720 I would like to praise the States of Guernsey, because it was quite a clever move before the cannabis sector actually took off, for bringing in 20% corporation tax. Now, that was actually moving before the market materialised and that was a good move. I hope that does work for the Bailiwick. I think we need to start those conversations with other jurisdictions and have a joined-up approach with them about how Zero-10 now needs to definitely change, in my view.

3725 Other taxation, which I think some people have touched on already, is your online retail. We have got to protect local retailers, so much. We see on Alderney quite a lot, the boat comes in with so many parcels from Amazon it is almost ridiculous. It is a bit sad that that money is not spent locally, where it is just being sent off the Island. (**A Member:** Hear, hear.) So if we can look at something where online companies that are shipping quite a lot into the Islands do pay something.

3730 There has got to be some way that we can get round that.

Increasing import charges for new cars. I think that should probably be looked at, even if it is not a valid option, but looked at.

We get a bit hesitant to talk about this one, but capital gains tax on property sales, look at that a bit more. I know we still want to be competitive, but even a small percentage would be beneficial.

3735 I do not think it has actually been mentioned, but I might be wrong. I know it is mentioned in the paper very subtly, but Inheritance Tax, which a lot of people are attracted to the Islands with, but maybe small amounts should be looked at on that. But the danger is if you bring it in then it would be increased rapidly, potentially.

Tax on local telecoms services. Would that be an option, something to look at with those companies?

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Tax on energy, including electricity. I think the problem we have got is that as oil eventually does get wiped out and we move to electric cars, and lots of other electric ways of doing things, should we be looking at some sort of tax on energy in the longer term? If you have not got a replacement for that revenue from your diesel and petrol cars, it might be a bit of tricky situation. Environment taxes I think are something we need to also explore.

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That was just a bit of feedback; some of those things are maybe definitely a big no-no, but some of those we could potentially maybe look at taking forward.

Moving forward, I think Alderney is very keen to be involved with any communications with any sub-groups or committees set up. Also, far more public engagement and consultation across the Bailiwick is needed. So some sort of workshops would be quite good.

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Tax collection: should there be an audit compliance review to see actually how much of the tax is being collected and how much of the tax is not being collected? I am not quite sure I have got the numbers, but are we actually getting those taxes in? I hear people that are getting their tax returns in, but they are not actually being asked for the money until quite some time later. So is the tax office hot in collecting taxes is what I would really like to know?

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Just to emphasise, Alderney is against GST due to the unfair impacts that it feels. I have tried to go through a few points here and hopefully it is a bit of feedback to P&R, but I do thank people for taking part in this debate and I do thank P&R for bringing this paper forward.

Thank you.

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The Bailiff: Deputy Moakes.

Deputy Moakes: Thank you.

3765 Sir, the recently published Tax Review document is stark. By 2025, Guernsey will have a structural deficit of *circa* £87.4 million per annum; and growing. Judging by the number of letters and emails that I have received over the last few weeks, tax is a highly emotive subject and any proposed changes to the current system will certainly divide opinion.

So why is this review happening now? One of the reasons is because of the world's changing demographics. After the Second World War, the birth rate increased dramatically, creating a baby boom. Those children are now at, or approaching, retirement age. According to the Tax Review, between 2019 and 2040 the number of 65- to 85-year-olds is projected to increase by 40%; and the number of people aged 85 and over is projected to increase by 123%. In contrast, every other age group is projected to fall.

But this is not just an issue for Guernsey. It is an issue that affects most countries around the world. You might ask why this has suddenly become a problem. Well, the blame lies squarely with politicians, not just in Guernsey, but around the world, who have for years sidestepped the social and economic consequences of the planet's changing demographics.

Let's be clear: changing demographics are not the only reason that why we are facing a growing structural deficit in Guernsey. Successive Governments have committed to spend money without facing up to the fact that they need to pay for these commitments. In addition, opportunities to reduce costs and streamline Government have failed and/or been missed, which has compounded the problem.

Looking ahead, we have got to ensure that we have the funds to both care for our ageing population *and* invest in our children's future. So what now? Do we tax? Do we save? Or do we grow the economy? Or maybe a combination of all three? The easy thing to do would of course be simply raise taxes – Income Tax, Social Security, GST, or maybe a mixture. Well, I am sorry, but I really do not think we should wage taxes until ever other option has been fully explored and I will certainly not be supporting GST for a long list of reasons.

So, having ruled out GST, am I going to be one of those politicians who continues to kick the can down the road? No. We urgently need to find ways of closing the States' income and expenditure gap. If, after turning every stone it transpires that there is still a gap, we will need to introduce tax rises because it would be fiscally irresponsible not to do so. However, let's look at other options first and see how much we can close the structural deficit.

Sir, looking at commitments and savings first every Committee could, if it wanted to, come up with savings that will *not* damage the Island's economy. We must live within our means and sometimes that means that we simply cannot afford everything. We are a small Island and cannot expect, and probably do not want, to replicate everything that far larger economies provide.

Then there is the reform of the Civil Service, which is long overdue, but has now begun. Savings can be made in, for example, the size of the Government, procurement processes and consolidation of office space. But what about the innovation? Where is the innovation, in fact? What about selling or redeveloping unused States' property and land? The States has a huge property portfolio that could be worth *circa* £2 billion.

On the subject of building, get rid of GP11 immediately, to kick-start building. (**A Member:** Hear, hear.) (*Interjection*)

Another area that needs looking at is capital spending. There has been an almost complete lack of spending on infrastructure over the last few years, so I am pleased to see that we now plan to invest in our Island by spending up to 2% of GDP on capital projects. However, I do question whether we will spend that much or why other forms of funding cannot be used. The projected capital spend is 76% of the structural deficit so finding an alternative source of funding could *dramatically* reduce the £66 million in 2025 cost, and cut the deficit down to a far more manageable size. (**A Member:** Hear, hear.) Always remembering that any debt must be serviced and paid back. These are just a few examples. I believe that there are many other stones that can also be turned.

Sir, I turn to economic growth next. There are currently hundreds of open job vacancies in the Island, with some sectors being more affected than others. For example, hospitality is struggling to fill roles, which means that they cannot operate at full capacity. The result of this is that we are losing valuable taxes and social security payments on every one of those open positions. In addition, we are also losing out on tax revenue from lost sales. In other words, a double-whammy.

Unemployment peaked at 5% during May 2020, a result of the pandemic. By June 2021 it had reduced to 1.4% versus 1.1% just before the first lockdown. This is good news. But we need to help everyone that can work get back into work so that we can fill some of these open vacancies.

Back to changing demographics, are we actually accepting that number of people at retirement age or over will increase dramatically whilst the number of people in every age group will decrease? Some people think that the changes in the Island's demographics are a foregone conclusion. I disagree. We need to repopulate as many of the younger age groups as possible so that the working population does not decline as projected. Otherwise, how on earth are employers going to fill the roles as people retire? To do this, we need to do much more to attract overseas workers.

And what about our home-grown talent? Some of our children go off Island to school or university. We need to do far more to attract them back to Guernsey. (**Several Members:** Hear, hear.) To do this, we need to urgently address the chronic shortage of affordable housing. Again, get rid of GP11. (**A Member:** Hear, hear.)

So again, trying to be innovative, I have spoken quite a lot and other people have also mentioned large-scale windfarms. I think if we could do that around the Islands it would be a game-changer, not just for Guernsey, but the whole Channel Islands possibly as well.

Sir, in summary, I do not think that we should raise taxes until every other option has been properly explored. This should not take long to complete and the tax changes are not due to come in for a few years, anyway. If there is still a gap between income and expenditure, we will need to increase taxes, because to do so would be financially responsible. However, with this additional information, we will have a far better understanding of the size of the gap.

I believe that there are real opportunities to reduce the projected structural deficit, if we want to. The States will need to pivot from a 'spend and worry later' mentality to a more considered approach. Reduce costs, grow the economy and invest in Guernsey's future. But this will also depend on individual Deputies and Committees, because if we do not adopt this approach and continue to come to the States demanding more money, the only option will be to raise taxes.

Thank you.

The Bailiff: Members of the States, we are just on the verge of half past five. I am really in your hands. What we would have to do, under the Rules, is to defer the rest of this debate to a week on Wednesday and simply deal with the Schedule for Future States' Business. But if anyone wants to propose sitting late? There are still 11 Members who are entitled to speak in this debate who have not yet spoken, plus Deputy Helyar to reply to it.

Deputy Roffey: Can we know how many want to speak, sir?

The Bailiff: Of those who are still eligible to speak, would you rise in your places if you are intending to speak? Thank you.

So I am going to propose that we do the Schedule for Future States' business but, as I say, if any Member wants to suggest sitting late, then I will entertain that.

Deputy Roffey: Sir, may I put that proposal? I do not particularly relish sitting late more than anybody else, but I think this is a seminal debate and to have it split by a fortnight's lacuna will be very odd indeed.

So I would prefer to carry on until whatever time and finish it tonight.

The Bailiff: Those Members who would like to speak, is that impossible for any of them?

A Member: No.

A Member: Sir, I have family commitments very shortly.

The Bailiff: Well, I could – (*Interjection*)

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A Member: Same for me, sir.

A Member: Same, sir, I am sorry.

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The Bailiff: So I think on that basis we will have to defer this debate, Members of the States, which is a shame but that is the way the cookie crumbles, as they say.

So we will defer this and we will defer all the other Items, which includes the debate on the Appendix Report on the Guernsey Legal Aid Service, which will come in last, with the other Items when we resume in just under two weeks.

POLICY & RESOURCES COMMITTEE

14. Schedule for future States' Business – Proposition carried

The States are asked to decide:-

Whether, after consideration of the attached Schedule for Future States' Business, which sets out items for consideration at the Meeting of the 13th October, 2021 and subsequent States' Meetings, they are of the opinion to approve the Schedule.

SCHEDULE for FUTURE STATES' BUSINESS

(For consideration at the Ordinary Meeting of the States commencing on the 29th September, 2021)

Items for Ordinary Meeting of the States commencing on the 13th October, 2021

(a) communications by the Presiding Officer including in memoriam tributes;

(b) statements;

(c) questions;

(d) elections and appointments;

P.2021/105 – Committee for Employment & Social Security – The Appointment of Employment & Discrimination Tribunal Panel Chairs and Members and Designation of Convenor and Deputy Convenor

(e) motions to debate an appendix report (1st stage);

(f) articles adjourned or deferred from previous Meetings of the States;

(g) all other types of business not otherwise named;

No. 97 of 2021 – The States Reform (Performance of Functions) (Guernsey Health Service Fund) Regulations, 2021

*P.2021/103 – The Housing (Standards and Regulation) (Enabling Provisions) (Guernsey) Law, 2021**

*P.2021/106 – Policy & Resources Committee and the Committee for Economic Development – Delivering Next Generation Digital Infrastructure**

*P.2021/108 – Committee for Employment & Social Security – Contributory Benefits and Contribution Rates for 2022**

*P.2021/102 – Policy & Resources Committee and States' Trading Supervisory Board – The Aurigny Group – Financial Sustainability**

*P.2021/101 – Committee for Employment & Social Security – Amendments to Statutory Minimum Wage arrangements to come into force on 1st January 2022**

*P.2021/104 – Committee for Employment & Social Security – Discrimination Ordinance – Grounds of i) Religion or Belief and ii) Sexual Orientation**

*P.2021/107 – Committee for Economic Development – Public Holidays in 2022 and Beyond**

*Amendments to the proposed meeting dates and order are permitted only for those items marked with an *.*

*Items for Special Meeting of the States commencing on the 2nd November, 2021
P.2021/xx – States' Budget*

3880 **The Bailiff:** Greffier, the final Item of business today then, please.

The States' Greffier: Yes. Article 14, Policy & Resources Committee, the Schedule for future States' Business.

3885 **The Bailiff:** I have not received any amendments to that.
Deputy Ferbrache, is there anything to say?

Deputy Ferbrache: No, sir.

3890 **The Bailiff:** I simply put the Schedule for future States' Business to you, which will at least enable us to get a Billet out at the beginning of next week for a week on Wednesday. Those in favour; and those against.

Members voted Pour.

The Bailiff: I declare that duly carried and we will now close this month's Meeting, or this Meeting, and we will see you again after the States of Election on the 13th.

The Assembly adjourned at 5.32 p.m.