



OFFICIAL REPORT

OF THE

STATES OF DELIBERATION

OF THE

ISLAND OF GUERNSEY

HANSARD

Royal Court House, Guernsey, Tuesday, 27th October 2015

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Law Officers

H. E. Roberts Esq., Q.C. (H.M. Procureur)

People's Deputies

St Peter Port South

Deputies P. A. Harwood, J. Kuttelwascher, B. L. Brehaut,
R. Domaille, A. H. Langlois, R. A. Jones

St Peter Port North

Deputies M. K. Le Clerc, J. A. B. Gollop, P. A. Sherbourne,
R. Conder, E. G. Bebb, L. C. Queripel

St Sampson

Deputies G. A. St Pier, K. A. Stewart, P. L. Gillson,
P. R. Le Pelley, S. J. Ogier, L. S. Trott

The Vale

Deputies M. J. Fallaize, L. B. Queripel, M. M. Lowe,
A. R. Le Lièvre, A. Spruce, G. M. Collins

The Castel

Deputies C. J. Green, M. H. Dorey,
B. J. E. Paint, J. P. Le Tocq, S. A. James, M. B. E., A. H. Adam

The West

Deputies R. A. Perrot, A. H. Brouard, A. M. Wilkie,
D. de G. De Lisle, Y. Burford, D. A. Inglis

The South-East

Deputies H. J. R. Soulsby, R. W. Sillars, P. A. Luxon,
M. G. O'Hara, F. W. Quin, M. P. J. Hadley

Representatives of the Island of Alderney

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

The Clerk to the States of Deliberation

S. M. D. Ross Esq. (H.M. Senior Deputy Greffier)

Absent at the Evocation

Miss M. M. E. Pullum, Q.C. (H.M. Comptroller);
Deputy D. B. Jones (*indisposé*) ; Deputy D. J. Duquemin

Business transacted

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States of Deliberation

The States met at 9.30 a.m.

[THE BAILIFF *in the Chair*]

PRAYERS

The Senior Deputy Greffier

EVOCATION

CONVOCATION

The Senior Deputy Greffier: Billet d'Etat XIX of 2015.

To the Members of the States of the Island of Guernsey, I hereby give notice pursuant to Rules 1(3)(a) and 3A of the Rules of Procedure of the States of Deliberation, that a meeting of the States of Deliberation will be held at the Royal Courthouse on Tuesday, 27th October, 2015 at 9.30 a.m.,
5 to consider the Annual Budget of the States for 2016 which has been submitted for debate.

Billet d'État XIX

Annual Budget of the States for 2016 – Debate commenced

The Bailiff: Members of the States, the debate will be opened by the Treasury & Resources Minister, Deputy St Pier.

Deputy St Pier: Thank you, sir.

10 The Budget is a Budget for health and that is where I will begin.

The financial performance of the Health & Social Services Department has been extremely challenging. In six of the last seven years, HSSD has overspent or had significant increases in its authorised Budget. One common factor has been the inability to understand why. There has been no clarity on whether there are any underlying reasons, or whether there was just a failure to control costs. Everything was just explained as a result of increased demand and medical inflation.
15

Significant work has gone into strengthening the financial management across HSSD and, of course importantly, after last year's Budget, the work jointly commissioned between the two Departments has produced for this year an evidenced based base line Budget for HSSD after a comprehensive costing and benchmarking process.

20 This determined that the Budget for HSSD in 2016 should be £119.7 million – an increase on the indicative cash limit of £8.2 million. However, HSSD has only submitted a Budget request for £118.5 million. This is because it is planning to deliver efficiency savings. T&R welcomes this commitment to delivering efficiencies, but given the significant challenges on multiple fronts faced by HSSD, T&R believe that there is a risk that some of these efficiencies may not be delivered or delivered early enough in the year to get a full year's benefit.
25

Accordingly, we are prudently recommending that the full £119.7 million is approved by the States, with HSSD having £118.5 million as its cash limit and £1.2 million being held for HSSD in the Budget Reserve. Of course, if HSSD does deliver within its cash limit this will result in an under spend overall. Happy days.

30 The benchmarking exercise has confirmed that the health and social care services we provide are costly and significantly more expensive than peer group – possibly as much as £24 million a year more expensive. This information is not new. Many previous exercises have revealed the same – that significant opportunities exist for changing the service model and reducing the cost to the taxpayer – something that is essential to create a sustainable service for the future.

35 People talk about a 'Guernsey factor' which is used to try and explain away why we are so much more expensive. There will of course be issues of scale; we run a consultant only model and pay costs are higher in Guernsey than in the UK. However, we cannot use these as excuses to justify the additional cost and to avoid making changes. It is beyond doubt the current service model is unsustainable and unaffordable. Transformation is required. However, this must be
40 properly planned and understood. Lessons must be learned from previous programmes and failures. It is vital that the right people with the right skills lead the change and that it is properly resourced. An ambitious programme transformation is not only promised, but is necessary. It should not be rushed and people should not be asked to deliver it on top of their day jobs. If health and social care services are to be made fit for the future, it has to be done properly over
45 five to 10 years, and properly resourced – and that is why the Transformation Fund will have such an important role to play in the future of HSSD.

Former Health Minister, Peter Roffey, recently wrote in his column:

'I hope they haven't fallen for that clichéd old line of, "We could save you tens of millions on this Budget in five years' time by radically restructuring the whole service. But just now we really need a big injection of cash to overcome some immediate problems. It's a question of spending to save." If they have fallen for that line, they're greener than I thought.'

This cynicism is no doubt born from long experience. Yes, there have been failures to deliver in the past – not least on HSSD's Financial Transformation Programme targets – but that should not
50 and *must not* stop us from trying again. Success will depend on consistent, resolute leadership for an extended period and there are, therefore, inherent risks around this, given the change of Government in six months' time.

Deputy Trott has quite rightly questioned the wisdom of departing – even on a temporary and exceptional basis – from the 'no real terms' growth in public spending, even for Health. He is right
55 to do so. But he knows, as I know, that there are no alternatives. The options of either not funding HSSD to the extent recommended after the work undertaken or funding it by a 4% cut in other Department's Budgets, are in our system of Government, politically undeliverable. He knows that, I know that, we all know that. We all now have to get behind HSSD delivering change so that they can live within their cash limits which are envisaged in the three-year forecasts to fall to
60 £115 million in 2018.

Sir, let us now turn to other Departments. The recently published Independent Annual Fiscal Policy Review said that:

'The States should be commended for their continued tight expenditure control.'

I am glad that this has been independently and publicly recognised, as it remains an Island
65 myth that spending is out of control. The size of Government as a proportion of our economy has fallen from 28% to 25% in the last 10 years. That is a massive achievement! (**A Member:** Hear, hear.) The delivery of £28 million a year savings from the Financial Transformation Programme has helped to contribute to that reduction. Tight control on pay settlements has helped contribute to that reduction. The 1% cut in all Departments in 2016 – other than HSSD and subject to Homes amendment – helps contribute to that reduction.

70 But I am not complacent. I know that, like any big organisation, the States has inefficiency and waste and it is not only in Health & Social Care that transformation needs to happen. The public service reform document which we debated last month sets out an ambitious vision for the transformation of public services over the next 10 years. In this year's Independent Annual Fiscal Policy Review, the authors noted that:

'It is encouraging that the legacy of FTP agrees to be a continuing culture of expenditure restraint...'

75 – before saying that –

'... marginal reductions in existing expenditure are unlikely to be sufficient to meet the long-term expenditure challenges Guernsey faces...

– and –

'... it is unlikely that the States of Guernsey can continue to provide services in the way it does... structural changes will be necessary.'

Delivering on this will be challenging – extremely challenging – but it *must* be done and it can be done.

80 But the Transformation Fund must not be seen as a pot of gold for enabling random good ideas to be realised or to fund new services. The £25 million in the fund could be spent very quickly with nothing tangible to show for it. The States will need to ensure that it is used wisely against programmes prioritised to ensure that sustainable services are delivered with Islanders at the heart of those decisions.

85 As politicians, we will of course want to see results quickly on behalf of our public but true transformation will take time. It is important that quick wins are delivered as appropriate, but we must be patient and do this properly. This is a golden opportunity to make substantial and lasting change. The next States will have extremely difficult decisions to make about how to allocate resources to best effect. It is clear that as well as improving the sustainability of the services for the future, it is vital that the so-called 'reform dividend' is both clearly identified and delivered.
90 This reformed dividend may take many forms, but these forms must include some cashable savings. The transform services should not cost more than they do today and wherever possible, should cost less and this will be how resources can be released to meet additional demand or to reinvest in services.

95 As I have said many times in the context of what needs to follow the FTP, the Financial Reform Dividend must *not* be about simply trying to cut costs; it must be about trying to deliver better value through changing the way services are provided.

100 Sir, it is clear that demand for public services will grow. Following the work of the Personal Tax, Pensions and Benefits Review, I think that the pressures of longer term demographic change and our over-dependence on Income Tax are now much better understood. The States will have to be prepared to manage demand, we cannot provide all things to all people and this may involve difficult decisions and perceptions of cuts to services but the reality is that the tax base is narrowing. The States have consciously decided not to look any further at a broad base consumption tax and therefore the fiscal position will remain tightly constrained.

105 This, of course, is one of the reasons that the States rejected GST – they did not want Government to have easy access to more taxation. We need to understand, Islanders need to understand, that this will inevitably lead to choices having to be made about who can access services and under what conditions. Robust consideration needs to be given to what services are provided. While we will need to invest in some services in the future, it is inevitable that there will also need to be decisions about contracting or even ceasing services. This is the reality. It is not
110 possible to keep on providing all the services we do today, plus all the ones we will need to provide tomorrow *and* contain that within the existing taxation structure. Something has to give and prioritisation of annual revenue is the new reality which the next States will have to grapple

with in exactly the same way that this States has made decisions about capital priorities and priorities for Transformation Funding.

115 I want to turn now to capital spending. We have, of course, recommended that funding to the Capital Reserve is temporarily reduced next year by £18 million. This is manageable without impacting our capital projects because we anticipate that £18 million will be replaced by £8 million of excess about inflation returns transferred from the Core Investment Reserve and £10 million of receipts from our trading assets. These sources may not be sustainable and
120 recurring in the future.

The management of capital projects is one of the recent successes of the States. Projects have generally been delivered on time and on budget. The capital prioritisation process has helped us move away from 'first come, first served' and the project management process, once learnt, has generally been welcomed as a good discipline to ensure the right projects are delivered at the right price. The one area of criticism was the stop-start nature of our capital programmes. We are
125 seeking to address that this year. We are asking the States to make decisions about capital priorities again next year.

Consequently, we are actually accelerating the next round of capital prioritisations and this will help ensure we have a rolling programme which avoids stop-start in the future and helps support the local economy. Although we are proposing continuing to invest in the development of the current projects, final decisions will not be made pending confirmation that they remain a priority. It is, of course, good practice to continually reassess priorities as time moves on: things change, priorities change, new opportunities develop and new risks appear. We are not suggesting that projects are stopped or removed. Projects which are nearing completion of their development,
130 totalling £155 million, will continue as planned and should progress significantly next year.

All the projects in the list set out on page 42 of the Budget Report will continue to be funded and should not be significantly delayed since, if they are reconfirmed as priorities, they will be able to move to delivery this time next year, once the Budget has been debated in October. We estimate that there will be some £240 million available for the next period. Requests for funding will, undoubtedly, be more than that available. However, again, prioritisation will be required.
140

Sir, I would like to turn to Alderney. The economic challenges of the Northern Isle have come to the fore during this term. As with so much else, there are no quick fixes or easy solutions. Those at the IoD annual debate last week will have heard the IoD's Economist describe a failed developed nation as being one with no investment and where the youth flees. Alderney could fit that description. It is for that reason that we think that it is worth trialling a lower tax cap for new residents to the Bailiwick who settle in Alderney. It costs nothing.
145

There are those that worry that that this measure is incompatible with the fiscal union that exists between the two Islands. It is not. Every pound of tax collected from new residents will be paid into General Revenue. There are plenty of examples of regional incentive programmes which exist within fiscal unions and this is no different; it is just another example of that. Any new resident to the Bailiwick under the scheme will be benefiting both Islands and will be a net contributor to the finances of both under the fiscal union.
150

We also intend to look at whether and how we can incentive new businesses to set up and employ in Alderney, perhaps with further tax breaks for income from any such businesses. And if we can find something that is practicable it may also have a role to play in Commerce & Employment's Economic Development Framework for Guernsey. These are developments for 2016.
155

Sir, I need to say a few words about the bond. As set out on page 55 of the Budget Report, approximately £100 million of the proceeds has been approved for lending on to our related entities. We anticipate that these entities will want to take more, but just not yet. In fact, it is quite possible that following the review of capital structures, their borrowing requirements will be greater than we had anticipated. However, the slow start to the lending programme has caused some to ask whether, therefore, we borrowed too much, too soon or whether it is now burning a hole in our pocket and will cause us to spend the proceeds on frivolous projects.
160

165 The answer to both questions is an emphatic 'no'. T&R are very clear that it is our responsibility
to ensure that there are sufficient funds at the end of 32 years to repay the bond. In the short
term, whilst funds have not been lent on, this requires us to minimise the cost of carrying the loan
by good treasury management and investment management. In the short term, market volatility –
of which we have seen much this year – means that the fund will go up and down, but keep in
170 mind that we are only 10 months into a 32-year programme.

Whilst interest rates have not moved up this year as anticipated a year ago, neither have they
moved down, as some in the Assembly suggested they might. In fact, if Standard and Poor's
AA rating is confirmed, simply as a result of the changes in their methodology in rating micro
sovereigns, then we are indeed fortunate that we are not looking to issue a bond now, because
175 that lower rating would raise the interest rate we would now need to pay.

Sir, I want to draw attention to a small, technical matter which might otherwise be overlooked
at paragraph 7.5 of the Budget Report. We are proposing to tweak the investment rules to put
beyond doubt that we have the requisite authority to invest in Guernsey. With around £1.5 billion
of assets being managed, it is our view that it would be entirely reasonable and consistent with
180 our investment objectives, for a small part of these to be invested locally without imperilling
returns or increasing risk.

Initially, this will be through local discretionary fund managers. There is no need for us to have
all our funds managed off-Island when we have so much talent on-Island. In due course, this
additional flexibility might also allow us to seed or invest in funds designated for investment in
185 support of local infrastructure or innovation.

Sir, notwithstanding our indications last year, that it would be necessary to leave personal
allowances unchanged for two years, I was still hoping, until recently, that it would be possible to
recommend some modest increase this year. This has not proved possible. In prior years,
particularly during the last States when we were running and planning to run a deficit, increases in
190 personal allowances were effectively paid for out of reserves. That is unsustainable in the long
term. We cannot give away in tax cuts, what we do not have.

However, we also fully recognise that our personal allowances are starting to fall behind our
nearby jurisdictions, particularly the UK, Jersey and the Isle of Man. This is also unsustainable in the
long run if we are to remain attractive as a jurisdiction for low and middle income earners that we
195 need working in our economy. Given that there will now *not* be substantial revenues from a
broad-based consumption tax to redistribute through much higher personal allowances, as we
had envisaged in the Personal Tax, Pensions and Benefits Review, in the medium term, unless we
have substantial above trend growth in the economy, the only way I think we will be able to fund
higher personal allowances for lower and middle income families is by clawing back allowances
200 from higher earners. (**Several Members:** Hear, hear.)

There are, of course, two extant Resolutions from the Personal Tax, Pensions and Benefits
Review which direct that this be reviewed, but the challenges of interacting with social insurance
and avoiding high marginal tax rates at certain levels, should not be underestimated. (**A Member:**
Hear, hear.)
205

The Budget also contains proposals to increase the equity, as between different taxpayers, by
closing the Married Person's Allowance and the Charge of Children's Allowance to new claimants.
However, we will be laying an amendment in response to the comments which have been
expressed to us in respect of those original proposals and I will speak more on this, sir, when I lay
that amendment.

210 Sir, this Budget contains the normal changes to alcohol and tobacco duty as driven by the
respective tobacco and alcohol strategies.

However, we have this year recommended a much more substantial increase in fuel duty of 6.7
pence per litre. If we had been trying to be politically canny, we should have supported
Environment Department's proposals for a 5.7p increase earlier in the year and let *them* take the
215 wrap for it, leaving us to propose a more modest increase of 1p in this year's Budget.

But we opposed the increase at that time because of the quasi-hypothecation of those proposals and I remain of the view that was the right thing to do. Instead, our proposals centre around the revaluation of the motor tax component of fuel duty, averaging 20p per litre between diesel and petrol. When motor tax was abolished it raised £6.8 million. This revaluation takes
220 account of the movement in prices and the fall in consumption to ensure that the real value of this £6.8 million is maintained.

I suspect that the fall in consumption and the consequent impact on revenues was not properly considered at the time of the motor tax abolition. It is probably an unintended consequence that this component of fuel duty overall is likely to have to continue to rise faster
225 than inflation if consumption continues its decline in order to raise the same amount of revenue to fund the central public services.

It is, of course, true that fuel duty overall has risen much faster than inflation over the last decade. That is partly a consequence, of course, of the decisions around the introduction of Zero-10 to place more reliance on other sources of revenue. Given our ongoing need to diversify away
230 our reliance on Income Tax, I can see this trend continuing.

For those who point out that our fuel prices are no longer as competitive as they used to be with Jersey, France or the UK, they are right of course but they need to get real. They might as well compare our fuel prices with those in Tonga, for all of its relevance. The fact is that France, Jersey and the UK have completely different tax systems (**A Member:** Hear, hear.) which raise
235 considerably more than we do from their populations in other ways, including VAT, GST, insurance premium taxes, higher property taxes and so on. We cannot continue to think we can have it all. The same public services as those other places, with lower income taxes, no VAT and, to top it all, lower petrol duty as well. It simply does not add up. (**Several Members:** Hear, hear.)

The substantial increases in fuel duties over the last decade mean that the disparities between exempt and duty fuel are now huge. In my view, this is unsustainable and some work should be undertaken to consider whether the policy objectives behind exempt fuels remain valid, and whether there is any room and whether it is practical for these fuels to bear any tax burden so that
240 less reliance can be placed in future purely on the motorist.

Finally on fuel, I would note that whilst the increase in duty was 6.7p, a number of retailers lost no time in increasing their prices by 7p, blaming it all on the States and pocketing the extra 0.3p
245 in their margin. In future, duty changes should be rounded, I suggest.

Sir, I would like to turn now to our corporate tax regime. I was drawn into politics by the urgency of the black hole in our public finances – the annual Budget deficit. I was concerned that too little was being done to address the problem with any great haste. It is easy to forget now but
250 in 2012 the black hole was *the* central issue which we inherited from the previous States and whatever the opinion columns, the blogs or the history books have to say about this States' achievements, the one thing that they will not be able to take away from us, was our collective determination to deal with the black hole. (**A Member:** Hear, hear.)

We have demonstrated our commitment to its elimination by our deliverance of the FTP which had such a slow start in the previous term. We have demonstrated our commitments to its
255 elimination by our firm restraint of public sector expenditure. Not as much as some might have wished for, but restraint nonetheless; and restraint which has been commended in this year's Independent Annual Fiscal Policy Review. We have demonstrated our commitment by our determination to deliver public sector pension reform and we have demonstrated our
260 commitment to its elimination by our corporate tax reforms.

Winston Churchill once said:

'Some people regard private enterprise as a predatory tiger to be shot. Others look on it as a cow they can milk. Not enough people see it as a healthy horse pulling a sturdy wagon.'

This is even truer for us in Guernsey. We have a small, open economy with no natural resources and we must trade with the outside world. I have quoted him before, but it was Jean-Baptiste Colbert, Louis XIV's Contrôleur Général des Finances, who said:

'The art of taxation consists in so plucking the goose as to obtain the largest amount of feathers with the least amount of hissing.'

265 (Laughter) This States has an exemplary record of quiet achievement in corporate tax reform – second to none, in fact.

We extended the 10% intermediate rate to fiduciaries and general insurers in the 2013 Budget and we extended it to fund administration businesses in the 2015 Budget and we propose extending it to bank custodial services, hydrocarbon importers and large retailers in *this* Budget. Capturing large retailers addresses the question that so many have asked for so long, 'Why don't UK retailers on our High Street pay taxes?'

270 In other words, with patience and care, we have maximised our revenues without any hissing. In fact, we have brought in an additional £15 million a year and, as a result, we now collect as much from the corporate sector in increased employers' social insurance, corporate TRP, corporate income tax and Income Tax on distributions as we did before the introduction of Zero-10. That is a huge achievement in redesigning our tax system accomplished by this States.

275 There will be siren voices who seductively say we should do more. That is the luxury of not being in Government. You can demand reforms, however impractical, without having to live with the consequences and without the responsibility which Government has to provide a stable platform for the engine of the economy – the business sector. We must never lose sight of the fact that without the wealth creators there is no employment, without employment there is no taxation, and without taxation there are no public services.

280 We are a tiny jurisdiction that most of the world has never heard of and does not know where we are. No-one beyond our shores owes us a living or is looking out for us. (**A Member:** Hear, hear.) We have to constantly check and recheck that the environment we have to offer business is fertile ground on which they wish to sew. We have justifiably acquired a reputation over many years of being able to offer great stability in our corporate tax regime which enables business to plan and invest with great certainty.

285 But in three of the last four Budgets, we have made changes to the corporate tax regime. We should be under no illusions, businesses are clearly telling us that if Guernsey is to develop a reputation for constantly tinkering with its rules, or having perpetual reviews and change, it will become just like any other jurisdiction and then we will be throwing away one of the key competitive advantages that we have had.

290 So that they can assure their parent companies, shareholders and investors outside the Islands, I have been very clear with business. I have said that, having inherited a very narrow corporate tax base in 2012 – unchanged since 2008 – which taxed banking profits only, it was the policy objective of his Treasury & Resources Board during this term to extend the corporate tax base to cover the same range of businesses as those other jurisdictions that have the same Zero-10 regime as us – namely Jersey and the Isle of Man – but no further. Why no further? Because we know that this far meets the international standards of the EU Code of Conduct on Business Taxation – and any further may not. Any further risks challenge; any further risks are what business fears most – uncertainty.

295 All my years as a chartered tax advisor, all the advice from the tax professionals in our Island, whose knowledge and expertise is more current and up to date than mine, all the advice of officers with relevant current experience and international contacts, and all my three and a half years' experience as your Treasury Minister, lead me to the same conclusion which is this: my strong advice to this States and indeed to the next is do not – I say again, *do not* – be tempted to buy snake oil from any salesman. (**Several Members:** Hear, hear.) There are no easy alternatives; there are no easy solutions. If there were, we would have already found them. If there were, other jurisdictions would already have found them. We must not be stupid or arrogant enough to think that Guernsey will ever be a policy setter in the matter of international corporate tax policy. We will not. We will always be a policy taker – corporate tax policy which is set and interpreted by other larger jurisdictions.

315 At the moment, the OECD's Base Erosion and Profit Sharing (BEPS) initiative is the favoured
game in town. Over time that will probably change. We have to be very alive to that and to
navigate our way through choppy waters using the charts laid down by others. If we choose to
throw away those charts and power on, like the rocky waters off our own shoreline, we just may
survive, depending on the heading and the state of the tide; but there is every good chance that
we will come a cropper, risking damage to our vessel, or worse, sinking entirely.

320 What is required is what this States has provided. Cool, calm, calculated consideration and
patience. With that, we have proven that you can find ways to pluck more feathers from the
corporate goose without any more hissing. Knee jerk reforms or reviews will produce a massively
negative outcome for the Island. Instead of Churchill's predatory tiger, cow to be milked or
healthy horse, rather think of Guernsey business as being a Guernsey donkey; if we treat it well it
325 will continue to work hard for us and will plod on pulling great loads for years to come. If we treat
it harshly or in a way that it does not expect, it will stop in its tracks and not move.

Sir, with the Budget focused on public finances, it is very easy to forget the wider economy and
it is worth spending a few moments to celebrate the strength of the real economy.
Unemployment remains low; inflation at 0.5% is well below historic trends, fortunately not
330 because of deflation or low demand but rather reflecting the falls in commodity prices worldwide;
as a consequence of low inflation, real earnings increased last year at their fastest rate since 2009;
the economy has only contracted in one year since the global economy turndown in 2008;
confidence, as measured by the Chamber of Commerce in its business surveys, is high; our
economy is slowly diversifying and the numbers of economically active working in our economy
335 rose in the last quarter for the first time since 2011. In short, the economy is in the best state it has
been since the global financial crisis in 2008. It is our job to sustain and nurture that confidence
and provide the stability all businesses and Islanders need to plan for their futures.

Sir, before closing I would like to say some thank you's. Particular thanks must go to the many
outside the States who have helped Treasury & Resources this term, demonstrating the enormous
340 value that can be added from members of our community, who are so keen to help Government. I
wish to publicly acknowledge them now. Sir John Collins, whose commercial experience has been
invaluable to the Supervisory Sub-Committee, John Hollis, whose commitment as a non-States'
Member has far exceeded either his expectations or mine, (*Laughter*) Ian Campbell, who has
brought industry experience to the IT subcommittee, Andreas Tautscher and Mark Despres, who
345 provided critical thinking in the Bond Management Sub-Committee, Steve Le Page, who has
served the Supervisory Sub-Committee, Chris Waldron, who has helped to provide a link between
the Investment and the Bond Management Sub-Committees and, finally, Rupert Dorey and John
Stares who have helped this year in providing common sense and commercial nous in the review
of the capital structures of our trading entities.

350 I think it would be fair for Members to observe that the relationship between this Treasury
Minister and the last but one holder of the post, was not easy at the beginning of this term but
Deputy Trott's contribution to the Bond Management Sub-Committee should also be properly
acknowledged. (**Deputy Trott:** Hear, hear.) (*Laughter*) I should have counted on that! (*Laughter*) I
would like to thank officers – too many to mention – but particularly the States' Treasurer and the
355 Assistant States' Treasurer, who deserve special mention in the context of the preparation of the
Budget Report.

I would like to reserve my final thanks for my Board, particularly Deputy Spruce and Deputy
Minister, Deputy Kuttelwascher, who have been with me on the Board since the 2012 Election, but
including of course, Deputies Collins and Dorey at the outset of this term.

360 Deputy Perrot's clarity of thinking and expression has been a valuable addition to the Board
since 2013 and special acknowledgement must go to Deputy Adam, who handled his transition
from HSSD Minister to a Member of the T&R Board with great humility and dignity, particularly
given the circumstances of his leaving his previous role.

My Board have shown me great personal loyalty and support which I have greatly valued and
365 for which I am grateful, and we have functioned with unity of purpose, an attribute for any

committee of course, but I would suggest particularly desirable for the Treasury & Resources Department, given its role in our system of Government. It has been a pleasure to work with them and, dare I say it, we have had some fun and many laughs along the way.

370 This is, of course, my last Budget Report to this Assembly as Treasury & Resources Minister. It is, too, as a result of the reforms in the system of government that we have approved, the last Budget Report to any Assembly by any Treasury & Resources Minister. It has been a tremendous honour, privilege and responsibility to serve you and the wider community in this role – aside from my family – the most important role I have had and I would like to thank you for your advice and support.

375 This is not the final Budget I wanted to deliver; this is not the final Budget I expected to deliver. Is it a good news Budget? No, it is not. Is it, as some commentators have said, an austerity Budget? No, it self-evidently is not that either. What it is, is a fair Budget, it is a responsible Budget and it is a balanced Budget that has us living within our means and it is a Budget for health.

I commend it to the Assembly. *(Applause)*

380

The Bailiff: Well, Members, you will be aware that we have had notice of 16 amendments in total, three of which are being proposed by the Treasury & Resources Minister and, if it is his wish, I propose that we take those three first. I do not know if you have any preference as to the order in which we take them. At the moment we have got them, I think, in the order that we would take
385 first the amendment to be seconded by Deputy Hadley, regarding the local housing market and then the amendment to be seconded by Deputy Kuttelwascher, regarding the Charge of Child Allowance and Married Persons Allowance, then thirdly the other one regarding the extension of the 10% tax rate to those providing custodial services. Is that the order in which you would wish to take them, Minister?

390

Deputy St Pier: Sir, it may be perhaps better to take the custodial one second.

The Bailiff: Take that second and the Charge of Child Allowance and Married Person's Allowance third. **(Deputy St Pier: Yes.)**

395

Right, in that case, we will take first then the amendment that has been circulated marked Amendment 1, to be proposed by Deputy St Pier and seconded by Deputy Hadley. Would you wish that amendment to be read, Deputy St Pier, to give you a rest; would you like the Deputy Greffier to read it?

400

Deputy St Pier: Yes please, sir.

The Bailiff: Deputy Greffier.

The Senior Deputy Greffier read the amendment.

The Bailiff: Deputy St Pier.

Amendment 1:

To insert an additional proposition number 32:

'32. To delegate authority to the Treasury and Resources Department to approve funding for a broad based review of the operation of the Local Housing Market in Guernsey which the Housing Department and the Treasury and Resources Department (and their successors) were directed to undertake by resolution of the States of 30th September 2015 from the Corporate Housing Programme Fund and/or by a transfer from the Budget Reserve.'

405

Deputy St Pier: Sir, there is very little that I wish to say on this amendment. It really does do what it says in seeking to provide funding for the joint review and production of an independent

report on the operation of the Local Housing Market, which at last month's States' meeting the States directed the Housing Department and my Department to carry out. This is, effectively, the amendment which Deputy Trott said that he wished to bring during last month's debate and I am grateful to Deputy Trott for his input.

410 Clearly, the broad based scope of this review, together with the specialist and detailed knowledge and expertise that will be required of those who carried it out, mean that the price tag will be significant and it is important that funding is made available if the States' direction is to be delivered.

415 Departmental staff are currently drafting detailed terms of reference with a view in order that a tender process can be undertaken as soon as possible and, sir, I do request Members to support the amendment.

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

420 **Deputy Hadley:** Yes, sir, and –

The Bailiff: And you wish to speak now, do you? (**Deputy Hadley:** Yes, sir.) Yes, then go ahead.

425 **Deputy Hadley:** Mr Bailiff, I am seconding this amendment on behalf of the Housing Department in order that we can carry out the wishes of this Assembly to have a further report on housing requirement in the Island over the next few years.

430 In 2012, Deputy Paint told the Housing Board that he was very concerned about the difficulty that young people in Guernsey had in buying their first home. This, of course, was not a new topic for our Board, or previous boards for that matter, as it is an easy issue to discuss but harder to resolve.

435 The plight of first-time buyers was a view that I also shared and was the main reason for my asking Deputy Dave Jones to nominate me to be placed on the Housing Board at the beginning of this term. Notwithstanding that I did disagree with Deputy Paint on the merits of a deposit scheme, the Board voted in favour of investigating the possibilities of such a scheme to help first-time buyers. This was very thoroughly investigated by one of our senior staff and a report drafted to the Board which recommended that we did not proceed with the scheme because of the large cost that would be involved, the small number of people who could be helped and the inflationary effect on house prices.

440 We felt that the best course of action to help the most people was to build more partial ownership homes, which would make our funds go further with the added benefit of keeping the homes in the ownership of the Guernsey Housing Association.

445 Deputy Soulsby was very successful in getting this Assembly to direct Housing and T&R to investigate a first-time buyer scheme. This pressed us to repeat much of the research for a second time and alongside T&R we did even more investigation and listened to proposals from the financial sector. This time the Boards of both Housing and T&R were unanimous in rejecting such a scheme. Now both ourselves and T&R have spent a fairly substantial sum of taxpayers' money doing this piece of work. However, Deputy Soulsby then persuaded this Assembly to carry out a further broad based review of the housing market. She, quite wrongly, said there would be no resource implications – in other words, it would not cost anything. Initially, I was opposed to this, simply because, although it is nice to have information, it is my view that this Assembly has commissioned too many reports already. Also, I was fairly certain there would be a substantial cost.

455 Because we have been directed by a States' Resolution, our staff have spent some time looking at the work stream involved and the probable cost of carrying out the survey. Some of the work has been done before, so we know roughly the costs and time involved and we estimate that to do that work again will cost in the region of £200,000. Some of the work has not been done

before and so we anticipate a total cost of between £250,000 and £300,000. Now, this amendment calls for the cost to be shared between T&R and Housing, where it will have to come out of the Corporate Housing Programme, and it is that fact that upsets my Board the most.

460

If Housing has to pay half the costs then that £150,000 is money that could and should be used to build a unit of accommodation for a person in Guernsey that needs a home. The Corporate Housing Fund is being hammered. Last year you will recall that T&R took £20 million from the fund to balance the Budget. This fund was set up for the provision of social housing, extra care housing, partial ownership housing, housing for people with disabilities and special needs, and the Youth Housing Project which receives an annual grant from the fund. There is money in the fund, despite the raid on it last year, simply because the Housing Department has not been allocated the land that the Minister, Deputy David Jones, warned would be needed five years ago in a speech to this Assembly if, as he said at that time, the Corporate Housing Programme was not to run into the sand.

465

470

Once the development programme starts moving again we will only have enough funding until around the end of 2017-18. So, Mr Bailiff, I support this amendment, although my Board is somewhat disappointed as it may mean more precious staff resources will be used on this further report and money taken from the Corporate Housing Fund, instead of being used to build all the tenures of housing the fund was set up for and which I have listed previously.

475

So, to repeat, I hope that the T&R Board or the new Policy and Resources Committee will see the justice of taking this money from their pot rather than the one intended to build homes for the people of Guernsey, many of whom have little prospect of decent affordable housing without our help.

480

I urge Members to support the amendment.

The Bailiff: Does anyone wish to speak against the amendment, having heard that speech? (*Laughter*) Does anyone else wish to speak in favour?

Deputy Trott.

485

Deputy Trott: Yes, sir, very briefly. I do not think for one moment a report of this nature will cost anywhere near the sums that Deputy Hadley is talking about, but even if he is right – and there are a small number of occasions over the last four years when he has been, sir – (*Laughter*) it only equates to a dozen or less high value property document duty contributions. And that is the real reason why this report is so urgent because a drive around the Island on a Sunday afternoon – as I enjoyed only this weekend – was illuminating, sir, as regards the number of house For Sale signs that we see in residences.

490

Clearly, this is a matter that needs to be addressed quickly and my main reason for standing is this: I believe this will be an election issue – I said this last month – and I hope that this report is considered and discussed by this Assembly and that it forms part of our March Agenda. I think in the absence of the information, the vacuum that will be created in the absence of that information is likely to make this an ill-informed election matter.

495

So I do hope that the expediency that has been shown so far is maintained and that this report is back in front of this Assembly –

500

Deputy Hadley: On a Point of Correction, Mr Bailiff –

The Bailiff: Deputy Hadley.

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Deputy Hadley: – the sums I have just mentioned were not my estimates; these are the estimates of senior staff of the Housing Department who have scoped the work. Indeed, some of the work repeats work that had been done years ago, so the figure of £200,000 is based on the cost of the work done before with an inflation adjustment. So it is not my – I stress – estimate at all; it is the result of the investigations done by senior staff of the Department.

510 **The Bailiff:** I saw Deputy Dorey standing earlier. Do you still wish to speak?

Deputy Dorey: Yes, it is just a small note. In the explanatory note it talks about, in the final paragraph, '... "Improving the Quality and Affordability of the Private Rented Accommodation in Guernsey"...' – and in brackets it has got '(“the Parr Report”)'. I think that was not what was known
515 as the Parr Report; that was a subsequent report. The main report was the Operation of the Housing Market in Guernsey which came out in 2002; and that is the report which they should be basing their report on and not that subsequent report which was just on the rental market. The other one was on the housing market in general.

Thank you.

520

The Bailiff: Next Deputy Soulsby and then Deputy Gollop.

Deputy Soulsby: Sir, I will just be very brief.

I think Deputy Hadley 's speech just represents and demonstrates quite clearly why we need
525 this review and his comment about 'the Corporate Housing Fund being raided' – there is still over £40 million in there which has is not being spent at all, so I think there is adequate money in that fund to pay for the review.

The Bailiff: Deputy Gollop.

530

Deputy Gollop: The Chief Minister was one of the key principal speakers at the Institute of Directors Conference and one issue that emerged was the arguments, rightly or wrongly, for population expansion. To that end, the housing market is a part of that picture. Certainly, there were views expressed by the construction industry that life is happier in Jersey at the moment for
535 them.

I mention these points because we know that we will see a strategic population review very shortly and we are facing an amendment that is perhaps worth considering on landlords that may be placed by a colleague or two. I think we have to look holistically at housing and I will support this amendment because, in the context of the Island plan and the arguments that were made last
540 night at the Douzaine that housing can affect people whether it goes up or goes down... means we do need a thorough review.

We can no longer rely just on in-house thinking and what has been done for the last 12 years and what 'Pa' said 15-odd years ago. I would also add that actually Deputy Hadley made a case
545 for his amendment, (*Laughter*) in as much as he spoke about £200,000, maybe £300,000 – the cost of a unit of accommodation. Now, if he is saying that there is a huge amount of work needed to be done, some of which has not been done in sharing with the body politic then that itself is justification for much more work on this, because clearly not enough has been done in the recent past.

550 **The Bailiff:** I see no-one else rising. Deputy St Pier, do you wish to reply to the debate?

Deputy St Pier: Sir, yes. Briefly in response to Deputy Dorey's comment, clearly that is an error in the explanatory notes. I apologise. During the course of the debate we will just double check whether the cost information has been attached to the right report and I will advise Members
555 later during the debate, sir, if it is incorrect.

The Bailiff: We vote then on the amendment proposed by Deputy St Pier, seconded by Deputy Hadley. Those in favour; those against.

Members voted Pour.

The Bailiff: I declare it carried.

560 We take next the other amendment that has been circulated with the proposer Deputy St Pier and the seconder Deputy Hadley. Deputy St Pier, to you wish that to be read?

Deputy St Pier: Yes please, sir.

565 **The Bailiff:** Greffier, could you read that one? I marked it earlier as amendment 16 on my copy. It was one of the two that were circulated overnight, Greffier. It is that one. We are taking that one. Oh sorry, I was confusing you. It is Deputy St Pier and Deputy Kuttelwascher. That is the amendment we are taking next. Sorry. Sorry, that is my fault. We have reversed those two – Deputy St Pier and Deputy Kuttelwascher. It is my cover sheet that is wrong, sorry.

The Senior Deputy Greffier read the amendment.

570 **The Bailiff:** Is that the correct one Deputy St Pier that you wish to take next? Yes, do you wish to open the debate?

Amendment 1C:

To replace Proposition 1 with the following –

'To extend the Company Intermediate Income Tax Rate 10% to income from the provision of Custody Services as defined in the Protection of Investors Bailiwick of Guernsey Law 1987 to unconnected third parties when arising or accruing to an institution or business described in Paragraph 1 of the Fourth Schedule to the Income Tax Guernsey Law 1975 as amended and to direct the preparation of such legislation as may be necessary to give effect to this decision with effect from 1st January 2016.'

Deputy St Pier: Sir, this amendment has been prepared following consultation after the publication of the Budget on the practical implications of the implementation for the proposal to extend the intermediate 10% Income Tax rate to the provision of Custody Services. It really is a technical amendment to ensure that we achieve what is intended from the original proposals and that there are not any unintended consequences.

For that reason, sir, I urge Members to support it.

580 **The Bailiff:** Deputy Kuttelwascher, do you second the amendment?

Deputy Kuttelwascher: I do.

The Bailiff: Does anybody wish to speak on the amendment?

Deputy Bebb.

585

Deputy Bebb: Thank you, Monsieur le Bailli.

Evidently, this was circulated quite late last night – it was after my bedtime – and I have only had chance to look at it this morning. Therefore, I would actually like to ask the Minister if he has an answer in relation to... I go back to the time when I used to work in Social Services and a large number of the clients were funds here in Guernsey.

590 Evidently, we need to still keep a fund administration, which is a very important part of our economy and is very vibrant. My concern was that, with this amendment and with any charging of custodial services, we could indeed damage part of our finance industry by sending Custodial Services off-Island. Could the Minister outline how this might impact the fund industry and those other industries that use local custodians as opposed to giving them the opportunity for them to seek custodial services elsewhere, where of course it might be more profitable if we were to embark upon this?

Thank you.

600 **The Bailiff:** Anyone else?
Deputy Trott.

Deputy Trott: Sir, leading on from that question, could one say that this in effect only captures banks who have a custodian service rather than any other financial services business that has a custodian service – like a depository, for instance – on the grounds that it only covers those that are caught by the banking supervision rules? If that is the case then this seems an eminently sensible amendment, sir.

610 **The Bailiff:** Yes, Deputy Le Clerc.

Deputy Le Clerc: Sir, I would just like to ask Deputy St Pier if there has been consultation with the revised amendment with the financial services industry, in particular the banking sector where they will be having to liaise with the Income Tax Authority on that? Because I know in the past we have had some issues where we have agreed things in the Assembly and then when it has gone back to the Association of Guernsey Banks, there have been some issues in either collecting that data or collecting the funds. I just want to be reassured that there has been full co-operation.

The Bailiff: Anyone else? Deputy St Pier to reply.

620 **Deputy St Pier:** Sir, I will perhaps address all of those points in one. That, in essence, has been the rationale driving the need for this particular amendment, because we were very concerned that it could have inadvertently caught either parts of fund structures or could have a negative impact on the fund administration sector. Of course, the principle behind all of the Zero-10 changes is that we should only be taxing the provider, not the product; and that is really what this is seeking to do – to ensure that the product is unaffected.

625 In essence, the original draft could have inadvertently done just that; this narrows it down to make it clear that it is in essence the custody services provided by the banks. This has been produced – to answer Deputy Le Clerc’s final point – following consultation with all sectors: banks, fund administrators, the investment managers, the Financial Services Commission, GIBA; the Income Tax Office will also be involved in that process as well.

630 That meeting took place last week, at which I was present. The proposal that you see before you, although the final wording was only settled yesterday – and I do apologise to Deputy Bebb for not having distributed it earlier, as I had originally intended to do – but the meeting which I attended last week all present were content that this proposal worked and was not disruptive to their business models and would not damage their businesses in the Island.

The Bailiff: We vote then on the amendment proposed by Deputy St Pier and seconded by Deputy Kuttelwascher. Those in favour; those against?

Members voted Pour.

The Bailiff: I declare it carried.

640 Now the third amendment, again proposed by Deputy St Pier and seconded by Deputy Kuttelwascher. It is a rather long amendment. Would it be helpful for those listening on the radio perhaps if the Deputy Greffier just read the explanatory note? (*Laughter*) Or do you wish to have the full amendment read?

645 **Deputy Dorey:** Sir, Deputy De Lisle’s amendment is also on Proposition 6. Wouldn’t it be better to have them both debated together in the same discussion?

The Bailiff: Well, I was taking the view that, as this is an amendment to the Department's Propositions, the normal convention is that we take it at this point. If it is the wish of the Assembly that we debate it later then I will put that to you. But my proposition is that we debate it now and I am putting that to you, that we debate this now, on the basis that it is an amendment proposed by the Department that modifies their Propositions within the Budget Report. So that is the proposition – that we debate it now. Those in favour, those against.

Members voted Pour.

The Bailiff: We will debate it now.
So, as I say, for the benefit of those listening at home, I think all Members have the hard copy in front of them. For those listening at home, perhaps the Deputy Greffier could read the explanatory note.

The Senior Deputy Greffier read the explanatory note.

The Bailiff: Deputy St Pier.

Deputy St Pier: Thank you, sir.
During last year's debate on the Personal Tax, Pensions and Benefits Review, it was clear that many Members understood and agreed with the logic of independent taxation. They understood and agreed with the need to treat individuals equally, irrespective of their marital status and in particular, the need to move away from the modern absurdity of wives being the chattels of their husbands for taxation purposes. However, it was also clear that the majority of Members who objected to the proposals tabled in relation to independent taxation were concerned about the financial impact on married couples.

Having listened to Members concerns, we sought to address this through the Budget by, in effect, grandfathering in the rights of all existing married couples and this would ensure that only new married couples would be subject to the change regime and because they will be entitled to two single person's allowances, their position before and after the marriage will be unaltered.

However, since the publication of the Budget Report, we have received expressions of ongoing concern in relation to these proposals from Members, the Guernsey Community Foundation and others. This amendment, sir, is in recognition of and in response to those concerns.

Firstly, the amendment seeks to defer the start date for the new regime by one year from 1st January 2016 to 1st January 2017 and, secondly, this amendment directs the Treasury & Resources – and obviously its successor – to give further consideration to the impact of the proposals and report back in next year's Budget with any proposals, to allow the ongoing transferability of allowances between a couple in given circumstances and, of course, these might include, for example, circumstances where the taxpayer is looking after dependents, be they children or older individuals with disabilities.

Consideration does need to be given to the most appropriate interaction with the benefits system and we, therefore, envisage that it will be necessary to consult with the Social Security Department; we also envisage consultations with Members, the Guernsey Disability Alliance and the Guernsey Community Foundation, among others.

We consider that a year provides ample time for the consultation to take place and we do hope that Members will support this amendment, recognising the need to improve equity as between different individuals in our tax system, whilst preserving the rights of existing married couples and also allowing sufficient time to consider the need to allow transfer ability of allowances between a couple in certain given circumstances.

I urge Members to support this amendment.

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

Deputy Kuttelwascher: I do, sir.

695 **The Bailiff:** Does anybody wish to speak?
Deputy Bebb.

Deputy Bebb: Thank you, Monsieur le Bailli.

700 Deputy St Pier said during the personal taxation debate that this Assembly agreed to the principle of individual taxation. May I just say *au contraire!* No such thing can possibly be read from reading *Hansard*. No such reading can possibly be made, given that we voted specifically against individual taxation; it was rejected. I am horrified to find that in this Budget such a proposal that was roundly rejected by this Assembly reappeared in this Budget as if it was completely new, but given that it was dressed up with some form of words of equality and some
705 form of grandfathering, that it might actually make it vaguely acceptable.

During that debate, in answering to the debate, Deputy Langlois said in his response, 'Were carers considered? Yes. Were they considered enough? No.' – which is a shocking thing, that we actually had carers not considered. I mean it was a central point to the debates that we had. And here in the Budget we have the presentation as if this was agreed to, when it was rejected, and yet
710 again this amendment seeks to delay the proposals because once again the Minister has stated that it has not been given proper consideration.

Now, during the debate on the Personal Taxation Review I believe that I quoted the figure of £119 billion, which is the UK considered contribution of carers to the economy – £119 billion, which *far* exceeds the expenditure on the NHS. Now, we should be very careful always of
715 translating UK figures to Guernsey but there is no doubt that the contribution of carers in Guernsey would be substantial and if we consider that we have a Budget which is supposed to be for health, then here we have a measure that will quite simply put carers frequently at the point of crisis.

Once we move carers into crisis the costs are substantial to the Health Service because that person that they are caring for frequently ends up being in the care of HSSD, but add to it that the carer themselves will frequently break down and will also fall into the care of HSSD. So rather than having no person in HSSD's care with some form of arrangements – this being a very modest one, and we have not resolved the issue as to how else we deal with carers – then we end up with both of them in the care of HSSD – surely madness! Add to this that realistically we said repeatedly
720 during that debate that it needed the... old age strategy, which I now cannot remember – SLAWS, I think is the new term (**Several Members:** SLAWS.); I have run out of patience with all the acronyms that we have – but SLAWS needs to report back to this Assembly and we need to determine in that debate, the appropriate measures for care of carers.

We have some form of care at the moment, but it is recognised as being insufficient and what we have in this proposal is to remove it and to remove it in a very pernicious way because it seems to present it as acceptable to say, 'Well, if you are currently enjoying this type of arrangement, then you will continue to enjoy it. We will even expand it to those nice people who happen to be same sex couples, in order to make it even more acceptable. But, by the way, if you happen to become a carer as of 1st January – 2017 now, as opposed to 2016, which also makes it
730 slightly more acceptable – then of course we think that you should no longer enjoy this – which is arbitrary and wrong.

Anybody who becomes a carer never actually sets out to be a carer; it ends up happening. Frequently within marital relationships the husband cares for the wife or the wife becomes a carer for the husband and what we are doing by this measure is removing that. There are other arguments in relation to the married family that I believe would also hold water, but the
740 fundamental point is that I believe those arguments are far more difficult for me to make rather than the fundamental point that we really are putting carers in great risk if we pursue this policy of individual taxation without resolving what we will do as a package of measures to assist carers

745 first. Members, it was roundly rejected in the Tax and Benefit Review. I believe it should be roundly rejected again.

Before this debate, I did ask various Members whether they would be supportive of an amendment but I honestly believe that any amendment would lead to a counter amendment in order to try and make it more attractive, and this is exactly what we have. I believe that it should all be rejected.

750 The one other thing in relation to this amendment and the original proposal is that it is blatant nonsense to think of grandfathering arrangements in our taxation system. Can we honestly conceive of two families next door to each other, but because one person became ill on 1st January 2017 and the other family's person became ill on the 31st December 2016, that they would have different taxation arrangements? It is madness, it is no way to run a tax policy; it is no way to run the tax law. We should roundly reject this amendment.

755 Thank you.

The Bailiff: Deputy Gollop was standing earlier, then Deputies Fallaize and Conder.

760 **Deputy Gollop:** I agree entirely with what Deputy Bebb has said, both on the grounds that to grandfather tax and to introduce a two-class system of taxation for these categories is curious and illogical and not good progressive social policy, and also relates to reinforcing the points... the unforeseen consequences of the impact upon carers and couples and other persons with unusual lifestyles. And also perhaps to say that it does rather disguise itself as socially progressive, so it has led to divisions in the community with people thinking, 'Oh, it is all about feminism and gay rights and so on,' when actually it is quite a conservative little measure.

765 Deputy Dorey forgot to mention the... in that we nearly had a debate – and we will soon, I hope – on Deputy De Lisle's amendment that I am seconding, but I have an amendment too which is in the same package.

770 So, not surprisingly, I welcome the concession by Treasury & Resources to delay things by a year, but do not support the amendment beyond that because I would rather see the policy either postponed for five years when we really look more fully at the Personal Tax and Benefits package – the work that we quite rightly have started – or abandon it altogether. Although I think perhaps it is premature to abandon all these ideas completely. If we look in the context of the Personal Tax and Benefits Review, the streamlining that was going to be made was in the context of both the possibility of a GST and, more crucially, increased personal allowances were targeted at the lower earners. Now, we have not got to that point yet and so to introduce this piecemeal is wrong and I concur with Deputy Bebb that it is premature.

775 As a matter of fact, you might spot a common link: Deputy Bebb, myself and Deputy De Lisle are all Members of the Legislation Select Committee and, as always, Deputy Jones brought in the legislation on time and on Budget and, in a sense, with advice from Income Tax; and we were aware that the Assembly was in a position whereby it was going to have Propositions which in the Budget Report itself were put in a very jumbled sort of way, that are not necessarily easy to follow. But the result of it will be a U-turn really on the policy decision the States clearly made at the time of the PTPR. **(A Member:** Hear, hear.)

780 More than that, it has some consequences. I will perhaps reserve the more financial side of it for the amendment, if and when I place it, but I think one has to be aware that this will have some quite substantial financial consequences for hardworking couples and single parents, the kind of people we want to support for the future. We are going through a process of trying to have a fairer Budget and a more demographically sustainable Island, but the consequences of this will – even if they are not retrospective – adversely affect the next generation of working people and indeed people who have children or need to care... from just a few months away.

790 I think that we really do have to rethink where we are going within the holistic nature of all the social policy strands that are coming together, and to go for the Budget or the amendments today would be the wrong course.

The Bailiff: Deputy Fallaize.

Deputy Fallaize: Thank you, sir.

800 The early stages of this Budget debate have been characterised by the rewriting of history. We
had Deputy St Pier, in what, otherwise, I thought was an outstanding opening speech, (**Several**
Members: Hear, hear.) claiming that the States had rejected GST largely in order to prevent
additional expenditure. Well, actually that was not the context in which GST was proposed; the
context in which it was proposed was to transfer or reallocate the burden away from Income Tax
and towards consumption taxes and providing for *no* additional expenditure. And I think if it had
805 been –

Deputy St Pier: Sir, a Point of Correction.

The Bailiff: Deputy St Pier.

810

Deputy St Pier: Sir, it is indeed correct. That is the basis on which it was presented, but the
point I was making in my opening speech was that many who spoke against it during that debate
cited one of the reasons being that they did not wish to give Government an easy pass with
access to more funds.

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Deputy Fallaize: Thank you, sir, but many who voted against it would have voted in favour of
it if they thought it had been associated with increasing expenditure on key services.

820 Then just now Deputy Gollop said that the original proposals in respect of independent
taxation were proposed earlier this year along with increases in personal allowances, targeted at
lower earners. They were not! The increases in personal allowances were to be applied universally
and would have benefited everybody, whether a lower earner or higher earner. And then, as
Deputy Bebb said, Deputy St Pier, in laying this amendment, seemed to suggest that the States
had indicated some sort of 'in principle' support for independent taxation in March or April, or
whenever the tax debate was, and that it was only the detail which prevented the States from
825 voting for the Propositions.

Well, I am not sure that is true at all. I say that as someone who supported. I was in the
minority, but I supported T&R's proposals in connection with independent taxation and I still
support them; although now they have managed to come up with a Proposition which I am afraid
I am going to have to vote against and it is because of this absurd idea of grandfathering tax
830 privileges.

We are going to end up with a situation where a couple who married in 2015 will be permitted
to register to apply for this particular tax privilege – the transfer of the allowance – but a couple
who married in 2016, as the original Proposition was – or 2017 now under the terms of the
amendment – will not be able to benefit from these tax privileges. And these are tax privileges
835 and they will be retained; it is not a question of phasing them out. Under the terms of T&R's
proposal – both the original Proposition and the amendment – they will be retained in perpetuity,
these tax privileges.

Now, that is highly discriminatory; it is also counter-productive in terms of social policy,
because I am afraid that many of the people who will be able to benefit from the tax privilege in
840 perpetuity are people whose financial circumstances allow only one of the couple to be in
employment now – or perhaps the other partner is working only a few hours a week, but not
earning enough to draw in or to benefit from the full personal allowance. People in those financial
circumstances will be okay; they will be able to have their tax privileges protected in perpetuity.
But if you are a young couple marrying in 2017 or 2018 or 2019 and you do not have the financial
845 luxury of only one of the couple being able to work, you will not be able to obtain the tax
privilege forever. Now, what kind of approach to social policy is that? It is absolutely ridiculous.

850 So I do not mind phasing out. I mean the proposal has been to phase out mortgage interest tax relief and I can understand that, but there is no suggesting of grandfathering tax privileges in respect of mortgage interest relief. But here we are faced with the proposal to grandfather the tax privilege of retaining taxation for a couple rather than moving to independent taxation.

Sir, this is very bad social policy and it does not make any sense in terms of tax policy. I will support T&R on independent taxation, but not while they try and grandfather tax privileges in this discriminatory and unfair way.

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

The Bailiff: Deputy Conder and then Deputy Dorey.

Deputy Conder: Thank you, sir.

860 I stand to thank the Treasury & Resources Minister for the laying of this amendment which I think is pragmatic but in terms of the problems with the original Propositions. I would, like others, congratulate him on his outstanding opening speech to this debate (**Several Members:** Hear, hear.) and, if I may, I would like to commend him and his team for their exemplary stewardship of this Island's finances over the last two and a half years.

865 Sir, like many other colleagues, when the Budget was first published I was concerned about many of the issues that other speakers have raised – in particular, Deputy Bebb, in relation to carers. I am not going to repeat what others have said. I know colleagues in this Assembly are concerned about the length of speeches where the same thing is said over and over again. I do have those concerns. I think this amendment is pragmatic. The problem with it is that it still leaves the issues in terms of the unfairness, the issues of carers, young families who marry after 2017 with small children – it just post-dates it to 2017.

870 I wonder if I can ask the Treasury & Resources Minister why he did not consider actually suspending these amendments until the discussions which he has alluded to have taken place with all the interested parties and allow his successor from Policies and Resources Committee to come back with a new set of proposals which seem to me would be a better solution than this half way house that is embodied within this amendment.

875 So I am placed in a position where I will probably vote for the amendment and then vote against the Propositions as amended if this amendment is successful, because I feel that all we are doing with this amendment... It is better than the Propositions, but it simply kicks the problem down the road to 2017. Much better, it seems to me, to throw out, or for the Treasury & Resources Minister to have laid an amendment to take out Proposition 6 in terms of the relevant aspects we are discussing now, and allow his successor to come back to a better thought through proposal after the discussions which he has already alluded to with the interested parties such as the GTA.

885 So I will listen to the rest of the debate. I am minded to vote for the amendment but I will then almost certainly vote against any amended Propositions.

Thank you.

890 **The Bailiff:** Deputy Dorey.

Deputy Dorey: I would like to follow on from the points made and I apologise to Deputy Gollop – I should have mentioned his amendments as well.

895 I really wonder: what was the point of the earlier debate in March and April on the Personal Tax, Pensions and Benefits? I would like to just read out to Members what Proposition 30 was because it was:

'To agree to move towards a system of independent taxation in which all taxpayers are treated as individuals, by removing the ability to transfer tax allowances between married couples or couples with children, with each taxpayer

being assessed on an individual basis, and direct the Treasury and Resources Department to bring forward proposals to effect this in the annual Budget Reports.'

– and the voting on that was 15 for, 25 against and 7 Members were absent. Of those 15 that voted in favour, nine of them were Members of T&R and Social Security who were proposing them. So, in effect, they only collected nine additional Members to their membership and 25 Members voted against.

900 I cannot see what is a clearer message from this Assembly. I was amazed when I read the Budget Report and saw that this was in there. The whole point, I thought, of a tax and benefit was that this Assembly gave direction on policy development and it seems to have been totally ignored. (**A Member:** Hear, hear.) It is just unbelievable!

905 I would remind Members, as has been spoken about the effect on carers, the effect on pensioners where you do get pensioners, one who has a high pension and one who has no pension and therefore their ability to basically have a Married Person's Allowance is key to their income. But I also emphasise the effect on families. We currently have a fertility rate of 1.6 – far short of what we need as a community. We should be bringing forward family-friendly policies. This is not family friendly, it is the opposite.

910 We should be at least encouraging or at least not discouraging mothers from helping to look after their children. Part of this help is that if a mother gives up work to have a child and to look after it, that they can benefit from the joint two person's allowances. Those are some of the main points, as well as the carers, why the States voted 25-15 against. (**A Member:** Hear, hear.)

915 So please, by saying all that, I will reach the conclusion by saying I would actually support this amendment because, as Deputy Conder said, it is better than what is in the Billet; but I have absolutely no intention of voting for the amended Proposition when we come to the vote at the end. So I will only vote for it because it is slightly better than what is there and I do not want the States having an opportunity to vote on the actual Proposition which is in the Billet. Please do not misunderstand my support for this amendment and supporting for what it is proposing; it is only because it is very slightly better than what is proposed.

920 Thank you.

The Bailiff: Deputy Ogier.

925 **Deputy Ogier:** Thank you, sir.

I will try not to be repetitious but a number of the points I wish to raise have already been made, so I will be brief.

930 I had given thought to bringing such an amendment forward myself and I did some work on it before deciding in the end that actually I wanted to keep it clear and I would simply vote against the Proposition as it lay; because this entire issue does give me great cause for concern and it fundamentally changes and socially engineers, if you like, one popular model for life here on Guernsey.

935 There are numerous surveys and reports which show that children who have close daily contact with parents in their life get a great start. Now, I am not saying that is the only model – there are obviously other models – but one of the models is they get a great start through contact with their parents on a daily basis. And we currently support this, by allowing one parent to stay at home with young children and enabling them to use their personal allowance to reduce the taxation burden on the remaining working parent, but independent taxation changes this. The parent stays at home with their young child or children and their personal taxation allowance would be lost, disadvantaging them financially for taking a choice which this Government actually wants them to make.

940 Deputy St Pier tells us that Members have concerns about how this would financially affect couples when we voted earlier this year, and that is true. In order to address this, grandfather rights have been built in for those currently in this situation, which perhaps fixes it in time now, but for couples going forward, all the concerns of Members at the time will still hold true.

945

Deputy [*Inaudible*] tells us that in future, to mitigate this, each person in a couple will have their own allowance and so their position will remain unchanged. Of course this is true if you are working, but it is potentially financial crippling for some couples not following the paradigm of both parents working. For those parents with young children it will not be the same, nor would it be the same for a carer staying at home to look after a disabled child or an ill mother, father spouse or other family members.

I am trying to struggle to find something that I could support here and I do not know if this is a steer or not, but if the proposal for independent taxation were to be for those whose children were over 11 or over seven or over something, but to recognise that in the early years it is beneficial for parents to be at home with their children... if there was some acknowledgement in here of that going forward, then I could support it. If there were other exemptions such as for carers. I am unable to think of any others but I am sure there must be some others which in a period of consultation we would be able to tease out from the population what they thought was reasonable.

It is reasonable to expect that people go out to work when their children are older, but not when they are young; and it is not resolved by having grandfather rights for those current and no rights at all for those going forward. So I think I would be able to support something like that if it was well drafted. And, as Deputy Dorey says, we do have a population issue here – a declining population – and putting in measures which disadvantage people bringing up children does not seem wise to me.

For every child we do not raise here on Island, we may well be looking to bringing a key worker in from off Island in the long run, and such a punitive policy for caregivers in the Island does not make sense to me in the wider context of States' policy. So, as other speakers, I am able to support the substantive Propositions and I may well vote for this amendment because it is slightly less bad, but I certainly intend to vote out any Propositions when it comes to the end vote. Thank you.

The Bailiff: Deputy De Lisle.

Deputy De Lisle: Thank you, sir.

The modification actually defers until 2017 the proposal to remove Married Couple's Allowance and those entering civil partnerships after December 2016, basically, and does give the Minister time to consider more fully and retract, actually, the Propositions that he is putting forward in this area.

But I would ask Members to reject this as they did overwhelmingly in the Tax and Benefits Review a few months ago, because the new amendment does no more than extend the issue of supporting independent taxation and clobbering, really, newly married couples and those entering partnerships. It does not take much imagination either, to foresee that if not next year or the year after then at some time in the future, T&R will be proposing to remove this allowance from all couples on the grounds of fairness and equality – and that is of great concern.

But the delaying ploy does not acknowledge the resounding rejection of the proposal to remove the Married Couple's Allowance earlier this year. And for young married couples in the future, this will be a major blow. Clobbering that group already having difficulty with housing which has been recognised in this States is quite disgraceful really and unemployment is higher in this group – those entering new lives in marriage – than other groups. Many have student loans and short-term or zero-hour contracts in work and now to say that the Married Couple's Allowance is going...

T&R did some work on this and they said 80 marriages in 2012; they did not get round to the numbers coming back with civil partnerships but if you take the 80 married couples we are denying £100,000 a year between them – just those 80, and over a 10-year period that is £5 million that we are denying our newly-married couples and those entering partnerships.

1000 So I would call on Deputy Dorey and Deputy Ogier to reject this outright, otherwise basically
what you are doing is encouraging, and not supporting, the young people that are coming
forward in the future. I think we have got to be supportive of the young. We are losing too many
1005 youngsters, at the current time, who are finding better deals in housing and prospects in the UK. I
think we have to do all that we can to hold our population; just as I have argued before that it is
one thing for us to be doing lots of work in terms of economic development and looking at new
ways of attracting people into Guernsey, but it is another thing to make sure that we look after
what we have got; because we are losing, at the current time, some industry and jobs, and we
1010 have got to do all we can to hold all those jobs we have now, because it is a lot easier to hold
what we have got rather than to go out there and search for more.

So let's hold our population, keep our indigenous population here and not put in policy that
works against us as a community. So I would call on Members to reject this right away, as done
before in the Tax and Benefit Review just a few months ago.

1010 Thank you, sir.

The Bailiff: Deputy Ogier.

1015 **Deputy Ogier:** Just to clarify a potentially misleading statement, Deputy De Lisle said that he
exhorted Deputy Dorey and myself not to vote in favour of independent taxation, but of course
we both said we have no intention of voting for the main Proposition when it comes along. We
may well support this amendment just so that the Proposition is changed when we do come to
vote, but that we would not have been supportive of it anyway.

I just would not want listeners to get the impression that Deputy Dorey and I are supportive.

1020

The Bailiff: Deputy Le Clerc.

1025 **Deputy Le Clerc:** Sir, I have got some concerns of the removal of the Charge of Child
Allowance and I will say that when I was on the Personal Tax and Benefit Review working party, it
was an area that I did have concern about at that time, because there are a lot of single parents
and they are hard-working single parents, that will be affected or could be affected by the
removal of the Charge of Child Allowance. And when I think of personal friends and family that
have been through marriage breakups, in particular those first couple of years where they are
adjusting to a change in their income pattern, the Charge of Child Allowance – I think it is
1030 approximately £1,300 – is a substantial amount of money to enable them to go through that
adjustment in their finances.

So I had concerns at that time and I still have concerns about the removal of it. I appreciate
that families currently with Charge of Child Allowance are able to retain that, but I still have
concerns for the future. It is unfortunate that marriages do breakup but this does help people and
1035 families through that difficult transitional period. So I would urge people to do as Deputies Dorey
and Conder have suggested – that you vote this amendment through, but when it comes to the
ultimate Proposition that you vote it out.

Thank you.

1040 **The Bailiff:** I see no-one else rising. Deputy St Pier will reply to the debate.

1045 **Deputy St Pier:** Sir, I think I can be brief because I think all the speeches were along the same
lines – similar themes. I think the only thing worth picking up is the question of... there was some
objection to the idea of grandfathering being poor tax policy. Of course, we have had
grandfathered rights before – in particular in relation to the Dependent Relative's Allowance
which was closed to new entrants a number of years ago – so this is not a new development.

I do thank those who have offered their support to this amendment, albeit – (*Laughter*) (*Interjection*) yes, as Deputy Ogier says, take it where you can – (*Laughter*) and, yes, I do urge Members to support the amendment at this point.

1050 Thank you, sir.

Deputy De Lisle: Can we have a recorded vote on it, sir?

1055 **The Bailiff:** A recorded vote. So a recorded vote on the amendment proposed by Deputy St Pier and seconded by Deputy Kuttelwascher.

There was a recorded vote.

Amendment 1AB:

1060 *Not carried – Pour 20, Contre 22, Ne vote pas 0, Absent 4*

POUR	CONTRE	NE VOTE PAS	ABSENT
Deputy Le Clerc	Deputy Sherbourne	None	Deputy Lester Queripel
Deputy Gollop	Deputy Bebb		Deputy David Jones
Deputy Conder	Deputy Gillson		Deputy Duquemin
Deputy St Pier	Deputy Le Pelley		Deputy Brouard
Deputy Stewart	Deputy Ogier		
Deputy Trott	Deputy Fallaize		
Deputy Spruce	Deputy Laurie Queripel		
Deputy Collins	Deputy Lowe		
Deputy Dorey	Deputy Le Lièvre		
Deputy Adam	Deputy Green		
Deputy Perrot	Deputy Paint		
Deputy Wilkie	Deputy Le Tocq		
Deputy Inglis	Deputy James		
Deputy Soulsby	Deputy De Lisle		
Deputy Luxon	Deputy Burford		
Deputy O'Hara	Deputy Sillars		
Deputy Quin	Deputy Hadley		
Deputy Kuttelwascher	Alderney Rep. Jean		
Deputy Domaille	Alderney Rep. McKinley		
Deputy Langlois	Deputy Harwood		
	Deputy Brehaut		
	Deputy Robert Jones		

The Bailiff: Well, Members, the result of the voting on the amendment posted by Deputy St Pier and seconded by Deputy Kuttelwascher was 20 in favour and 22 against. I declare that amendment lost.

1065 We move on next with an amendment to be laid by Deputy Bebb. It is marked – certainly my copy is – Amendment 2, to be proposed by Deputy Bebb, seconded by Deputy Brehaut.
Deputy Bebb.

Deputy Bebb: Could I ask the Greffier to read the amendment?

1070 **The Bailiff:** Yes.

The Senior Deputy Greffier read the amendment.

The Bailiff: Deputy Bebb.

Amendment 2:

To insert a further proposition after Proposition 5 as follows:

'To direct the Treasury and Resources Department to investigate the removal of, or introduction of a cap on the amount of, tax relief on interest payments for let properties in section 2 of the Income Tax (Tax Relief on Interest Payments) (Guernsey) Ordinance, 2007 and to report back to the States no later than the end of October 2016.'

Deputy Bebb: Thank you, Monsieur le Bailli.

1075 Members, we have actually voted in favour of this once already. When I first moved the amendment in order to introduce a cap on interest, it was on both parts of the Mortgage Interest Law – both the first and second part. At a later point in time it was changed so that it was only the first part that went forward which was on private dwellings that are owned.

1080 Now, in relation to the second part, it is those properties which are rented out and it is fair to say that whilst it is attractive to think of removing the enjoyment of mortgage interest relief in that sector, or indeed for the cap to be introduced, there are a few questions that really should be asked before we make such a decision. A review, as we know from one of the previous amendments, which will now be funded looking at housing should actually look at the rental market.

1085 When considering the rental market, I do not think anybody could be sure in saying whether the involvement of buy-to-let properties distorts the market in any way. Do we have a higher involvement of landlords within our market than other jurisdictions? Is that good? Is it bad? It is a very difficult question because, as Deputy St Pier said in last month's debate, property is a very strange asset. When the price goes up it is a problem, but when the price goes down it is a problem. It is a very different thing.

1090 Now, it is fair to say that in relation to all other businesses, any loans taken out do enjoy interest relief of 20% on those loans. And of course the only difference between a mortgage and a loan is that you happen to buy property with it. It is, therefore, strange for us to think of removing such an enjoyment from only one part of the economy, but I think that it is something that we should consider, bearing in mind that we have a very serious housing issue that we are trying to address in other ways. It is time that we looked at this market and gave due consideration as to whether or not we should facilitate funding and, indeed, facilitating a lower cost of capital to those businesses that decide to embark upon this.

1100 Now, there are two aspects to the rental market that will need to be considered as a result of this amendment. One is evidently private dwellings and it is perfectly acceptable, in my opinion, if the Department wants to investigate that as a part of this investigation into the housing market. The other part which will also need to be considered is commercial properties. It is fair to say that there are questions asked on a regular basis – to me, anyway – in relation to the cost of rental in commercial properties. We know that the rents in the High Street can be exorbitant and are, at times, punitive.

1105 It is a question as to whether or not this Assembly should continue to provide a 20% discount to the cost of that capital. I do not pretend to have the answer and I do not think that it is wise for anybody to imagine that they have the answer and that we should embark upon it, but it is definitely an area that we should look at.

1110 Members, I believe that this amendment enjoys the support of the Treasury & Resources Department as well and, therefore, I hope debate can be brief and that you will support the amendment.

Thank you.

1115 **The Bailiff:** Deputy Brehaut, do you formally second?

Deputy Brehaut: I rise to formally second. Thank you, sir.

The Bailiff: Minister, do you wish to speak on the amendment at this stage or later? No. Does anybody wish to speak on the amendment?

1120 Deputy Dorey.

Deputy Dorey: I just declare an interest before we vote, that I am a director of a company which has a number of properties which are let, although we do not have any borrowings currently.

1125

The Bailiff: Deputy Hadley.

Deputy Hadley: I too would like to declare an interest, because I have got a substantial mortgage on a property which is rented out.

1130

I think this is very sensible to investigate this, because actually buying and renting property is a business and for most businesses you would expect to have your expenses offset against the profit. So it is something that should be looked at and I fully support the amendment.

The Bailiff: Deputy Domaille.

1135

Deputy Domaille: Just to declare an interest, sir. I have a property I rent out.

The Bailiff: Deputy De Lisle.

1140

Deputy De Lisle: I also have a property which I rent out.

The Bailiff: Deputy Paint.

1145

Deputy Paint: I too would like to declare an interest.

The Bailiff: You declare an interest too. Deputy Perrot, are you declaring an interest and Deputy Brouard, you are declaring an interest? Deputy Luxon, you are declaring an interest?

Deputy Luxon: I am Spartacus, sir! *(Laughter)*

1150

The Bailiff: Does anybody else need to? Deputy Langlois. *(Interjection and laughter)* Alderney Representative Jean, I do not know what you have, *(Laughter)* but if you have property in Alderney then my understanding is that this would be affected by this amendment potentially as well, so you should declare an interest.

1155

Alderney Representative Jean: Yes, if I may, sir, I would declare my interest but everything that I have is declared in the Register of Members' Interests.

Thank you.

1160

The Bailiff: Thank you.

Right, anybody else need to declare an interest? I see nobody else wanting to speak, so we will go straight to the vote, I would have thought – unless, Deputy St Pier, you wish to speak? Yes, Deputy St Pier.

1165

Deputy St Pier: Sir, I will respond if I may.

As Deputy Bebb has said and as I have already indicated to Members, the Treasury & Resources Department will not be opposing this amendment. However, it should be made clear that it most definitely does not mean that the Department supports the introduction of a cap on the amount of tax relief on interest payments for let properties.

1170

On the contrary, it is the basic principle – as Deputy Hadley has just said – that the taxpayer is allowed a deduction for the costs incurred in earning an income and if we were to remove that in

1175 respect of interest payments, we would fundamentally alter the net post tax returns available to investors and this would directly impact on the market place and our competitiveness with other jurisdictions. And, whilst this may seem superficially attractive, the overriding consideration will need to be to ensure that the property investment market is not adversely affected and we do not discourage investors from buying, developing and renting in our Island.

1180 This is a key economic driver for the Island and the source of substantial Income Tax receipts, both directly and indirectly, and it would be counter-productive and contradictory to our economic development strategy if we were to make changes which made Guernsey a less attractive place in which to invest, particularly if our tax treatment is out of line with our nearest competitor, Jersey. This could put further pressure on our construction sector. We must make sure that our tax regime does not deter these investments by being unduly tax efficient, harsh or uncommercial.

1185 So, in summing up, sir, it would be useful perhaps for Deputy Bebb to clarify whether his principle concerns are in relation to the so-called private investor buy-to-lets or whether his concerns extend to all property acquired by debt finance, because that would clearly help whatever investigation would follow should this amendment succeed.

1190 Should the States decide to support this amendment, then of course the Department will consult with industry and relevant parties before reporting back to the States this time next year, sir.

The Bailiff: Deputy Bebb.

Deputy Bebb: Thank you, Monsieur le Bailli.

1195 I am glad that there is so much interest in this amendment. However, to answer Deputy St Pier, I think that both parts need to be looked at, but evidently the private property dwelling market is the one that is of greatest urgency, because that is the one where we have the question.

1200 Deputy St Pier is correct to state that we should not jump to conclusions that removing this would be a good thing. We have to recognise that landlords provide an essential property market for those people who cannot afford to buy and that we should not be detrimental in our social policy towards that sector either. It is one of those where it is a very difficult question, but I think that it is one that does qualify and justify the review into it and I hope that this Assembly will support the amendment.

1205 Thank you.

Deputy De Lisle: Can we have a recorded vote, sir.

The Bailiff: A recorded vote then on the amendment proposed by Deputy Bebb and seconded by Deputy Brehaut.

1210 Would you like to hear... ? I have not heard anybody speak against the amendment. It may be that nobody wants to vote against it, Deputy De Lisle. Do you wish...? You are certainly entitled to – Sorry...

1215 **Deputy De Lisle:** There is always a cost factor in doing reviews, sir.

The Bailiff: I see. We will have a recorded vote.

There was a recorded vote.

The Bailiff: Well, Members, I think while the votes are being counted we could perhaps move on with the next amendment to be laid by Deputy De Lisle and seconded by Deputy Gollop. Deputy De Lisle. Do you wish the amendment to be read?

1220

Deputy De Lisle: Yes, sir. Thank you.

The Bailiff: Yes, Greffier.

The Senior Deputy Greffier read the amendment.

1225 **Deputy Le Lièvre:** Whether in square brackets or not, sir, I think that is the point – (*Laughter*) I think we should all be very glad of Deputy Fallaize' Committee's change in that rule.

The Bailiff: Thank you. Deputy De Lisle.

Amendment 3:

In Proposition 6, to delete sub-paragraph b.i and paragraph c. and to delete '(regardless of whether or not the couple subsequently marry [in 2016])' from sub-paragraph f(ii) and (iii); in paragraph 1(i), (ii) and (iii) of the first schedule to delete 'prior to 1 January 2016'; and in the second schedule to Proposition 28 to delete sub-paragraph (1)(a)(iii) of paragraph 1 and to delete '(regardless of whether or not the couple subsequently marry [in 2016])' wherever it appears in paragraph 6.

Deputy De Lisle: The effect of this amendment is to accept the equality provisions, but to retain the Married Person's Allowance for future married couples or indeed future civil partners.

1230 Sir, it is recommended that from January 2016 the entitlement to the Married Person's Allowance will be closed to those who marry or enter into a civil partnership after the end of this year, but not to impact any current claimants.

1235 In the Tax and Benefits Debate in March and April, during a very lengthy debate, the proposals to move towards independent taxation were solidly rejected – and that was the 25-15 vote on Proposition 30 that we heard about earlier. But why bring it back again after it was so resoundingly rejected just a few months ago?

1240 The present proposal will remove the Married Couple's Allowance for couples marrying after the 31st December 2015 this year and justifying leaving the allowance for those previously married, on the grounds that their financial affairs are already arranged on this basis; although, as I mentioned earlier, it does not take much imagination to foresee that, if not next year then at some time in the future, it will be proposed to remove this allowance from all couples on grounds of fairness and equality.

1245 The proposal to tax married couples as singles will be very costly to many. At present the Married Couple's Allowance is just over £22,000 for the over 65's and forcing a split will mean for some couples losing an allowance of about £11,000. That is an additional Income Tax bill of over £2,200 per annum. That is why we have got to take very seriously the implications that this could be extended to all married couples in the future.

1250 But for young married couples, this will be a major blow, sir. Clobbering the under-25's basically is disgraceful. They are already having difficulty with housing, unemployment is higher than other age groups and they have to commit very often to student loans and short-term or zero-hour contract employment conditions and now the Married Couple's Allowance is going.

1255 The effect to married couples is stated in the explanatory note to the amendment and on the basis of 80 marriages in 2012 – and this does not include those entering into civil partnerships – 80 married couples will be denied £100,000 a year between them; that is in the first year and over a 10-year period, the losses to married couples will exceed £5 million.

1260 Sir, this is a further erosion of Guernsey entitlements and the Guernsey way of life and we have a responsibility to young couples. It affects the sense of a couple as a unit which is quite a major change. The couple will be less well-off overall as they will not be able to transfer financial benefit between them in those early years of developing a family, where perhaps one, as Deputy Fallaize mentioned earlier, will have to remain at home when only one is working. And it takes risks with

the Island's future – our children and grandchildren. This is a very disguised way of introducing new taxation, as Deputy Gollop mentioned earlier, and people will ask in a few years, 'Why are we so much worse off?'

Janice Turner, in her column in *The Times*, puts it another way:

'Middle age has many downsides but it does afford a terrific view,'

1265 – says she –

'The young, scrabbling... to get a purchase on adulthood, a career, a home, love: they are your kids, only ten minutes ago they were you.'

Members, I call on you to reject this Proposition, as you rejected it in March and April of this year in the Tax and Benefits Review.

Thank you, sir.

1270 **The Bailiff:** Deputy De Lisle, can I just raise a question as to whether the wording of the amendment is entirely correct, because you are deleting the words in brackets, '(regardless of whether or not the couple subsequently marry)', both in sub paragraphs f(ii) and f(iii) of Proposition 6, but those words exactly as printed there, only appear in f(ii). In f(iii) the words that appear are, '(regardless of whether or not the couples subsequently marry [in 2016])'. Are you
1275 intending those words to be deleted or to leave in the 'in 2016'?

Deputy De Lisle: I will leave it to the Procureur.

The Bailiff: Sorry, Procureur.

1280

The Procureur: They are there in the square brackets to indicate that whether the words 'in 2016' are part of the text or not, they are to be deleted.

1285 **The Bailiff:** But the word 'marry' does not appear with a bracket behind it in f(iii). What we have got is to delete '(regardless of whether the couple subsequently marry)', as if it is the words between the two brackets that are to be deleted.

The Procureur: I mean, this is beyond me.

1290 **The Bailiff:** Maybe I am being pedantic.

The Procureur: The intention is to remove the text (regardless of whether or not the couple subsequently marry), in both places where it appears, including the removal of the words 'in 2016' where those appear in f(iii). That is the neatest way of doing it.

1295

The Bailiff: Well, sorry, I do not think I have got the same amendment as you then.

The Procureur: Well, that is possibly your problem. (*Laughter*) Do not take any notice of what I have scribbled on there – (*Laughter*)

1300

The Bailiff: Sorry, I withdraw what I said. What I have is the earlier version of that amendment, not *that* amendment.

The Procureur: Oh, sorry, you have the wrong version. That absolutely explains why.

1305

Deputy Fallaize: So when the Greffier read it out he read the words 'in 2016' (**The Bailiff:** Sorry, I didn't –) in the amendment, but that is not the one that I have got in front of me either.

A Member: No, same here.

1310 **A Member:** No.

A Member: I haven't.

1315 **The Bailiff:** It seems then that we have got two different versions of that amendment circulating within the Chamber.

1320 **The Procureur:** Well, this is the official one, this is the one Deputy De Lisle will sign for the record. It is not going to make any difference, with respect, to the course of the debate which I anticipate will be rather more principled.

The Bailiff: Yes, I just wanted to make sure that the amendment was in play was correctly worded, so I was not trying to be pedantic –

1325 **The Procureur:** Yes, this is the one that Deputy De Lisle will sign.

The Bailiff: Right, well in that case, I think everybody is then clear as to what is actually in play, even though that may not be what they have in front of them. And, Deputy Gollop, do you formally second the amendment?

1330 **Deputy Gollop:** I am not sure what amendment I am seconding now! (*Laughter*) I found this one and my subsequent one so complicated the way they were drawn up that it becomes extremely difficult to make sense of them. (*Interjection*) Yes, but the reality is I think the Procureur, as is so often the case –

1335 **The Bailiff:** Are you attempting to speak on the amendment, (**Deputy Gollop:** Yes.) because the Minister is entitled, if he wishes to do so, to... No, he does not wish, so you may go ahead and speak on the amendment.

1340 **Deputy Gollop:** To a degree, the focus of the amendment is rather... the nature of these amendments, when you are effectively changing complicated legislation and schedules, is tricky... and consequential Propositions throughout the text. Again, I urge that perhaps in the future in the newer regime – the new era – Budgets can be easier and more friendly for States' Members to amend and adapt, based upon principles rather than on details.

1345 But the thrust of this is very clear. Deputy De Lisle is right that not only does it – to a very large extent, reverse the clear decision of the Chamber made earlier in the year and concerns are being raised for carers, for married couples or partners who have different levels of income – maybe one is in the booming financial services sector and the other is in HSSD as a hardworking nurse or whatever; they would not necessarily share the same incomes. We know the Guernsey Disability Alliance have had concerns about this and there are consequences.

1350 At the Douzaine meeting last night, we had one strong voice who supported the principle of independent taxation, for sexual equality reasons, but we had another strong voice from one of the younger members of the Douzaine who said we are just not doing enough for the next generation – as Deputy De Lisle has intimated – who are having to find properties at 15 times incomes, who are struggling already and this is a definite form of stealth taxation.

1355 I will read the explanatory note again:

'The effect of this amendment is to accept the equality provisions but to retain the Married Person's Allowance for future married couples, or indeed future civil partners. There were approximately 80 marriages in 2012 where the ability to claim the Married Person's Allowance was financially beneficial to the couple (due to one spouse's income being less than the Single Person's Allowance).'

Therefore, effectively, you can have a transfer with the highest cost subsidising the lowest. It then says:

'Assuming a similar number of couples are in this position from marrying in each future year, the financial implications to the States of carrying the amendment into effect would be an additional £100,000 cumulative cost per annum. Over a ten year period, this would have a total revenue cost of £5.5 million.'

1360 Now, when I had the figure of £5.5 million from a senior figure at Income Tax who I respect, I could not believe it; it was just so high. I mean it is not 10 times £100,000, nor is it even a simple compound rise. Clearly, they had reasons to come to that figure of £5.5 million, but actually the warning was perhaps given me as to be cautious in putting the amendment forward because of the cost to public revenues, but actually it strengthens my zeal in putting it.

1365 Because what it showed was that this Budget and its successors will be taking out, from mostly younger couples, an extraordinarily large sum of money. We are dramatically increasing the tax rate for some in our community. And it happened without anyone noticing, as maybe discussed in the subsequent amendment as well. It was not initially an issue for most States' Members and the media and a pundit; it kind of passed people by. But this is not particularly fair; it is illogical, it does not do anything to encourage population to stay, let alone to increase, and nor does it stimulate our property market, as far as I can see, or any of those aspects. It seems to be almost deflationary.

1370 And, for those reasons, I really do think we should support the amendment. Where it is different from the amendment that narrowly lost and from Deputy Bebb's point of view perhaps of throwing everything out, is that it gives a five-year moratorium. It might not actually say that but that is its peer purpose, so it effectively allows the next Assembly within the context of the evolving work on PTBR economic growth, to look at it carefully –

The Bailiff: Deputy Fallaize. He has asked you to give way.

1380 **Deputy Fallaize:** Thank you, sir. At the end there, Deputy Gollop was speaking to the wrong amendment.

The Bailiff: I do not think he has finished speaking; I think he has given way because you have risen.

1385 **Deputy Fallaize:** Oh, okay. I thank him for giving way, sir. Does Deputy Gollop agree with me that he is speaking to the wrong amendment? *(Laughter)*

1390 **Deputy Gollop:** Yes, I am in this case because actually that was in the original draft amendment, not in this particular one. But clearly, the point of this amendment is to get rid of this unsatisfactory Proposition.

Amendment 2:

Not carried – Pour 33, Contre 3, Ne vote pas 8, Absent 2

POUR

Deputy Le Clerc
Deputy Gollop
Deputy Sherbourne
Deputy Conder
Deputy Bebb
Deputy Lester Queripel
Deputy Stewart
Deputy Gillson
Deputy Le Pelley
Deputy Ogier

CONTRE

Deputy Perrot
Deputy De Lisle
Deputy Sillars

NE VOTE PAS

Deputy St Pier
Deputy Spruce
Deputy Dorey
Deputy Paint
Deputy Adam
Alderney Rep. Jean
Deputy Kuttelwascher
Deputy Domaille

ABSENT

Deputy David Jones
Deputy Duquemin

Deputy Trott
Deputy Fallaize
Deputy Laurie Queripel
Deputy Lowe
Deputy Le Lièvre
Deputy Collins
Deputy Green
Deputy Le Tocq
Deputy James
Deputy Brouard
Deputy Wilkie
Deputy Burford
Deputy Inglis
Deputy Soulsby
Deputy Luxon
Deputy O'Hara
Deputy Quin
Deputy Hadley
Alderney Rep. McKinley
Deputy Harwood
Deputy Brehaut
Deputy Langlois
Deputy Robert Jones

1395 **The Bailiff:** Right. Just before I call the next speaker, I can announce the result of the voting on the amendment proposed by Deputy Bebb and seconded by Deputy Brehaut: 33 in favour, 3 against, 8 abstentions. I declare that amendment carried.
Deputy Fallaize.

1400 **Deputy Fallaize:** Thank you, sir.
Before we vote on this amendment can I request that the correct version is circulated, or at least that it is made absolutely clear what we are voting on, because I do not think that we should go to the vote without having the proper amendment in front of us?

1405 **The Procureur:** The correct version is in the packs that were put on Members' desks this morning.

The Bailiff: Yes, so it should have a '3' in the top right hand corner – a number three in the top right hand corner. (**Deputy Fallaize:** Thank you.)
Sorry, that is not the one I had in my file but that is what was on the desk.

1410 **Deputy Fallaize:** That was not the one that was circulated, was it, other than this morning?

The Bailiff: No, I think a different one was circulated, but this one was circulated this morning. So this one replaces whatever was circulated.

1415 **The Procureur:** It was first circulated on Friday evening with an apology that a very slight technical change had been made; and it is on Members' desks this morning.

1420 **The Bailiff:** Thank you. Sorry, I am not one to make a fuss about this, but it obviously has not reached my file.

The Procureur: No, I know.

The Bailiff: Deputy Fallaize.

1425 **Deputy Fallaize:** Thank you, sir.

1430 There would have been a much easier way to lay this amendment. Deputy Gollop was complaining that T&R had made their Budget too complicated to amend, but if the amendment had just said, 'to delete Proposition 6 (**Several Members:** Hear, hear.) and then substitute therefore,' or whatever the policy intention was, 'and direct T&R to come back with the details,' that would have achieved the purpose of the amendment without having to have the slightly confusing text that is in front of us.

1435 I agree with Deputy Gollop to the extent that I think we are heading towards a tax system which is highly unfair. I think we are already taking and we are moving towards a system which in the future is going to take too much tax off – if I can call them – the wrong people; too much tax off younger and middle and lower-middle income earners.

1440 I do not wholly blame T&R for it, but it is the consequence of an approach to taxation where we do not want to tax capital gains, we do not want to tax consumption very much, we do not want to tax higher incomes any more than the flat rate, we do not want to withdraw tax allowances from higher earners, we do not want to tax inheritance. Now, we are not very keen on taxing company profits other than in respect of a very narrow band.

1445 Now there may be merits and de-merits to all of those in isolation, but if you have that sort of approach to taxation there is not much left to tax, other than the earnings of people who fall in the lower and middle income brackets, and I personally deplore that approach, (**Several Members:** Hear, hear.) but it is the consequence of the approach supported by the majority of States' Members. (**A Member:** Hear, hear.)

1450 Now, there is, I think, in this amendment a slight detachment from reality because there is all this hand-wringing going on about poor young couples who will not be able to transfer tax allowances. Well, I wonder how many of them there are. I wonder how many young people there are who are able to sustain a mortgage, to sustain child care costs, to sustain the cost of living in Guernsey with only one of the household working. I should not think there are very many. I do not know whether, in response to this amendment, the Treasury Minister is going to provide us with some figures, but we are in an era, for better or for worse, where the vast majority of young couples who want to get on in Guernsey, both of them need to be in employment. So there is a very, very limited number of people who are able to transfer their tax allowances; and very many of the relatively few who can, are in that position because one of the couple is bringing in income which permits the other not to have to work.

1460 Now, if we are interested in trying to help the kind of people Deputy De Lisle has in mind, we would be far better off to remove the universal tax privileges which apply at the present time, where many people are able to obtain these tax privileges who frankly do not need them, and to get on with the job of increasing the personal allowances generally across the board, with claw-back provisions for people whose income is at the higher end. That would be a far more effective way of trying to assist the people who Deputy De Lisle has in mind.

1465 I do accept that there are some people, some young couples who *are* able to sustain a one-income household and I accept that, for some of them, it is not because the person working is on a very high wage but it is because they forego income and therefore forego what some people might consider luxuries; but they are very few and far between. Most young couples who want to get on today both of them are having to work, and that is the type of economy in which we are living.

1470 So if we support Deputy De Lisle's amendment, I do not think that we should exaggerate the numbers of people who we are trying to help through it. I think that the numbers of these people are very, very limited indeed and too often – and I will say something that I have said before which makes me very unpopular in this Assembly – it is partly because of the demographic of this Assembly. Too often we debate policy from the perspective of the way Guernsey was 30 or 40 years ago and, for very many young people, that era is over (**Several Members:** Hear, hear.) and I think, sir, that we ought to bear that in mind when we debate these sorts of amendments.

Thank you, sir.

Deputy Gollop: Could I raise a point of order there?

1480 **The Bailiff:** Deputy Gollop.

Deputy Gollop: Whilst accepting the Deputy's remarks, what about the category... he did not mention whereby one person in a relationship is disabled but is earning below the amount sufficient to cover Income Tax allowance.

1485

Deputy Fallaize: Yes, I entirely accept that where carers are concerned, or disabled people are concerned, we need to engineer carve-outs from any kind of independent taxation system; but I was talking about tax policy generally across the board. But I agree with the point Deputy Gollop has just made.

1490

The Bailiff: Deputy Bebb.

Deputy Bebb: Thank you, Monsieur le Bailli.

1495 The amendment that we are now debating is as a result of what I think the Treasury & Resources Department will eventually regret bringing in at all and that is the whole of Proposition 6.

1500 Proposition 6 is just a bad idea (**A Member:** Hear, hear.) poorly drafted in order to try and make it palatable when it was already rejected. Proposition 6 unamended, extends the current provisions to people who are co-habiting which seems a little strange because I have co-habited with quite a few people in my life – I have had a number of flat mates; it is quite convenient for me to maybe consider that my flat mate suddenly is co-habiting with me and that I might like to move in order to actually have some form of tax arrangement, if there is something quite advantageous for both of us from that situation.

1505 It invites abuse of the system that is currently not so. We currently have a very simple thing. In order to enjoy Married Couple's Allowance you have to be married. Now, that is a legal contract; forget all the social construct that lies behind it and just remember that in the eyes of the law there is a legal contract.

1510 Now, this is where I have a problem with this amendment – because of the way that the original Proposition is drafted. The original Proposition actually seeks to expand on that to include those people who have entered into a civil partnership or same sex marriage in the UK, which causes questions that should be resolved in our December debate. So it seeks to be equitable in that way but it goes further and also includes co-habiting couples, which does extend into a number of very difficult areas for the Department to judge as to what is and is not acceptable as a co-habiting couple.

1515 Now, prior to this debate, I had a conversation with both Deputy De Lisle and Deputy Gollop advising them that in my opinion it was a poor judgement to lay an amendment against Proposition 6, because it seeks to make it vaguely palatable when in actual fact it is a mess and it is probably preferable not to... my opinion was not to lay an amendment because I believe that the Proposition holds far better chance of losing unamended. I have heard nothing from the debate so far that persuades me that opinion is probably misguided.

1520 I do believe that if this amendment were to be passed, we could view it as being progressive in extending what is enjoyed at the moment through to same sex couples. That would be commendable, but I do find it problematic and I believe that it is poor policy on our behalf to extend provisions to those things that we do not currently have a legal provision for in this Island.

1525 Let's remember that those people who can afford to go to the UK in order to enter a civil partnership are not those people who are particularly poor. There is a question that those people who are currently discriminated against on the basis of being in same sex relationships, that have not entered into a civil partnership elsewhere, may well be those in the bottom decile.

1530 They also include people like myself who have an opinion that, if in law I am not recognised as
having a position on this Island, I am not overly interested in entering into that kind of
arrangement for another jurisdiction that I do not live in. I would like *this* jurisdiction to make a
provision for me and I do not think that is really strange – a debate we will have in December. But
to write it into our Tax Law that we recognise these provisions of other jurisdictions is
questionable as to whether it is good legal drafting, in my opinion. If I am incorrect in this I am
1535 sure that the Procureur will rise up and say so.

I know that we have done it on previous occasions – the one that springs to mind is the
provisions in relation to inheritance – but I do not believe it to be satisfactory. Now, I have yet to
hear from Deputy De Lisle why he believes that this amendment is preferable to throwing it out
and I struggle because it seeks to make what is unpalatable vaguely more palatable and, as my
1540 father would usually say, you cannot polish a proverbial (*Laughter*) and I fear that is exactly what is
being attempted here.

Unless Deputy De Lisle, in his summing up, can persuade me that realistically it will not be the
mess that I fear it will be, I am afraid that I may need to vote against this amendment because I
believe that, overall, the whole Proposition is wrong and stands a better chance of losing if left
1545 unamended.

Thank you.

Deputy St Pier: Sir, if I may just raise a point of order which is a correction of one of the
comments that Deputy Bebb made, that the proposals as unamended in Proposition 6 would
1550 extend to transferability of allowances between co-habiting couples. It is *only* co-habiting couples
with children. Just to be clear on that.

The Bailiff: Deputy Domaille.

1555 **Deputy Domaille:** Thank you, sir.

The comments I am going to make on this amendment actually apply to almost all the
amendments we have; but on this particular amendment actually I have quite a lot of sympathy
with the proposers and I am uncomfortable with the principle behind the original Propositions.

1560 However, I have sort of looked at this Budget and its amendments as saying, 'Well, this is our
last Budget,' and it is a question of the baton that we are passing on to the next Assembly; and I
have some very significant concerns for the next Assembly, in that... if I just itemise some of the
things that we are suggesting here which the next Assembly are going to have to pick up and run
with.

1565 Now, the first one that comes to mind is our breaking of our own real term freeze on
aggregate States' expenditure. Now, I understand the rationale behind the Budget and I would
struggle to put forward anything different. Nevertheless, HSSD, in its excellent presentation, has
made it quite clear that it is going to struggle to find the £5 million, and the £24 million figure
that has been floated in the report, frankly, I doubt will ever be achieved. So, effectively, what we
are doing is we are breaking this rule and we are leaving it for the next Assembly to try and pick
1570 up the pieces. Now, that is not going to be easy. That is not going to be easy.

We have introduced borrowing of £330 million. It has cost the taxpayer £15 million so far to do
that and actually we have allocated something like a third of it, I think. But future Assemblies and
the next Assembly are going to have to find the interest, which is, what, £11 million a year, and
sometime we are going to have to pay the money back. So we have got all this for the next
1575 Assembly and Assemblies thereafter.

We failed to meet the FTP targets, and some of the savings we made, I have to say, some
people would regard as dubious FTP. The next Assembly is going to actually find it rather difficult,
I think, to justify raising taxes when actually we have not really been shown to be putting our
house in order; and that is actually emphasised a bit more by the fact that the BDO Report on
1580 Health... and indeed the establishment of the Transformation Fund. We are accepting that actually

we are not as efficient or effective as we should be. And, again, it is going to be the next Assembly that is going to have to pick this up.

1585 We have raised a number of taxes: we have put tobacco duty up by 26%, we have put alcohol duty up by 19%, we have put fuel duty up by 30% and domestic TRP by 37%; we have done other things. All of this is boxing in the next Assembly. And this is all relevant to this amendment (*Interjections*) and future amendments. Well, I am sorry but if this... and I have got some sympathy with voting against the Proposition – I have some sympathy – but nevertheless it is going to cost money and we are just building up a problem for the next Assembly. Actually we have got some other problems we are leaving the Assembly.

1590 We have got pre-school education, which we are going to talk about; we have got the valued work of SLAWS. All of that is undoubtedly going to require funding – funds we do not have. So when we start talking about changing this Budget and changing the flexibility for future Assemblies, we have got to think long and hard. I am not even going into the Capital Works Programme and how that seems to be running into some problems.

1595 So really the thrust of my speech is to say that I have some sympathy with this amendment and some with the other ones and I am going to find it very, very difficult though to vote against the Proposition, simply because I do not like the idea of leaving the next Assembly with an insurmountable task.

Thank you, sir.

1600

The Bailiff: I see no-one – Deputy Dorey.

Deputy Dorey: Thank you, Mr Bailiff.

1605 On the basis of what I said on the T&R amendment before, I will support this, but I do intend voting against Proposition 6.

Deputy Fallaize spoke about families and the effects on a family, but I would argue that when a family has a new born baby, often the mother will take a number of months off work and perhaps she will go back to work after that number of months, but often go back to part-time work. So often her income on the year of the birth of the child is not sufficient to have a full tax allowance.

1610 So I do think there is a benefit to a family... even for that type of family. But there are other families and I think we as a Government should not discourage mothers, particularly when there are a number of young children in the family or they have multiple births, from taking the time off work. I am sure a lot will struggle and a lot will not be able to afford it, but those who can, we should at least have a tax system which enables and encourages them to do it, and does not take the Married Person's Allowance away.

1615 So, for those reasons and for the reasons I said before about pensioners and carers, I will vote *for* this amendment.

The Bailiff: I see no-one else.

1620 Deputy St Pier, do you wish to speak on the amendment?

Deputy St Pier: Yes briefly, sir.

1625 I mean Deputy Gollop, when he spoke, said that the proposals were neither fair nor logical. I actually think they are both fair and logical. He may not wish to agree with them but I do not think they can be challenged on that ground.

1630 I have to say that Deputy Fallaize's analysis of the current position, I would agree with entirely. I think it is self-evident that the vast majority of families, married or unmarried, are reliant on dual incomes and his analysis too of the methodology of increasing personal allowances for lower-middle income earners, I think I very much addressed in my opening speech as to how that would need to be done in the medium term by the redistribution of allowances. So I think we are very much on the same page on that issue.

1635 Deputy Bebb had some objection to us recognising the legislation of other jurisdictions for same sex couples. The facts are that there will be people who move to this Island – not necessarily those that are here that choose to go away but those who are already in a recognised relationship in another jurisdiction who move to this Island – and they, I think, are entitled to have that recognition here, notwithstanding that we have not yet caught up for our own residents which, as Deputy Bebb says, is an issue that will be addressed by this Assembly hopefully before the end of this term.

1640 Sir, the Department will be opposing this amendment, but really just to reiterate that the proposals are only in respect of new claimants – existing claimants will not be affected; and the Department does believe that the Income Tax system should treat all individuals equally, irrespective of their personal circumstances, including whether they choose to marry or not and I encourage Members to do the same, sir.

1645 **The Bailiff:** Deputy De Lisle, do you wish to reply to the debate?

Deputy De Lisle: Thank you, sir.

1650 My firm belief is that we have to be fair to young people taking up a new commitment and also provide stability to young families going forward, and that is the crux of this – the points of Deputy Gollop and Deputy Fallaize, that we are taking too much tax from low and middle income brackets. How many can sustain themselves today with only one person working?

1655 But of course we are entering a new era and we are entering an era where circumstances are increasing today where couples have difficult circumstances, particularly in terms of lay-offs and unemployment. But we do not have the right to take away the security that is provided here with respect to married person's entitlement, in terms of that allowance.

1660 Deputy Bebb speaks of Proposition 6 being a bad idea when already rejected and I think he makes a strong point there. Deputy Domaille speaks of leaving it to the next Assembly to deal with, rather than perhaps dealing with this now and not building up a problem for the next Assembly. Deputy Dorey – I thank him for his support and he argues that many mothers of course will take time off, some certainly more than a year actually, to be with their young children at the early stage; and I think that is becoming something that more and more mothers would like to do, because you do miss out, let's face it, if you do not work and live with the youngster in those formative years.

1665 And it is the amount of money actually that is being drawn away from young people and, I think, newly married couples; and I think Deputy Gollop made the point again that it is an awful lot of money being withdrawn – £100,000 in the first year of those 80, which is about £1,500, I think, each being lost in that formative year of new marriage, and that is not right.

1670 And, in terms of the point made by Deputy St Pier, I argue of course that it does not take much imagination to foresee that if this goes through – if not next year, at some time in the future – it will be proposed to remove this allowance from all couples on the grounds of fairness and equality. And I know so many couples in my constituency that have only one earner – the other partner is not actually earning – and this is of benefit to them and they would not like to lose it.

1675 So I ask Members to support this amendment, in that we have to be fair going forward, to people taking new commitments in marriage and in terms of civil partnerships and also provide stability to young families going forward in life.

Thank you, sir. I would like a recorded vote if I may.

The Bailiff: Right, so a recorded vote on the amendment proposed by Deputy De Lisle and seconded by Deputy Gollop.

There was a recorded vote.

Amendment 3:

Not carried – Pour 14, Contre 29, Ne vote pas 0, Absent 3

POUR	CONTRE	NE VOTE PAS	ABSENT
Deputy Gollop	Deputy Le Clerc	None	Deputy David Jones
Deputy Sherbourne	Deputy Lester Queripel		Deputy Duquemin
Deputy Conder	Deputy St Pier		Deputy Le Tocq
Deputy Bebb	Deputy Stewart		
Deputy Laurie Queripel	Deputy Gillson		
Deputy Lowe	Deputy Le Pelley		
Deputy Green	Deputy Ogier		
Deputy Dorey	Deputy Trott		
Deputy Paint	Deputy Fallaize		
Deputy James	Deputy Le Lièvre		
Deputy Brouard	Deputy Spruce		
Deputy Wilkie	Deputy Collins		
Deputy De Lisle	Deputy Adam		
Deputy Sillars	Deputy Perrot		
	Deputy Burford		
	Deputy Inglis		
	Deputy Soulsby		
	Deputy Luxon		
	Deputy O'Hara		
	Deputy Quin		
	Deputy Hadley		
	Alderney Rep. Jean		
	Alderney Rep. McKinley		
	Deputy Harwood		
	Deputy Kuttelwascher		
	Deputy Brehaut		
	Deputy Domaille		
	Deputy Langlois		
	Deputy Robert Jones		

1680 **The Bailiff:** Well, Members, on the amendment proposed by Deputy De Lisle and seconded by Deputy Gollop, there voted in favour 14, against 29. I declare the amendment lost.

Next, we have an amendment to be laid by Deputy Gollop and seconded by Deputy De Lisle. Do you wish it to be read, Deputy Gollop?

1685 **Deputy Gollop:** Well, yes please.

The Bailiff: Or is it...? I do not know whether it is easier to read the explanatory note than the amendment. Perhaps if you summarise it for the benefit of those listening at home. Deputy Gollop, can you switch your microphone on?

Amendment 4:

To replace Proposition 6(d), (e) and (f) with the following:

(d) the closure of the Charge of Child Allowance –

(i) in relation to children born after 31 December 2020, or

(ii) where the allowance was not claimed in relation to the previous year of charge.

(e) that co-habitees with children will no longer be able to transfer personal allowances between themselves in relation to children born after 31 December 2020.

(f) in relation to children born before 1 January 2021,

(i) in order to claim a Charge of Child Allowance, an individual must be in receipt of Family Allowance at 1 January in the relevant year of charge,

(ii) personal allowances may also be transferred between co-habitees, including same sex couples, where the couple are recipients of a Family Allowance and made a claim to transfer

personal allowances between themselves in the previous year of charge (regardless of whether or not the couple subsequently marry),

(iii) as a transitional measure in the year of charge 2016, personal allowances may be transferred between same sex co-habitees, where the couple were co-habiting as at 31 December 2015 and are recipients of a Family Allowance (regardless of whether or not the couple subsequently marry in 2016).

To amend paragraph 6 of the second schedule to Proposition 28, as follows:

In 1(a) and 2(a) replace '1 January 2016' with '1 January 2021'

In the proviso to 2(c) replace '1 January 2016' with '1 January 2021'

In the proviso to 2(c) delete 'were co-habiting as at 31 December 2015, and'.

1690 **Deputy Gollop:** There are one or two people who would perhaps suggest that I could withdraw the amendment, (**Several Members:** Hear, hear.) but I think the point is, already these amendments have been successful because they have brought forward counter amendments from Treasury & Resources and have certainly illustrated anomalies that we have had to discuss at length, because sometimes the small print can go past the Assembly.

1695 To summarise it, it affectively – again, perhaps it could have been put in a simpler way – but it postpones the effect of the Budgetary changes in relation to Charge of Child Allowance for five years. So nothing happens until the end of 2020, 1st January 2021. It is a substitution, in other words.

The explanatory note of this was:

'The effect of this amendment is to retain the Charge of Child Allowance, and the ability to transfer personal allowances between co-habitees, for those with children born on or prior to 31st December 2020, where such a claim was made in the previous year of charge. Based on 2012 and 2013 data there are on average 200 new claimants for the Charge of Child Allowance each year at an average cumulative cost of £150,000 per annum. Each new claimant could potentially continue to claim the Charge of Child Allowance for the duration of the period that they are a lone parent and in receipt of Family Allowance.'

1700 What it does not say here is there are certain categories where you are not necessarily a lone parent too, where there are aspects of disability in the relationship and so on.

'Therefore delaying the closure of the Charge of Child Allowance for a further five years could cost £2.25 million over the next five years and potentially £13.5 million for the duration of the period that these new claimants could be entitled to claim a Charge of Child Allowance. It has not been possible...'

– so the note says –

'... to identify the number of new elections to transfer unused personal allowances between co-habitees with children in the limited timeframe, therefore the financial implications of this element of the Proposition have not been calculated. As an indication of the potential cost, based on 2011 data the total cost of allowing co-habiting couples with children to transfer unused personal allowances between themselves was £330,000.'

1705 Now, of course, the explanatory note that has been attached to this previous amendment, in a way, is difficult from parliamentary point of view, because it is not an explanatory note that we have drafted, it is an explanatory note given by expertise from the Budget point of view and is not necessarily sympathetic to the amendment but we have to take it as read that the figures are accurate.

1710 But if one looks at another report on this matter – Appendix 3: Impact of removal of the Charge of Child Allowance for single persons – the Charge of Child Allowance is an additional allowance of £6,500 available primarily, but not exclusively, to single parents and is worth up to £1,310 pounds per year or £25.19 per week and the claimant must be in receipt of Family Allowances. If both the ability to claim Family Allowances and the Charge of Child Allowance – remember the Family Allowance is a Social Security Benefit, the Charge of Child Allowance is an Income Tax concession – were removed, a single parent with one child earning more than the tax threshold and not receiving Supplementary Benefit, would lose £41.09 per week.

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1720 Now, if you look at this from a different perspective, you have a personal allowance, a base personal allowance, of £9,675. The Charge of Child Allowance for lone parents, or parents in an unusual situation where one of the co-habitees is incapacitated, takes that basic personal allowance up from £9,675 to £16,225 of earned income. The point is that they currently, therefore, do not start paying tax until that level. If we vote for the Propositions as outlined or even delayed for a year – which of course lost – by the Treasury & Resources Department, we are saying to future people who find themselves to be lone parents or in a situation where one parent is disabled that we are going to take £1,300 of extra tax off that family.

1725 We are adding an enormous marginal percentage to their situation. I mean it is like a headline in a paper 'States decide to tax new single mothers by an extra £1,200 a year'. You would think that would attract Enough is Enough outrage or whatever, (*Interjection and Laughter*) but we are going down a route here of substantially –

1730 **Deputy De Lisle:** Children do not drive! (*Laughter*)

1735 **Deputy Gollop:** Okay – of increasing taxation on relatively vulnerable people, on people desperately trying to survive in difficult family situations, but do not want to be necessarily recipients of welfare or just give up on the Island. That cannot be fair, that cannot be right and the figures we are given, even by Treasury & Resources, of it taking millions – 13.5 million cumulatively – out of our economy over this period, really does say where we are taking the money from. We are taking, or going to take, several million per year, not from the very wealthy, not from the high achievers, not from people who are able to give, but from people who are not.

1740 So, yes, the amendments here are a little bit jumbled and a bit complicated, but I think we should support the principle of thinking very carefully about this and waiting at least several years until we have completed the run of Social Policy endeavours with SWBIC, SLAWS, Personal Tax and Benefits Review, and revising further our Social Security and Housing systems. To do it at this stage would be unfair, premature and demographically targeting precisely the younger element in work who are so tempted to leave the Island.

1745 We really have to reconsider what we are doing. I think these ideas have been suggested as a quick fix to balance the books, for reasons Deputy Domaille and others have given, but we are not looking in the right direction for targeting our taxation.

The Bailiff: Deputy De Lisle, do you wish to second the amendment?

1750 **Deputy De Lisle:** Yes, I do, sir. Thank you and I reserve my right to speak.

The Speaker: Deputy St Pier, do you wish to speak at this point?

Deputy St Pier: Yes, sir, I will if I may.

1755 Briefly, of course, the history of Charge of Children Allowance has been a little bit lost in the mist of time and there may be some in this Assembly who can recall greater – than it has been possible for us to obtain – details. It appears, by all accounts, that it rose from the time when there was a Child Tax Allowance for everybody and that was replaced by the introduction of the universal benefit that we have now come to name as Family Allowance as a payment from Social Security. And at that time, the Charge of Child Allowance, as an additional tax allowance, was left for single parents.

1760 Sir, the Treasury & Resources Department will be supporting this amendment in view of the debate that has happened so far. I think we recognise the comments that have been made. I think the five years which Deputy Gollop and De Lisle seek through this amendment allows more than
1765 enough time for us to know what the future of Family Allowance will be, and will allow the time to be undertaken in relation to the work on the transferability of allowances in respect of dependents and so on, which was the subject of our own departmental amendment.

1770 There are clearly issues that do need to be thought about to address not only social policy in relation to disability groups but that also ties in with population policy, and how we incentivise and support families and so on; and I think five years is plenty of time to allow us to do that, so we will be supporting the amendment, sir.

The Bailiff: Deputy Fallaize.

1775 **Deputy Fallaize:** Thank you, sir.

I am not sure if it is me, but I think this amendment conflates two slightly different issues, because the business of the transfer of personal allowances between co-habitees with children is more about maintaining, or purporting to maintain, the post war image of the conventional family. The business about the Charge of Child Allowance is more to do with social policy and not disadvantaging single parents.

1780 Now, I am not much in sympathy with the former but very much in sympathy with the latter and I wonder whether, when Deputy Gollop sums up, if he could explain to us why he did not decouple those two issues. It may be because of the way that the Treasury & Resources set out its Propositions, it maybe because of the tax system, generally – that he feels they cannot be decoupled – but I would appreciate some guidance on that because I am sympathetic to part of this amendment – well, in support of part of this amendment – but rather dubious about another part of it and I am reluctant to vote against it, but I think I may have to because of the way Deputy Gollop has chosen to lay out this amendment. But could he please address the two separate parts of this amendment and what he hopes to achieve with them.

1790 Thank you, sir.

The Bailiff: Deputy Le Clerc.

1795 **Deputy Le Clerc:** Sir, I spoke previously about the Charge of Child Allowance and I am comforted by the words of Deputy St Pier but I would urge people to vote for this amendment, for the Charge of Child Allowance because this does need to be reviewed and it does impact on our single parents.

1800 If you look back at the Personal Tax and Benefit Review Report and if you look at – Oh, we forget that the pages were not labelled, so anyway – if you look back at the Appendices there, there is a graph and I think it is really, really important that we do have a look at this again and this will give us the extra time to have a rethink on this.

Thank you.

The Bailiff: Deputy Bebb.

1805 **Deputy Bebb:** Thank you, Monsieur le Bailli.

I would urge Members to actually vote against this. Part of the reason for it is because it does put in a provision for it to come to an end in 2020 – giving five years. Now, as I said previously, when it comes to such arrangements, I think it is necessary to look at it in the round and I believe that SLAWS is actually doing that in the round, but will SLAWS report in the next five years? I am not sure.

1815 I seem to remember a speech during this Assembly given by Deputy Le Lièvre pointing out as to how long SLAWS had been in the making already and my fear is that if we agree to this, then of course it will hit that timeline and it does not matter whether we resolve anything else, it matters not whether we put in any other provisions for the Charge of Child, it will come to an end.

Now, I would also say that in my opinion it is folly for us to be agreeing today to measures in future Budgets, because of course we will have a different Assembly and they have every right to revisit it. And to think that we can agree today something that will be put into effect in 2020 is, in my opinion, folly.

1820 I believe that the right thing to do is to reject the amendment, reject the Proposition and wait.
And, to answer some of the points that Deputy Domaille made in his speech on a previous
amendment, when it comes to the difficult decisions of how do we resolve some of the questions
and what are we going to do in relation to SLAWS, this is part of what will be funding it. I have no
1825 doubt that these provisions currently in Proposition 6... this is the type of area that SLAWS will
need to look at for the removal as a universal and more towards targeted; and I think that –
I will give way to Deputy Harwood.

Deputy Harwood: A point of order, sir.

1830 **The Bailiff:** Deputy Harwood.

Deputy Harwood: I think Deputy Bebb is in error. I think he is referring to SWBIC rather than
SLAWS.

1835 **Deputy Bebb:** So many letters.

It is possible that other areas – I will not mention any – could choose to look at these areas for
removing the tax benefits in order to be able to pay for any provisions that will be targeted, and
that would be the right approach. To simply put a timeline is erroneous, in my opinion. Anybody
who thinks of timelines of how these things go, know the experience that the States do not deliver
1840 that quickly and I think it would be foolish for us to think that they would on this occasion.
Thank you.

The Bailiff: Deputy Le Lièvre.

1845 **Deputy Le Lièvre:** I have been sitting here, sir, in a state of relative confusion quite high for
me, (*Interjection and Laughter*) but I do not know whether I am just the one who is confused or
whether most of the Assembly are too proud to say so – but I certainly am.

We hear reference to SWBIC. SWBIC is not going to sort out the tax arrangements for single
parents – or, leastways, I do not think it is; I am not going across the Assembly to Deputy Perrot.
1850 We are not going to sort out those tax arrangements. The whole issue becomes horribly complex
if we try and do that. SWBIC is talking about benefits, the level of benefits, how those benefits are
calculated and how it provides them.

But just to clarify the situation – (joke!) – the current benefit systems net out tax, they net out
social insurance, they net out any cost associated with employment, etc. so that the person
1855 receives the benefit that they actually need, with all those deductions taken into account. Now,
that lifts the overall benefit they can receive to possibly £700 a week – if it is a couple we are
talking about, with children, £700 a week or more.

So I get very confused when we look at these – and there are no figures in here, there are no
examples of how it is going to impact on any person, which I accept because it is a tax thing – but
1860 I do sit here thinking, well, do we really know what we are approving here and what the impact
will be five, ten years down the road? I hear all sorts of talk about different groups, whether it is
pensioners or young people or people with student loans and goodness knows what else, but
really, when it comes down to it, I have got no idea as to how these things will impact in years to
come. So SWBIC is not going to sort out these issues. Please believe me when I say that – it is not
1865 going to.

I recently did a set of work for an unrelated subject and what this showed was that we are, in
relation to some families – a specific group of families – pumping in something like £20,000 worth
of support every year. Now, I am sure if you change the tax system some way down the line, that
figure might reduce, it might increase; I cannot predict that and SWBIC cannot predict it and I
1870 suspect that nobody in this Assembly can predict what these outcomes might be in the future.

So just a word of warning: please do not expect SWBIC to report later on this year when it does so or early next year; that is not going to happen! And if you expect SWBIC or any other committee to sort out the tax arrangements and the benefit arrangements at the same time, they will be sitting for a very long time.

1875 Thank you.

The Bailiff: Does anybody else wish to speak on this amendment. I wonder then whether we just ask Deputy Gollop to reply before we rise for lunch.

1880 **Deputy Gollop:** It is true, there is not a lot to reply to.

Going through the speeches, I thank Deputy Le Lièvre for his points. I think he is absolutely right: we cannot predict exactly what implications all of these changes will have, but that is precisely a reason to support my amendment, because it postpones unwanted consequences happening next year or the year after and we will have more time to research and evaluate socio-economic trends.

1885 I am a member of SWBIC and we are going along very well at the moment and I am confident we will have a report, not necessarily about tax but about many other things, as soon as possible – certainly by the end of the term.

1890 Deputy Bebb has been very consistent – and I respect him for this – in saying the right approach is to reject part of the Budget. The point is this amendment not only raises the issue but is a mitigating factor. I believe that there has been merit in the Personal Tax and Benefits Review and we certainly need to streamline and reform our taxation in a more integrated way, but we have to do that in a way that does not disadvantage needy groups in society. That is the point of this amendment; it is not closing the door on reform completely, which a rebuff effectively is.

1895 Deputy Fallaize asked an interesting question as to why it conflates two different conceptions of society. Well, the amendments of course are time restricted and me and Deputy De Lisle sat down after a legislation meeting for several hours and initially it was going to be one amendment and we split it and re-split it; and that is why it conflates different aspects of the Proposition. The way in which the Budget is set out is not particularly easy.

1900 My focus is on the lone parents. If it also catches people who have a more traditional family model, that is as maybe and in many cases they may well be not working because of some disability or other reason. But we had a curious discussion, dare I say it, at Social Security the other day about ladies who lunch and whether we should encourage them into work or not. We have many different kinds of people in our society and I think it is wrong to segment them too much.

1905 **A Member:** We went to lunch.

1910 **Deputy Gollop:** Yes, but the other point to make is that I thank Deputy De Lisle and Deputy St Pier for accepting the amendment has merit and that the work needs to be done in more detail over the next few years. So I urge the States not just to support the amendment but to support Treasury & Resources' position on it.

The Bailiff: We come to the vote on the amendment proposed by Deputy Gollop and seconded by Deputy De Lisle. Those in favour; those against?

Members voted Pour.

1915 **The Bailiff:** I declare it carried. We will rise now and resume at 2.30 p.m.

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

**Annual Budget of the States for 2016 –
Debate continued**

The Bailiff: Well, Members, we move on with the next amendment to be laid by Deputy Sillars and seconded by Deputy Conder.

Deputy Sillars. Those who wish to, may remove their jackets. Again, do you wish this to be read, Deputy Sillars? Do you wish the amendment to be read?

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Deputy Sillars: Oh, yes please, sir.

The Bailiff: Greffier.

The Senior Deputy Greffier read the amendment.

The Bailiff: Thank you, Greffier.

Amendment 5:

In Proposition 22, immediately after 'To agree that', to insert, ', with the exception of the College of Further Education,'.

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Deputy Sillars: Thank you, sir.

I would urge Members to support this amendment to reinstate the £5.5 million capital project within the current States' Capital Investment Portfolio and enable us to continue the development of the College of Further Education Project as planned and approved in October 2014. The implications of not doing so will have a severe negative effect on the College's ability to provide the immediate educational needs of the young people of Guernsey.

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The Education Board fully appreciates that there are a number of other projects in a similar situation, listed in paragraph 5.25 on page 42 of the Billet, and we are also aware of the pressures on the public purse.

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However, for a number of reasons, we feel that the College case should remain a priority and believe that the college project is able to move to delivery at this time next year. It is certainly that it is needed to demonstrate our commitment to all of our stakeholders – not a maybe. No-one can promise what the delays could entail. I cannot say how much this may delay any more than anyone can say it will not be delayed.

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What I can say is that further delays to 2017-20 round of capital prioritisation will severely impact on the efficiency within which this project can deliver against its well-advanced and agreed timetables, and jeopardise our ability to meet the needs of our young people.

It is our view that this project is a core element for developing our young people and the future of education in our Island. This is not a queue jump. We were absolutely in the queue and all we are asking is to be kept in the queue, as promised by T&R and this Assembly.

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I know some of you may be thinking this pause is helpful to the Education Department, as by March 2016 the Assembly will have considered the Education Department's policy letter flowing from our current Your Schools, Your Choice consultation which includes the future estate and provision of post-16 education.

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Let me assure you, and for the avoidance of any doubt, such an argument is a red herring. The plans for the expenditure of the College of Further Education would in no way conflict with any potential outcomes of this review. The longer term master plan can accommodate any adapted recommendations of the review.

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The College of Further Education is the sole provider of technical and vocational training in the Island, delivering essential educational options to our young people as well as a large number of our adult population. It interacts with approximately 8% of the local population across 15 distinct

subject sectors and has direct impact on the Island's economy through its provision of our vocational training for our workforce of the future.

1960 Forgive me for a brief history lesson, as I believe that the context is important. At the start of the current SCIP process the Education Department proposed a project which would enable us to vacate the Coutanchez site and release that land for social housing, which fitted perfectly with the States' corporate objectives and was supported by the Housing Department.

1965 This would have meant relocating the workshops and the catering facility to Les Ozouets for the campus. This would have been the next step in the consolidation of the CFE from our four sites down to one. We have already vacated the Brock Road site. This was all explained in our strategic outline case which was then subject to a project assurance review.

1970 Treasury's review has concluded, however, that a phased consolidation did not make sense and the best option was to consolidate in one go, ignoring any financial constraints. It was estimated that the full redevelopment of Les Ozouets site to accommodate the CFE would cost around £70 million instead of the £22 million for the Education Department's proposed gradual consolidation.

1975 Treasury therefore recommended that the £22 million project was not included – *not included* – in the SCIP policy letter but that Treasury and Education Department would work together to find the optimal solution and also to reflect the inconvenient truth that finances were, in fact, constrained and the total bid for the States' Capital Investment Portfolio exceeded the funds available. Low and behold – and who would have thought it – capital *is* a limiting factor.

1980 So Treasury decided and the States approved the recommendation for the two Departments to work up a way forward and for a way forward to be prepared for the inclusion in the 2015 Budget debate which was considered last year. This was duly done and the Department proposed an alternative project at £5.5 million, which would enable the CFE to move out of Delancey campus by a modest refurbishment of the LOC site and an extension to the Performing Arts Centre, and start the master planning for the ultimate single site for the College. Very sensible. And so this much smaller project was accepted in the SCIP this time last year. So Education secured the funding for the appointment of a project director to oversee a comprehensive curriculum review with valuable input from the local business community. The development of an appropriate curriculum for our young people was fundamentally the first step to help match the curriculum with our space requirements.

1990 This review has been completed and we are planning a partial refurbishment and development of Les Ozouets site in order that the College may move from the three campuses to two. Concurrently, we would commence the process of developing a longer term master plan for the development of the College towards the ultimate goal of a single-site facility.

1995 Over the past year we have made considerable progress and invested significant effort into our plans. We have communicated extensively with our staff, with our students and with the business community. We have undertaken each task in a transparently controlled way. We have liaised with T&R at every point and we have followed the States' Capital Investment Portfolio procedures to the letter. We have worked closely with the local business community, T&R and other organisations such as the Chamber of Commerce, the IoD Members, GIBA, CGI and many other individual businesses, as well as the learners themselves.

2000 In addition, and as part of the review process the future infrastructure requirements – the buildings, equipment, and an initial space brief – were defined that would allow us to deliver the proposed new curriculum.

2005 As a result, we have developed a new staffing structure for the College that was approved by the Education Board back in May this year. The College has now communicated the key structural changes to the business community and the local population generally, and ways that they can influence the curriculum design and development in the future. We need to provide certainty to all these stakeholders and they need confidence that this Assembly is serious about investing in the College of Further Education.

2010 Parallel to this, the Department has made significant progress in the development of plans for the renovation of the existing Les Ozouets site to enable a reduction of the College sites from the three campuses to two. This would include an extension of the Princess Royal Centre for Performing Arts to accommodate the two key education provisions of hospitality and catering and creative studies. This work provides our students with opportunities to work on live projects and learn *at work for work*.

2015 The past months have involved numerous meetings, site visits, discussions involving senior staff and third parties, and therefore taking up considerable valuable resources. We are now at the point of commissioning a feasibility study into the project and have a realistic timeline for the completion of the work.

2020 So we have been progressing in a fully transparent manner with Treasury and now we discover that in the Budget this project, whilst we can progress to an outline business case, will not be able to assess a capital vote in the current SCIP programme. Instead, it would have to be prioritised again when the 2017 Budget Report is debated. Again, more uncertainty for plans that are already in full train.

2025 Removing the opportunity to assess the £5.5 million could bring everything that we have in motion to a grinding halt, which is wholly at odds with T&R's claims that T&R wants to avoid stop-start project planning in the future. So far during this term, we have not even moved out of the stop phase or capital investment phase... what we have actually invested in our infrastructure and spent on our local construction centre since 2012 and I wonder how much that compares with the previous political terms.

2030 I have been given the capital investment figures from 2007 through to 2014 from T&R – which I thank them for. Whilst the amounts for 2012, 2013 and 2014 are respectively £61 million; £49 million and £18 million, unfortunately they are unable to provide me with 2015 figures to date. Very, very little of the more recent expenditure has been agreed by this Assembly. The vast majority refers back to the previous capital programmes. This Assembly's legacy is at risk of simply being responsible for a period of significant under investment in our community's infrastructure.

2035 We want to avoid uncertainty on this project and there is a risk that a significant amount of time, and therefore public funds, has been invested in getting the project to this point without the ability to see it through... might be wasted with the introduction of Treasury or more uncertainty with a new prioritisation process.

2040 All momentum to the project could be lost resulting in unacceptable delays and a negative impact on our Island's students. There will be reputational risks, given the incredible support that we have had from the business sector in reaching this point, an inability to deliver appropriate vocational post-16 education, a seriously negative impact on staff and student morale... who are very supportive, a potentially disillusioned Board of Governors made up of senior members of our business community, and continued lack in infrastructure spend to support the local construction industry.

2045 We should also point out that there has been significant under investment in the College's sites, based on the expectation that a more major infrastructure improvement programme was planned in the form of a one-site institution. This means that there is already a need to undertake basic maintenance work, some of which is now urgent, amounting to about £1 million – a sum which is incorporated in the £5.5 million. Should access to the funds be withdrawn, additional remedial work would be required at the Delancey site, which could be avoided should students be able to relocate to Les Ozouets.

2055 In short, we are currently operating from buildings that are often inappropriate and do not provide a suitable learning environment for our students. We have done our best in the circumstances in the knowledge that improvements would come, but the situation is untenable. The £5.5 million would enable us to achieve realistic mid-term goals with a minimal investment, whilst moving forward and investing in a fit-for-purpose learning environment. This can be done with no adverse effects on students and will ensure an environment wholly conducive to learning. It is the option that offers Islanders the best value for money. To continue operating within the

2060 current infrastructure will, in effect, prevent us from being able to meet the needs of the local industry, local businesses, local community and, most importantly, our local students, to whom we all have a collective duty of care and who are our future.

2065 The financial implications to the States of carrying this amendment into effect are that there would be sufficient funding within the Capital Reserve – £185 million to £190 million in 2016 – to fund all the other projects and make an allowance for emergency, urgent and unplanned projects, totalling approximately £160 million. The total indicative value of projects listed in paragraph 5.25 would reduce to £115 million. The key financial point is that we have the funds available to undertake this work.

2070 I urge you to say, 'Enough procrastination!' Let's stop dithering, let's provide certainty to our students, our staff, the principal and the governing body, our commercial businesses who rely on the College and our local construction industry who want us to invest in our infrastructure. Let's make a difference and get on and invest in our infrastructure and support our local businesses for the betterment of Guernsey.

2075 You may be surprised to know that I fully agree with Treasury that we need to stop a stop-start approach to capital investment planning. With that common objective, I ask Members to support the Education's amendment to reinstate the £5.5 million for the CFE project.

Thank you, sir.

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

2080 **Deputy Conder:** Yes I do, sir, and I reserve my rights.

The Bailiff: Deputy St Pier, do you wish to speak at this point? No. Who wishes to speak on the amendment?

Deputy Gollop.

2085 **Deputy Gollop:** A quick one. One Sunday afternoon when I was a bit bored, having gone to the Wedding Fayre... (*Laughter*) at Castle Cornet... [*Inaudible*] I was walking along and I happened to listen to a Radio 4 broadcast about the crisis of tertiary college funding in parts of the UK, and there was an interesting feature about somewhere in Cheshire where they built a new college too many miles from the main source of industrial employment, so they said this expensive college had two sites and that was one site too many.

2090 Well, I thought, here we are in Guernsey, a small area with a three-site campus, and that cannot be good for the rationalisation and efficient delivery of college of further education options. Indeed, I suppose we have gone down from four or five sites, but nevertheless the point is made that there are inefficiencies within the framework and I think we need to do everything we can in order to follow the advice given by the Minister, that maybe the States has been inactive in terms of infrastructural development and capital development.

2100 We were hearing so much from the Institute of Directors and others about the need for an educated workforce, of the need for business expansion, of the need maybe to retain population or even invite the right kind of younger population. We are not going to succeed unless we have the infrastructure of lifelong skills and education training for everybody from 16 to 66 and beyond. And, indeed, most of us listen to the advice of Professor Wood and his columnist counterpart, and very much the message there, which was reported in the *Press*, was: education and skills development is utterly integral to our survival and development as a community. (**A**

2105 **Member:** Hear, hear.)

2110 A lot of that is going to come through a partnership between business and education focused on the College of Further Education. Since we last met as an Assembly, another chapter in my interesting life occurred when I performed in a play and it was at the College of Further Education, where I actually played a university vice-chancellor of a wizard's university (*Laughter*) who was scared of the dragons and all the rest of it! But nevertheless we received 80 to 100 people each

night, in a building that was at one point called a white elephant. There is interest in education, skills, performance. We do have a first rate theatre and performing arts centre on a campus that has not been built yet, we are still using a school constructed in the 1960's as our main college. We are actually losing opportunities for new housing development on some of these sites as well.

2115 I urge the States to move forward with this in a flexible way and prioritise the College of Further Education.

One final point: a lot of the work of this initially went on in the former principal, Mr Trevor Wakefield's day – who we all respect – and I think it is disappointing that he reached retirement age before this work had been completed, and we do not want to go through another zealous principal's endeavours and still not see the development constructed within the next 20 or 25 years.

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Deputy Conder: Mr Bailiff, fellow States' Members, I rise as seconder of this amendment.

The Minister, in opening the debate, has eloquently described why this initiative is so important and why, notwithstanding any reassuring words from the Treasury & Resources team, we need certainty in respect of this much-reduced and modified plan for the long overdue restoration of our College of Further Education.

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This project is more than 20 years in the making and in those 20 years almost nothing has been achieved! No progress has been made in creating an institution that can offer our existing and future workforce – one of the most important parts of our community – the opportunities they deserve and need. And, by so denying them those opportunities, we put the economic future of this Island at risk. It is perhaps a platitude that is too often repeated, but the most important asset this Island has is its young people; they are our economic future.

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By failing to invest in the one institution that can offer a broad range of education and training to our post-16-year-olds, we are to some extent denying them the opportunity to prepare themselves for their lives ahead and, in that failure, we do put the future economic prosperity of this Island in jeopardy. We must be one of the few economies in the western world that has consistently failed to invest seriously in community-wide, lifelong learning.

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As the Minister has said – and I will repeat – the College of Further Education is the sole provider of technical and vocational training in the Island, delivering essential educational options to our young people as well as to a large number of our adult population. It interacts with approximately 8% of the local population across 15 distinct subject sectors and has a direct impact on the Island's economy.

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Over the past three years, as my colleagues and I have sat around the Education boardroom table, we have seen the College's financial journey progressively be reduced from a single-site £70 million investment in a one-college, one-site masterplan, to a smaller £22 million project, to a more modest but workable £5.5 million allocation.

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Sir, a thriving tertiary institution lies at the centre of every local economy. It offers second chances to those who rejected school or were failed by it. It offers the opportunity to develop practical skills that, through apprentice schemes and such like, directly impact upon sustaining the local community and its economy. It tailors its curriculum specifically to the local economy sustaining and underpinning the core businesses upon which a community depends. It nurtures and develops new and nascent businesses, it encourages and promotes lifelong learning and it can offer the prospect of higher education to all of those who, for whatever reason, choose not to leave their community to go to a distant university.

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And yet, year after year – indeed, for decades – successive States have ignored the College of Further Education. It has been the Cinderella of our education system – always the last in the queue for capital investment, shoehorned into abandoned or no longer needed secondary schools such as St Peter Port School or Delancey, struggling along at Les Coutanchez site, which was itself an embarrassment when I first came to Guernsey as a visitor from the university back in the early 1990's. But still we kid ourselves that this institution, configured on a rundown out-of-

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date campus and two no longer needed secondary schools, can address much of the post-16 needs of our community.

2165 How many times do we parrot the mantra that skills are at the heart of our community and the key to our future prosperity? We demonstrate it by establishing the Guernsey Training Agency, by creation of a quango called the Skills Agency, by initiating the digital greenhouse; but when it comes to investing in the one organisation which could and should have the potential to deliver a range and depth of programmes which any modern economy should have, we avert our eyes, we procrastinate, we delay, we bring uncertainty.

2170 Sir, three years ago this Assembly approved the Education Department's vision, which included the aspiration to create a tertiary institution. We demonstrated then that we recognised that we had to be more effective and efficient in the way that we identified, procured and delivered educational programmes to address the educational and skill needs of our community.

2175 Over these past three years the Department has been working to bring that vision to reality. The College's curriculum has been comprehensively reviewed; the governance has been dramatically overhauled, such that for the first time ever, major figures within our business community are directly and enthusiastically involved and committed to the strategic success and governance of the College of Further Education.

2180 The senior management team has been restructured and we have been able to secure an inspirational and nationally-recognised leader who can deliver our change agenda. And, colleagues, what is our reaction? Let's cut the budget from £20 million to £5.5 million. Okay, we can cope with that. And what is our latest master stroke? Let's now take out the £5.5 million and re-assess it again in 2017. Is there perhaps a sense of *déjà vu* in this, colleagues? Does it bring back happy memories of last November? Should we perhaps expect to see Dr Nicholls riding over the horizon to undertake another review, because we do not want to commit now but want to put back the decision for another time, for another Government to re-assess?

2185 We were elected to make decisions. That is what being in Government is all about – making decisions and seeing them through. Colleagues, one day this College of Further Education will have to be re-built. Successive Governments cannot keep averting their eyes. This is not the time to once again turn our previous decisions on their head. We have the right vision, we have the right governance and, most importantly, we have outstanding leadership. Do not renege now. Do not let them down. What that governance team and what that executive team needs now is certainty.

2190 I ask that you support the Education Department's amendment and give the College of Further Education certainty. Please re-instate the £5.5 million for this project by voting for this amendment. (**A Member:** Hear, hear.)

2195 Thank you, sir.

The Bailiff: Yes, Deputy Le Clerc.

2200

Deputy Le Clerc: Thank you, sir.

2205 I would urge everyone to support this amendment. I attended the IoD debate last week – the topic about the aging demographic time bomb – and I would like to think that this Assembly at least gets the ageing demographic time bomb, because I did not feel in that company last week they really did get the ageing demographic.

And the reason I am linking this to the College of FE is that we will need, with the increase in pension age, to reskill and upskill our workforce; and, to enable us to do that, we need a fit-for-purpose College of Further Education that can continue to deliver the courses that our population will need.

2210 So I urge you to vote for this because we will definitely need this College of Further Education in the years to come.

Thank you.

The Bailiff: Deputy Bebb and then Deputy Hadley.

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Deputy Bebb: Thank you, Monsieur le Bailli.

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I do not think that I am generally known as a friend of the Education Department, due to a few amendments in the past, and I am afraid that I am going to be in that position again. I have every sympathy. I believe that Deputy Conder just gave an impassioned and well-made speech, outlining exactly why we should support the College of Further Education.

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But my problem lies with looking on page 42 – and I would urge all Members to look at page 42 now. When I was a member of the Health & Social Services Department, I argued passionately about the subject which I cared for most, and that is the PEH re-profiling. I believe that it is essential for us to re-profile the PEH. The most damning part of it is in relation to the theatres; there was a very real problem in relation to the theatres and sterile services and how it all worked, and it all needed to be re-built. We all know that the PEH, because it is included here, needs that rebuild. I was impassioned and I gave that speech and I actually supported it wholeheartedly and it appeared onto this list.

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In equal terms, I have a loathing – a personal loathing – of CCTV and I would be happy to see CCTV disappear off the list completely. (**A Member:** Hear, hear.) But it is, fortunately, not for any individual to make such calls; it is the decision of the States and we go through what, admittedly none of us like, is a SCIP process to give clarity as to how we evaluate each issue in the whole. No person here would say that the College of Further Education's needs are not there at all. Not one person could disagree with an awful lot of what Deputy Conder said. But there comes a point where we need to evaluate exactly how much money we have and what is possible.

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There is also the question in my mind as to what can we actually deliver. The request from the Treasury & Resources Department in paragraph 5.25 is that we delay until the 2017 to 2020 priorities have been decided. I would like to know from the Minister of Education whether he believes that the College of Further Education is at the point that it could exceed... that it would be the point that it would need to invest the money in 2017, because I am firmly of the opinion that the priorities for 2017 to 2020, given that they are all pretty much decided upon... it would be a very simple paper to represent to the States by Policy and Resources, I imagine, next time round, in order to agree what the priorities are.

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Realistically, it would be asking reaffirmation of what we have already agreed upon, because the process extends that long. We are not talking of a complicated large proposal such as the SCIP process was in order to start; we are talking of simply reaffirming. If we are at the point where the Education Department believes that it requires money before, I would say, September 2017, then there may be cause to think again, but I doubt it. Deputy Conder, in his own speech, said that it had gone 20 years with nothing happening and are we honestly to believe that the pace would suddenly pick up to that which would actually see money invested in 2017.

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My concern is that we have every single item on page 42 screaming for attention. I do not like the priority list – if I had my way I would want to re-profile it – but, by consent of this Assembly when we entered into the SCIP process, we agreed upon that priority list. What we are being asked today is to pause it until the next Assembly have the opportunity to say so and I believe that is the appropriate measure. If we do not then we face the possibility of the next Assembly overturning one of those decisions and then money truly would be wasted.

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I would fully support the College of Further Education if I honestly believed that it was going to need this money before the end of 2017, but I cannot see that case being made today and, therefore, I honestly believe that the right approach is to reject the amendment – heavy heartedly, as I think that most of us would.

2260

Thank you.

The Bailiff: Deputy Hadley and then Deputy Lester Queripel.

2265 **Deputy Hadley:** Mr Bailiff, if Deputy Bebb had been at the presentation given at Les Ozouets
site by the Chairman of the Governors and Principal and the Staff Governor there, he would have
heard very strongly the message that this was an urgently needed development. He would have
heard from the T&R Minister that this amendment is unnecessary, because this amendment will
not hold up the funding unnecessarily, and of course, as Deputy Conder mentioned, we heard all
2270 that with La Mare de Carteret School.

It also makes me think that having decrepit buildings like this is something which perhaps is
somebody else. Well, in my case it is not somebody else because my daughter was in a class at
the Delancey site when the ceiling fell down. Fortunately, it missed her; it did not however miss
one of the other students who was taken to the A&E Department. And so do we really want our
2275 students brought up, educated in such decrepit buildings? Well, I certainly do not and the very
strong message that we should be sending to the people that are involved – the teachers at the
school and the parents with students at the school – is that we are totally committed to education
and it is as much the message that we should be sending. Putting this on the back burner sends
entirely the wrong message for tertiary education in this Island.

2280 So I urge Members to support this amendment.

The Bailiff: Deputy Lester Queripel, and then Deputies Fallaize and Soulsby.

Deputy Lester Queripel: Thank you, sir.

2285 I have said before in this Chamber, and I do not hesitate to say it again, I think we have got an
excellent Board of Education and I do not think we could wish for a better board. I have got every
faith in them and if they say this work needs to go ahead without delay then that is good enough
for me.

2290 Sir, I believe we should provide our children with the best facilities possible to enable them to
fulfil their dreams and in a previous debate on education I ended my speech with the last three
lines of a poem written by William Yeats entitled 'He wishes for the cloths of heaven.' I would like
to repeat those three lines in support of this amendment:

'... I, being poor, have only my dreams;
I have spread my dreams under your feet;
Tread softly because you tread on my dreams.'

The Bailiff: Deputy Fallaize.

2295 **Deputy Fallaize:** Thank you, sir.

Follow that! I am your dreams! (*Interjections and laughter*)

2300 Sir, I think the Education Department is right to support the College of Further Education and
the vision and energy of its Principal. I think clearly that there has been, and still is, a great deal of
work done at the College of Further Education and it forms a very important part of our education
system, and I think can be a real driver of economic growth and social development in the years
ahead.

2305 So I applaud the Education Department. In a sense, I do not think they had any choice but to
lay this amendment, from that perspective. I am not quite so sure that they are right to claim that
the decisions the States will make in the months ahead with regard to the organisation of
secondary education, cannot possibly have any effect whatsoever on the estate for tertiary or
further education.

2310 I have a particular view, which I know is not shared by very many Members of the Education
Department, with regard to the organisation of secondary education, but I think there is the
possibility for us to run secondary education out of fewer sites than we are at the present time
and that potentially could leave sites vacant for development for tertiary or further education. So
there is some merit in deferring consideration of the College of Further Education project until the
States have made decisions, hopefully in March of next year, with regard to secondary education.

2315 Now, the list of projects, which Deputy Bebb has already referred to on page 42 of the Billet, totals £120 million. The proposal of T&R is that these projects are pushed into the next round of capital prioritisation when they tell us there will be approximately £240 million available. Now, if the States wish to expedite capital projects and spend more in any one particular phase of the capital programme, the States are going to have to increase the appropriations to the Capital Reserve and the only place that money is going to come from is general revenue. We are going to have to increase the sum of money which is transferred annually from general revenue to the Capital Reserve.

2320 Now, there is an amendment that will be placed before the States later – amendment 12, I think it is – to increase the appropriations for 2016 from general revenue to the Capital Reserve. I wonder how many Members are going to support this amendment and then vote against the amendment number 12 to increase the appropriation to the Capital Reserve. There is logic in voting in favour of this amendment and in favour of that other amendment 12, and there is logic in voting against both amendments, but there ain't very much logic in voting in favour of this one and against amendment 12.

2330 So I wonder if the proposer of this amendment might confirm when he sums up that he is going to support amendment number 12, because I have to say – and I have supported the Education Department on everything they have brought to the States and I will probably continue to do so, and this is not directed just at the Members of the Education Department – but, speaking generally, I have just about had enough of States' Members arguing in favour of spending more money, (**A Member:** Hear, hear.) but not arguing in favour of raising the revenue necessary to pay for it and I think in this Budget it is a good time to stop that practice.

2335 Finally, sir, when Deputy Sillars replies to this debate I think the States could do with knowing – and this is a question which arises out of something that Deputy Bebb was saying – if the amendment is successful, when will the Education Department be coming to the States seeking the capital vote to proceed with the redevelopment or refurbishment of the College of Further Education? Because if it is not before March 2016 or even, being generous to them, if it is perhaps not before September 2016, then it is possible that this is a bit of an academic debate because the timetable that is set out by the Treasury & Resources Department for determining the next phase of the capital programme... it is possible that that next phase – the list of projects and the timetable for pursuing those projects – may be before the States before the Education Department is returning to the States to request the capital vote to get on with the College of FE refurbishment.

2340 Now, I may be wrong; it may be that the Education Department is proposing to come to the States in the next few months, i.e. before the Election, seeking the money necessary to get on with the refurbishment of the College of FE and if they are then I can understand the purpose of this amendment; but I think we could do with some clarity on that from the Minister when he sums up.

2350 Thank you, sir.

Deputy Hadley: A point of correction, Mr Bailiff.

2355 Amendment 12 seeks to take the money from the Contingency Reserve, not from general revenue; although I do accept that at a future date I would hope that General Revenue would be used to replenish the money.

Deputy Fallaize: Sir, it was funded from general revenue in the first place.

2360 **The Bailiff:** Deputy Soulsby.

Deputy Soulsby: Sir, Deputy Sillars makes valid points about the lack of progress on capital projects and it is something that has not passed PAC by, and I will speak a bit more about that in general debate.

2365 Now, I am minded to support this amendment based purely on the excellent presentation given by the Principal of the college last week. For me, it revolves around the position the project is in at this stage and that, by not approving this amendment, it will result in a year's unnecessary delay.

2370 Now, at the meeting last week, however, the T&R Minister said that a year's delay need not necessarily be the case. If so, I question the need for the amendment, but at the same time what harm will there be in supporting the amendment?

So in terms of the comments from Deputy Bebb, I think the point here is the fact that the project is in a far more advanced stage than the PEH re-profiling. I may be incorrect there. Again, it might be something that the T&R Minister could point out to the Assembly.

2375 I do not believe Deputy Fallaize is correct, in terms of having to support the other amendment 12 by supporting this amendment, because this is about timing; it is not about spending more money now, it is about spending money when and if we have it.

So, subject to the T&R Minister's comments, I am minded to support this amendment but I have to say it is very dependent on what he has to say.

2380

The Bailiff: Deputy Adam.

Deputy Adam: Thank you, sir.

2385 First, as Deputy Soulsby said, I am also very disappointed at the lack of progress on capital projects over the last three years. Since prioritisation, Departments were given the – shall we say – amber light to get started and progress down the road and we have seen very little in the way of capital projects in infrastructure over the last three years.

2390 Secondly, I would like to comment on Deputy Bebb's presentation concerning what *he* believes in. He suggested the re-profiling of PEH. I actually know something about the PEH and I fully agree with him. I think that is as important as the College of FE and as important as centralisation of community service which would free up Lukis House, Swissville and we could use King Edward VII Hospital for it. It is sitting there empty waiting to be developed – a wasted property. Likewise, Castel Hospital is going to be vacated at the end of this year – another huge property – and yet we seem to be sitting here not progressing anything.

2395 Therefore, to me, the problem is not whether the College of FE should get it or whether PEH should get it or whether SAMP should get it. We cannot make this decision on the hoof. We have to say: all of these are as important and is it right for this Assembly to make that decision for the next four or five years? Because they will not be progressed by the time the Elections occur, therefore, it is probably, unfortunately, on balance, to accept what is in the Budget and with all these projects that are laid out and progress from there.

2400 Let the new Assembly decide what *their* priorities are and, hopefully – hopefully – we will see some more rapid progress since some of these projects have been thought about, have been analysed and are partly being developed now and we can get on with it, provided they are accepted as prioritisation.

2405 As I say, re-profiling of PEH – actually if you do not do that, you cannot increase day care surgery. If you cannot increase day care surgery, you cannot increase the improvement to the theatre; and yet HSSD has this huge amount of work to do to cut costs over the next five years.

2410 You have got these problems and how are you going to address them all? We cannot chop FE. I agree with Deputy Sillars completely and utterly – the Principal of that college is absolutely fantastic. She is enthusiastic, she has ideas, visions and she wants to push ahead and I sympathise but that, Deputy Sillars, as far as you are concerned, is not sufficient. I am not belittling it at all but, unfortunately, there are too many of these that I feel should have been progressed. We have to leave it until the next Assembly and hopefully encourage people to progress quicker.

Thank you, sir.

2415

The Bailiff: Deputy Sherbourne.

Deputy Sherbourne: Thank you, sir.

2420 It is a shame when it becomes almost a competition – and this is not a competition. There are proposals to put on hold. I know that the Treasury Minister has said that they are not actually putting them on hold they can still progress until the capital vote, but as far as people involved in the process, the last three years' process, in identifying the needs that our local education system has – and has had for a long time – a lot has happened; incredible movement, development of the College of FE that I have not witnessed since the original college was established in 1974.

2425 I was a young teacher at St Peter Port School at the time – a careers teacher – and therefore very much involved in the early years of the College of FE. A new dawn was breaking. Suddenly those youngsters that were leaving at 15 and those leaving at 16 without any qualifications, plus quite a substantial number that did have qualifications, were finding futures through the College of FE.

2430 Since that time the demand on the college has increased incredibly. There are 5,000 students involved with our College of FE at the moment. Just take that on board – 5,000. There are 500 in full-time post-16 education and an incredible number of people that access through apprenticeship schemes, through adult education – all those good things that we want for our community.

2435 And they have done it on a shoestring – believe me! Their basic budget allocation revenue each year has been fairly static for about five or six years and on top of that, they have actually managed to find around £700,000 FTP target over the last 18 months. Now, if I had a magic wand I would go back three or four years and I would have exempted education at the College of FE from those cuts. We needed to invest; all our competitors are investing in all aspects of education. We are not. We must be the only western society that is not investing at this time. Even other countries that are facing austerity measures, that thankfully we have not had to face, are still investing in their young people for the future.

2440 It is not a competition; HSSD could well have put their own amendment in today, asking for the same concession. That would have been quite possible and, in fact, I am sure that the Education Board, as a block, would have voted with them.

2445 I would like to ask the Treasury Minister why so many projects were involved in this money-saving capital vote restriction – £120 million. I am a layman, but I do take an interest in these things and I actually believe that the shortfall with regard to allocated funds – and that required – was £50 million and yet they are asking to hold on on nine projects, to be reassessed. What sort of certainty is there for those nine projects? None at all.

2450 But as far as education is concerned, as I said earlier, this has been part of a three-year process. We have the first independent governance set up for our tertiary college. It is a model which the education will be rolling out to the other schools as part of our intended vision statement with regard to local management of the schools. There has been a lot of criticism in the community that we have ignored it – that it has gone away. Believe me, it has not; it just takes longer. You all know how long things take in Guernsey; you would like to see them done yesterday – maybe next year, if you are lucky.

2460 We have pressed ahead, the College now has a good governing body of really first class people supporting a first class senior leadership team at the College, a restructured curriculum and staffing model, ready to rock and roll, ready to go, ready to actually build on the little morsels that we hand down from above. We are not asking for the £22 million. I would love to! I would love all of you to say, 'Yes, this is right. Treasury were right to ask for the big bang solution. Let's go for one college.' That is not to be. It has been whittled down to a £4.5 million capital investment in new property and a refurbishment of moth-balled areas at the St Peter Port site. Those of you that went the other day have not seen them. I know them like the back of my hand because I spent so many years working in the school.

2465 Now, somehow we have just got to get real over this. There is money there that can be set aside for the College to be allowed to move on. The staff are ready to go, the Principal is ready to go and the governing body are straining at the leash. The way they have opened up

2470 communication channels for a proactive Principal is incredible. It actually shows what has been missing for the last 30 years. (**Several Members:** Hear, hear.) And I have witnessed that; I have been here during that whole period, bemoaning the fact that the institution that actually provides for the infrastructure of this Island – all the small businesses, all the engineers, electricians, people involved in the various industries that have sprung up and, yes, disappeared.

2475 The College has been proactive and it has managed it in second and third rate buildings, and with second and third rate facilities. It is time to get real and you have got an opportunity today, with this amendment, to make sure that Saboohi Famili, from the College of FE, and her excellent staff are allowed to really move on. They are ready to do it. They are primed and they are excited by the possibilities. Now turn that into something real for them.

2480 **A Member:** Hear, hear.

A Member: Passionate speech.

The Bailiff: Deputy Inglis.

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

I am very grateful to Deputy Sherbourne for making the Assembly fully aware that, contrary to what Deputy Lester Queripel said, this is not for our children, this is for our community. As he has indicated, there are over 5,000 students using this facility.

2490 This facility, as I see it, is an investment in Guernsey; it is not about going along and just doing it if you feel like doing it. Lots of people – and I am sure people within this Assembly – have taken part in night school courses; they have met people, they have enjoyed the sociability and a lot of people have left from there setting up their own business. So the value in the creativity is very important within our community.

2495 I think it was a good point that Deputy Le Clerc raised, in that we have agreed to raise the pension rate and as a result of that we are going to have to re-profile how we work in our community and how we can still best enjoy a lifestyle that maybe some people feel is not right for them. But it has never ceased to amaze me that my 83-year-old father is a whizz on the computer and yet 10 years ago I would never have foreseen that. So you cannot under-estimate what opportunities are out there and how people will grasp them.

2500 I do empathise with Deputy Gollop, where we have three locations – it is crazy. We should have one location and two of those locations can be released for housing, as we all well know. We are moving at that snail's pace again and I really would like to see a firm commitment to allow the college to move forward and make the investment in Guernsey.

2505 Thank you, sir.

The Bailiff: Deputy Quin.

Deputy Quin: The College of Education – I cannot get my light to work! Ah, there we go.

2510 I will be supporting this for two reasons. I went to the presentation the other day – when I finally got there! I took in three different education establishments on the way to finding it, (*Laughter*) which gave me the idea that maybe we have got too many places. (**A Member:** Hear, hear.) I would like to thank Julian Winser from the school board and Madam Famili, the Principal, who gave us an excellent talk.

2515 But my support for that College is not for that. It is for the fact that, like one or two others here, I spent many years in the building industry and the amount of times that I came upon people from the sharp edge – the electricians, plasterers and plumbers, who had all been there. It was such an important thing that I realised this was what was happening.

2520 Two of my very good friends were instructors there. Most of you will have heard of Mick Le Pelley of Granite Le Pelley. He told me stories of people there who when they turned up they

could not read a tape measure and when they finished there they were capable stone masons. I think it is something we need to support. I will be voting for it and I would urge other people to do the same.

2525 Deputy Fallaize raised an interesting question to the Minister of Education, which I will listen to with great knowledge, because we had this discussion at the premises of the meeting the other day. We keep being told by T&R there is no money, but I think this is an example where we need to look at this closer and get on with it.

The Bailiff: Deputy Harwood.

2530

Deputy Harwood: Thank you, sir.

2535 I also will be supporting this particular amendment and I do so for three reasons. Firstly, clearly, as others have said, this is an investment for the future. It is also recognising that amongst all the list of various projects here, this is the one, sir, that if we do not proceed quickly we are disadvantaging at least one generation, if not two generations, of students. And there is no going back. They will not be able to be re-educated after they have left the College of Further Education and it is important I think we do not lose sight of that.

2540 The other reason I am supportive of this particular amendment, firstly, is that in response to Deputy Fallaize, there *is* money available for this. We are told on page 42 that with the anticipated residual balance in the Capital Reserve – sorry, paragraph 5.26 – the approach would mean that there would be sufficient funding in the Capital Reserve, of £185 million to £190 million, in 2016 to fund all of the other projects and making an allowance for emergency, urgent and unplanned projects, totalling approximately £155 million. Take £155 million away from £185 million leaves £30 million, so there is funds available. We have already prioritised, we have already accepted that
2545 this College of Further Education should be part of that prioritisation programme.

2550 The other reason that I would also urge Members to support this is that I am concerned about the rather arbitrary way in which Treasury & Resources, on 5.24, have unilaterally sought to impose a guillotine on all projects that are currently underway, because what they have said is that the Treasury & Resources Department is proposing that all projects which are not planned to have completed a full assurance review and outline business case by the end of 2015 are then reassessed and re-prioritised in 2016 along with all new bids.

2555 Now, what notice was given to Departments before this particular guillotine was first suggested? I suggest very little, if any. So Departments such as the Education Department, who are progressing with their plans and going through the SCIP process for the capital for this particular project, suddenly are told that unless they can get their act together by the end of 2015, sorry, chaps that is it, you will have to go into the next phase of re-prioritisation. That is not fair.

2560 Now, I am sure others – and I am aware that there is at least one other project which is on the list on page 42 – will no doubt be making that same argument. But, sir, I think it is unfair – and particularly in the case of the Education Department who are fairly well progressed; alright they may not be in a position, by the end of 2015, to have completed the full assurance review and outline business case – whatever that means... Heaven above, (*Laughter*) it is an uphill battle, I understand, to get to an outline business case, let alone get it fully assessed.

2565 So, sir, I strongly urge Members of this Assembly to support this amendment. There is capital funding available. Alright, there may be less to go forward to the 2017 prioritisation programme but there is capital presently available. So I would urge that Members of this Assembly support this amendment. We are talking about £5.5 million and, as others have said, that is a considerable reduction on the amounts that were originally proposed for the tertiary education project.

2570 One other point, and a reason why I am also in favour of this amendment, is that it helps to begin to unlock the SAMP issue, because if we can move from three campuses – three sites – to two then one can be freed up and the whole essence of the SAMP project, Members may recall in the dim and distant past when we debated that, was actually freeing up sites to be made more efficient use of.

So, sir, on those counts alone, I would urge that Members support this amendment.

2575 **The Bailiff:** Deputy Langlois.

Deputy Langlois: Thank you, sir.

2580 It would appear that you can see which way the wind is blowing in the Assembly on this particular one and I am quite sure that the speeches that have been made have been well intentioned, they have been very passionate, they have made strong cases for a particular cause and so on. Can we just remind ourselves before we vote, however, sir, just who is presenting this Billet, this Budget and what their job is, because Treasury & Resources – the clue is in the name – are charged with looking after the overall finances of the Island, they are in charge of looking after Treasury and they are in charge of allocating resources?

2585 And some years ago – people with better memories than me and possibly bigger libraries of Billets than me will be able to name the date – we decided on a method of prioritisation which would, if not put an end to at least change the approach – the traditional approach – used for many years in this Assembly when we had so much money we did not know what to do with, that the person who made the most impassioned speech, the most apparently logical speech – sometimes the loudest speech, if I remember rightly, a particular Member who sat along here (Laughter) would get their own way and would bully... sorry, (Laughter) would persuade the Assembly into a particular set of actions...

2590 Now, sir, I have certain credentials in the field that we are talking about here today. I joined the staff of the College of Further Education in 1980; I worked there for 10 years, having had an earlier career in that field in the UK; I have been associated with similar activities after that, in building a business, and since being involved with the States, I was on the Education Board for nine years and, more recently, I have been on the Skills Guernsey Board and currently chairing it.

2600 So I do not think I have to make any apologies for my commitment to the world of education and skills, and what I am saying here is that I think we have to be very careful with some of the impassioned speeches because the reality is that every single one of those 10 or 11 projects on page 42 could have constructed similar cases. In fact, one of the proponents said, 'I do not know why Health did not do this,' and we could have gone through 11 of these amendments and then ended up with 47 of us, in true States' style, on a limited amount of information, making the prioritisation decisions that have been made through a system we all agreed before.

2605 There is a problem here, to me. If we do things that way and then come back here and rely on this one-off debate, this relatively short debate and so on, we are turning the clock back, I think, in a most unfortunate way. Deputy Sherbourne said it is lucky this is not a competition. Well, sorry, Deputy Sherbourne, please can we make it clear this –?

2610 **Deputy Sherbourne:** A point of correction, sir. I said that this was *not* a competition, not that we were *lucky* that it was not.

2615 **Deputy Langlois:** Apologies. I do apologise for misquoting him. He said it was not a competition. Well, I am sorry, sir, but that is where I think Deputy Sherbourne is in danger of misleading the Assembly. It *is* a competition, because there is a limit to money and the timing with which it is spent to show financial prudence. And that is what I believe that T&R are putting in front of us, to say, 'We have gone through this system. We have now, at this particular juncture, made a decision and a recommendation that we should time this slightly differently,' and therefore to overturn one part of that on a single set of arguments, I think, is inappropriate.

2620 **Deputy Sherbourne:** A point of correction again, sir.

The Bailiff: Deputy Sherbourne.

2625 **Deputy Sherbourne:** This competition, I would suggest, took place while the prioritisation was made last year for all the other projects. This is not a competition today.

The Bailiff: Deputy Langlois.

2630 **Deputy Langlois:** The point is here, sir, that: is a rejection of this amendment any criticism of the College in the past or any criticism of the College's plans and essential development in the future? Absolutely not! Is T&R coming anywhere near deciding or recommending that we should not have development in the College, or that we should not expand it and we will never build a new college? Absolutely not! Could we sensibly say yes to all 10 proposals right now in the face of
2635 T&R's advice? I would think absolutely not.

So please let's stick with the responsibilities that we are talking about today, of the Budget overall, and reject this amendment.

The Bailiff: Deputy Dorey.

2640

Deputy Dorey: I have some concern about the amount – £240 million – that must be there for the Capital Reserve in the next term. I just wondered if Deputy St Pier can give us some information about that when he replies, because it seems to me that we have been using a lot of one-off sources in the recent history to fund that. There was the £8.5 million from the Post Office
2645 in 2013, there was £20 million from the Corporate Housing Reserve. I mean this year £20 million of that is coming from the general revenue account reserve, which is the deficit that is effectively funding the £20 million of the transfer to Capital Reserve. We are talking about £28 million in 2016, but £10 million of that is going to be from the trading entities.

2650 These are all one-off sources of income. So in order to reach that £240 million, I presume that he expects us to have the surpluses from our revenue to fund that and I just want to understand how confident he is of that, because I am becoming a lot less confident. I know he gave a very confident speech this morning, but we are raiding these one-off sources to fund it.

2655 The other point I would like to understand is – and it has just been mentioned – is about competition because, effectively, if we do not go ahead with this project now it is going to have to compete with other projects at the next prioritisation debate and, therefore, it might go forward or it might not. Could he explain to us whether this is a year's delay or... Deputy Fallaize has asked the question of the timing, but it is not just timing, it has to go through another process. So there is no certainty that it will get the green light at the next phase and if we are investing in taking these projects forward, it becomes more difficult to understand why we are putting money into
2660 these projects if they are not necessarily going ahead and they might not go ahead at the next capital prioritisation, because there are other projects which are considered a higher priority.

So I would just like him to try to give us some idea of how it is going to be judged at the next prioritisation debate.

Thank you.

2665

The Bailiff: I see no-one else rising so, Deputy St Pier, do you wish to speak now, immediately before Deputy Sillars replies to the debate?

Deputy St Pier: Yes please, sir.

2670

The Bailiff: Deputy St Pier.

Deputy St Pier: Thank you, sir.

2675 If I may perhaps just briefly return to the first amendment, because I undertook to update the Assembly on the explanatory note and the reference to the report which Deputy Dorey picked up. I think, just for the record, I should advise the Assembly that, indeed, as Deputy Dorey said, the

2680 report referred to at the end of the explanatory note was actually the second report produced by Mr Parr. The first report was the Operation of the Housing Market in Guernsey, a report to the States of Guernsey Housing Authority and Advisory and Finance Committee, which was published on 15th November 2002 and debated, I think, the following March – February, the following February. It cost £41,850, so slightly different from the figure in the note which, if that was reflat, would come to £61,500, approximately. So I apologise to the Assembly for that misinformation on the explanatory note.

2685 Just picking up Deputy Dorey's request in relation to the £240 million, given that I am speaking immediately after he spoke, I do not think I am going to be in a position to provide a breakdown of the £240 million but I will attempt to do so if I get the information in time.

2690 Sir, I think I would like to start by repeating what I said to the presentation which was put on by the College of FE last week and so I apologise for those that were there, that this is repetition. I think it is worth noting that, whilst there have been many points of difference between Treasury & Resources and Education during this term, actually this project has not been one of them. There has been a very good working relationship between Education and Treasury & Resources on this project. And, as I said then, and I am happy to repeat it on the record here, sir, Education should be congratulated in redesigning their plans, largely under the new leadership that the College has had to meet the new needs of the College; and that has produced this much-scaled-down project. And that is recognised and acknowledged by T&R, and is a demonstration of the process of working well.

2695 Sir, I do not think this debate is actually really about the value or importance of the College of FE. I think that is very well appreciated and has been acknowledge by many of the speakers this afternoon – and I would add my name to that list.

2700 Deputy Gollop made some comments, which I think others picked up on, about the need for greater infrastructure development, but this amendment is not going to have any effect in actually expediting that. It will progress at the pace that it progresses at; it will not get any faster simply because of this amendment.

2705 Deputy Fallaize's point about amendment 12, I do not agree with. I think I agree with Deputies Soulsby and Harwood on that point; I think they are discreet amendments. There are £120 million or so projects on page 42 versus the current guesstimate of £240 million projects that may appear in the next round. We do not know whether it could be less than that; we are assuming it will be more, based on the previous experience, but we really do not know.

2710 Sorry, going back to Deputy Dorey's question on the £240 million, that calculation is assuming the normal appropriation of £38 million a year for 2017, 2018, 2019 and 2020, obviously inflated to maintain its real value. It does include an assumption about the excess return and so it is assuming that we will achieve our investment objectives on the core investment reserve, and it assumes another tranche from the trading companies. And we do believe that is reasonable in the period up to 2020, based on the work we have done on looking at those trading entities.

2715 So I do not think we are overly reliant on one-offs, as he put it. It is a valid observation and there are some assumptions there and there are some risks, obviously, in that, but we think it is a prudent estimate of what could be available.

2720 Again, just picking up – I think perhaps this is where I should start really – Deputy Dorey's comments and seeking to explain the proposals which are contained in the report in more detail. And, as I set out in my letter to all States' Members on 16th October, there does appear to have been some misunderstanding as to what is actually being proposed by my Department, and for that I do apologise because we clearly have not managed to explain ourselves properly in the Budget Report.

2725 So, for the avoidance of doubt, it is not the proposal that work on any of the projects currently prioritised and within the portfolio, is halted, and I think that perhaps is Deputy Dorey's point – that he is challenging that if actually if we do not know these are going to proceed then why are we spending money on them now?

2730 But that, of course, is no different to the current programme. We authorise the release of funds from the Capital Reserve to allow projects to progress, without any certainty that they will make it through to the outline business case stage and that they will indeed be approved by this Assembly. We saw an example of that, of course, last month in relation to Commerce & Employment's proposals for the replacement fisheries protection vessel.

2735 All projects – *all* projects – will be able to continue with their planned development and funding, and that funding will be made available to enable them to do so. We will continue to invest in the development of the projects, but final decisions to proceed and to open those capital votes will not be made pending confirmation that they do still remain a priority. My Department's proposals will help to ensure that we do have this rolling programme of capital investment which does stop the stop-start project planning in the future and helps to support the local economy by smoothing our expenditure.

2740 And I think, again, an observation that Members have made is that this particular round does not seem to have got going very quickly and of course that is largely because it is dependent on being driven at departmental level to take projects through to development stage and, again, as with everything else, resources and resource constraints have been an issue for many Departments who have not been able to progress their projects perhaps as quickly as they might have wished at the beginning of the process. And, of course, this whole programme of rolling development is something that many people have called for, for some time and so I think it is pleasing that we believe we are now in a position to be able to move towards that.

2750 So these proposals also result in an acceleration of the next round of capital prioritisation and therefore will enable the new States to ensure that the old projects progressed within their term are those which remain a priority at the same time as incorporating any new projects which align with their intent.

2755 So, for the avoidance of doubt, there will be no delay to projects which are nearing completion of their development and are currently in progress. Of course, that includes all those projects for which policy letters have already been considered by the States and those projects which have been deemed to be urgent. The total value of these is £155 million, as is in the report, and they will continue unaffected. That is not of course to say that £155 million will be spent in the next year, but if we are to allow them to progress we must ensure that there is sufficient funding allocated for their completion and not just their commencement.

2760 So *all* of the projects on the list in paragraph 5.25 on page 42 will continue to be funded and should not experience anything but minor delays against their own planned timetables, since if they are reconfirmed as priorities, they will be able to move to delivery at this time next year, once the 2017 Budget Report has been debated.

2765 The Treasury & Resources Department is proposing that new projects should be submitted for consideration during the first half of 2016 and previously prioritised projects will be reassessed if they have not materially progressed – and some on that list maybe in that position – since being approved. However, they will not be required to resubmit. The object of this exercise is clearly we do not want to create more bureaucracy and any increase of burden or delay.

2770 So reassessing the States' priorities in this manner surely has to be good practice. The projects set out in paragraph 5.25 were all judged to be very worthy of investment in the last round at that time, but time has passed on since and priorities may or may not have changed, and other opportunities will, doubtless, have arisen, and technology will certainly have moved on as well. So what was a good idea and a high priority in 2012 may or may not be so today, but it is right and proper that we should re-test that at the time.

2775 And I think the speeches by Deputies Gollop, Conder and Le Clerc are all very good explanations of why this project is... there does not appear to be any reason why we would regard it any differently now than we did in 2012. There seems to be a very good case why it should remain a priority.

Sir, the timetable set out in paragraph 5.29 of the report is one which aligns very well with the election cycle and, as Deputy Adam referred to, which allows the newly established principal

2780 committees to consider, review and confirm their proposals in June and July next year, as soon as these committees have been established and their induction process is complete. The Policy and Resources Committee will then be in a position to consider the overall priorities in time for the Budget Report this time next year.

2785 Given the need for committees to be established and inducted, and the current timeframes for submission of policy letters, it is highly unlikely that any of the projects which are on page 42 are likely to be able to be considered by the new States in advance of October 2016 in any event. Deputy Bebb questioned whether funds would be available before 2017 for this project. Our expectation is that funds will be available from, essentially, this time next year if the project has progressed that far.

2790 My current understanding is that the production of the outline business case will progress in the first and second quarter of next year which realistically means that it will come to the States next November after the Budget Debate. That is my current expectation and I suspect that is ahead of perhaps where, for example, the PEH re-profiling is.

2795 I have to acknowledge that of course a process such as this – and this was Deputy Harwood's point – does have an impact. By proposing any kind of cut-off date, it inevitably means that there are, if you like, some winners and losers that fall either side of that deadline. However, imposing a cut-off date surely has to be better than trying to cherry pick projects now that are sort of pre-prioritised for the next round, without any consideration of the relevant merits or possible implications.

2800 All of the projects – and others have made this point – within the portfolio are worthy and all have been prioritised by this States. Therefore, any reviews should ensure that all of those projects are treated equally.

2805 Now, I think the passionate speeches by all Members of the Education Board – the Minister, Deputy Minister, Deputy Hadley and Deputy Sherbourne – arguing that this amendment is required in order to signal the States' commitment, not only to Education in general but to this project in particular, is a different argument altogether; and it does not, in my opinion, justify Education, dare I say it, jumping the queue of all the other undeveloped projects.

2810 This project should be judged alongside all the others in the normal way and I think that our proposals are not only a practical response to the currently unaffordable portfolio, but are also good practice. And the aim is to ensure that prioritised projects are delivered in the most efficient way within the available funding that we have.

The States has a duty to balance the need to invest in the community's infrastructure with the responsibility to spend every pound of money wisely. And, as I said, I have no reason to expect that this project will not progress in the normal course, given what we have heard about it.

2815 I, therefore, do continue to urge Members of the States to vote against this amendment, sir.

The Bailiff: Deputy Sillars will reply to the debate.

Deputy Sillars: Thank you, sir.

2820 I will start at the beginning. Deputy Gollop, thank you for your support and I fully agree with you. I will put all my board together – thank you very much, board; as usual we are all together... and very passionate but actually very practical speeches and the reality of where we are at.

2825 Deputy Le Clerc, thank you for your support. Deputy Bebb, I understand – (*Laughter*) I have got to get it in somewhere, I suppose – where you are coming from, but actually for us it is all about the certainty and all those involved knowing that it will be delivered. It is about students today and tomorrow – and I believe we can start in 2017, but I will come back to that later.

Deputy Queripel, well, thank you very much for your faith in us; we appreciate that. Deputy Fallaize – fortunately for me, some of the answers came through from Deputy Hadley and also from Deputy Harwood so I thank them for that.

2830 The real point I want to make is that the Performing Arts Centre is not going anywhere; it is the only one we have got, it is the one we are going to have. The purpose of trying to get the catering

2835 next to it is to actually give the students real-life work in real work. I have been to various places where the equivalents of CFE have the catering to somewhere like the Performing Arts Centre; you can go and have a meal and all those good things. So they are actually getting real life experience there and it gives an opportunity for the College to have some revenue from that and it is a great way forward for us.

2840 Deputy Soulsby – ‘it is about giving certainty’ – I think ‘certainty’ is the word I am going to keep going on at – ‘for planning the way forward’. Yes, we are far along that line of work and the community is all involved. Thank you for supporting us. Deputy Adam, I understand the frustration. I talked about the indecision and the delay, and we are always assuming we are going to put things back. We have touched on the HSSD project. It does not seem to be far along, but I do not know the detail of that; but we are ready to go.

2845 Deputy Inglis, thank you. Yes, you have accentuated that this is about the community as well as the students, so thank you for widening that out for us. Deputy Quin, yes, thank you very much and I was glad we did turn see you turn up and it was good that you had your own personal tour of all three sites before you ended up with us, but thank you for joining us.

2850 Deputy Harwood, I thank you for yours. The disadvantage to – your three points – the current students, I absolutely agree. ‘We have the money’. Yes, we do have that and actually the third point you mention has annoyed me, if you like, in the sense that it is a guillotine motion; we have worked very closely with T&R and we knew nothing about this coming down the line or down the track with us. The first we read of it was in the Budget Report. And, yes, it will unlock the Delancey site as well, going forward.

2855 Deputy Langlois, ‘it is all about certainty’ – I did promise I would keep repeating that word. Expectations have been set in this Assembly. We are far ahead with our curriculum changes. You should understand that and I am sure you do. They are very much linked to this amendment. We have the money. Where was the consultation from T&R to Education? There was none about pulling us out of this first line or whatever you want to call it, just a guillotine and perhaps with no knowledge as to how far we had gone with all our stakeholders.

2860 Deputy Dorey, thank you for your speech. I guess that the T&R Minister has answered it – or as best he could anyway with the information he had.

And we come to my favourite Deputy St Pier. (*Laughter*) Yes, we do have a good working relationship. We keep on asking if we are on each other’s Christmas card list. Well, I keep saying that I do not send Christmas cards, (*Laughter*) so that is the answer there!

2865 It is about the certainty of all stakeholders and the confirmation that it will happen, subject to coming back to the States in 2016 and not going to another process which we do not fully understand in 2017 on to 2022. A lot has been said but actually, for me, it is the last part I really want to get to and then finish this closing.

2870 Departments will still have to get to the outline business case and also a States’ Report to obtain a capital vote. So, even if it is discussed in October 2016, we are not likely – or whoever will be going forward, will not likely – to be able to bring that to this States in November. As we said, it is a timeline that I think is unlikely. I am not going to say it is not possible, but I think it is hugely unlikely.

We are not jumping the queue, we are just trying to stay in it. That is all we are trying to achieve. So we are not jumping anywhere. Please support this amendment.

2875 Thank you.

The Bailiff: We vote, then, on the amendment.

2880 **Deputy Fallaize:** Sir, I asked Deputy Sillars, when he summed up, if he would advise the States in the event that the amendment is successful, when does he foresee his Department returning to the States, seeking the capital vote to commence the work itself. I do not think he has answered that question.

The Bailiff: Deputy Sillars.

2885

Deputy Sillars: Thank you, sir.

I sort of did in my ramble. It is 2016. I cannot give an exact month.

Deputy Brehaut: A recorded vote please, sir.

2890

The Bailiff: Yes, and Deputy Trott.

Deputy Trott: Sir, I am confused. Am I allowed to seek clarification at this stage of the Treasury Minister? Because I am *genuinely* confused, sir, as opposed to pretending to be confused! *(Laughter)*

2895

The Bailiff: You mean you have a question you do not know the answer to! *(Laughter)*

No, debate has closed. **(Several Members:** Hear, hear.) *(Interjections)* You could have asked the Treasury Minister to give way or if he was misleading the States you could have raised a point of order, but debate is now closed so.

2900

There is a request for a recorded vote on the amendment proposed by Deputy Sillars and seconded by Deputy Conder.

There was a recorded vote.

Amendment 5:

Not carried – Pour 31, Contre 12, Ne vote pas 0, Absent 3

POUR

Deputy Le Clerc
Deputy Gollop
Deputy Sherbourne
Deputy Conder
Deputy Lester Queripel
Deputy Gillson
Deputy Le Pelley
Deputy Fallaize
Deputy Laurie Queripel
Deputy Lowe
Deputy Le Lièvre
Deputy Collins
Deputy Dorey
Deputy Paint
Deputy James
Deputy Brouard
Deputy Wilkie
Deputy De Lisle
Deputy Burford
Deputy Inglis
Deputy Soulsby
Deputy Sillars
Deputy Luxon
Deputy O'Hara
Deputy Quin
Deputy Hadley
Alderney Rep. Jean
Alderney Rep. McKinley
Deputy Harwood
Deputy Brehaut
Deputy Robert Jones

CONTRE

Deputy Bebb
Deputy St Pier
Deputy Stewart
Deputy Ogier
Deputy Trott
Deputy Spruce
Deputy Le Tocq
Deputy Adam
Deputy Perrot
Deputy Kuttelwascher
Deputy Domaille
Deputy Langlois

NE VOTE PAS

None

ABSENT

Deputy David Jones
Deputy Duquemin
Deputy Green

2905 **The Bailiff:** Well, Members, the result of the voting on the amendment proposed by Deputy Sillars and seconded by Deputy Conder was 31 in favour, with 12 against. I declared the amendment carried.

We move on then to the next amendment to be laid by Alderney Representative Jean and seconded by Deputy Hadley.

Amendment 6:

In proposition 22 to add the words ‘, with the exception of the Alderney Airport Runway Rehabilitation,’ immediately after ‘To agree that’.

2910 **Alderney Representative Jean:** Thank you, sir.

In proposing the amendment to present the further deferral of work to be carried out on the runways of Alderney Airfield, this year during visits to our Airport, including a tour of the runways and many other sites in the Island, things of interest – on three occasions joined by three parties of Deputies from Guernsey who were over for that tour – we could see for ourselves the temporary repairs carried out by our fireman to the tarmac runway.

2915 We were told daily inspections carried out at the start of each day to sweep up loose chippings from the surface of the runway... stress cracks and fatigue can be seen on the surface of the runway. It is, at best, showing signs of use and wear which are of serious concern to us in Alderney. The CAA has already reduced the width of the main runway to 18 metres, bringing the runway lights in nearer to the edge of the tarmac runway to comply, but this is temporary and took place in 2014.

2920 The date set for works to commence was 2016 and this is now proposed to defer to 2017. You say that it is not a problem; I say there is a problem. For a start, Ronez is due to come to Alderney in 2016 for our own road programme. They are brought in every second year, only to do our road repair programme. This means the deferred start date of 2017 is not really the end of the matter; it automatically becomes 2018 to come in cycle with our own programme. And this is if Guernsey wants to take advantage of the fact that Ronez are already in the Island working for us in 2016.

2925 Apart from anything else, this must represent a considerable saving in mobilisation costs for Guernsey. We are all, after all, supposed to be trying to save money and this way money will be saved. If the States votes against this amendment I am concerned that what is now probably a three-year delay, not a two-year or one-year delay, will be the result. Will the runway hold out for another three years and can we take that risk? I will not go into the ‘what ifs’ but instead what I will say in my attempt to persuade you all to vote for this amendment is could we manage with a three-year delay? My belief is, no, we cannot.

2930 This is not an ‘it can wait’ item. It would entail an amount of risk – the runway may fail. That would be what you risk by not voting for this amendment. Let me put another question to you: would you consider this to be an essential item or a luxury item? To me, it is most obviously an essential item of expenditure. The width of the runway needs to be restored to its original 23 metres and, at the present width, I am told that as the planes are touching down it is not easy to see the landing lights at each side of the runway. Last year, one Trislander did take out two or three lights – and that is reported.

2935 There are other considerations. The economy has suffered from the effects of the recession for a long time now. Leaving the runway or treating it as a non-essential item of expenditure could have an adverse effect on our economy. If the runway were to be shut down for any length of time – and, my God, I hope it does not – I am simply not prepared to take these kind of risks so I believe today that the amendment I have brought before you is both prudent and wise, to try to persuade you *not* to defer this to the date of 2017.

2940 This amendment supports a re-alignment of the priority and brings in focus and to the attention of this Assembly, the importance of this crucial work due at the Alderney Airfield on the tarmac runway. Only two to three years ago, Guernsey spent £80 million on its own runways and we must realise that what is required in Alderney, I know, is a sum of money, but it is very

important to Alderney; it is our gateway, it is our one important means of transport whilst we do try to establish better connectivity to Alderney, and it is crucial to Alderney.

I ask you to support the amendment.

2955 Thank you, sir.

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

Deputy Hadley: Yes, sir, and I reserve my right to speak.

2960

The Bailiff: Deputy St Pier, do you wish to speak at this point? No. Deputy Trott, then Deputy Lester Queripel and then Bebb.

Deputy Bebb: Sorry, could I raise a point of order? Am I correct that, in laying an amendment which has an effect on financial implications, it should actually outline the cost and, by failing to outline the cost of this particular amendment, it falls foul of the rules?

2965

The Bailiff: Representative Jean, what do you wish to say to that?

Alderney Representative Jean: I believe the cost is around £10 million, sir, but could become more if it is delayed. It is quite probable that it could actually be a larger sum than that. Thank you. Does that answer your question?

2970

The Bailiff: Well, I think, well –

2975

Deputy Bebb: The point is that an amendment which seeks to amend the financials of the States should actually have with it an understanding as to the cost implications. Members will actually note from the previous amendment which of course is similar to this one that it has stated in the explanatory note the total indicative of projects listed in paragraph 5.25 would reduce to £115 million.

2980

By failing to do that, it falls foul of the Rules and I therefore move that it should not be debated.

The Bailiff: I mean there would be nothing to stop Alderney Representative Jean rewriting the amendment overnight and resubmitting it tomorrow with the cost in the amendment.

2985

I notice the Procureur has re-entered the Chamber but –

The Procureur: [*Inaudible*]... I have lost my microphone so I cannot speak (*Laughter*)

The Bailiff: You cannot speak! (*Laughter*) Well, when Her Majesty's Procureur sits down... It is true, we do have an amendment here that does not state the impact that it has on the States' finances and that has been acknowledged by Alderney Representative Jean, who said that the cost could be £10 million or it might be something different from £10 million.

2990

The Procureur: Well, what I say, with my tail between my legs, is that I did assist Louis Jean with this amendment. So, *mea culpa*, yes it should have done. If Members will forebear with him on that particular thing, if he has now indicated what the financial implications are, then it would save my face a little.

2995

The Bailiff: Deputy Bebb is seeking to move an amendment that this not be voted upon and I was simply suggesting that, if necessary, it could be laid again tomorrow with that information, but all that is doing is giving Alderney Representative Jean a second opportunity to make his opening speech. If that is what Members wish to do... Do you wish to pursue your –?

3000

3005 **Deputy Bebb:** If the intention is simply to recirculate then there is no interest in actually not debating. I just feel that the Rules are there for a reason. If we do not know the financial implications it is very difficult for the Assembly to know what they are voting on. And simply delaying it until tomorrow will just increase the amount of debate on what will probably be decided upon anyway.

3010 **The Bailiff:** So, I mean, would Representative Jean –?

3015 **Alderney Representative Jean:** I think, sir, that the Assembly should accept what the Procureur said and I am grateful for his words. It is a mistake. I have outlined the cost. He seems to support that; he is indicative of support and I think that we should continue and take this to debate and to the vote.

3020 **The Bailiff:** And you are confirming then that, if the States were to resolve that this not be debated at the moment, you would wish to re-submit it tomorrow with the figures included.

Alderney Representative Jean: I would wish to resubmit it, but I think that what the Procureur said should clarify it and we should continue to debate and vote.

3025 **The Bailiff:** Yes, well, I think Deputy Bebb is not going to pursue the point in those circumstances, so debate will commence with Deputy Trott, and then Deputy Lester Queripel, I think, was standing.

Deputy Trott: Thank you, sir.

3030 I rise really because the point I was going to make earlier was that I am trying to keep a tally as we go through this debate of how much we are drifting away from a balanced Budget into deficit. Now, I think we came in this morning with a set of Propositions that showed a balanced Budget and I think I am right in saying that we are now about £5 million or £5.5 million into deficit.

3035 But as the debate continues... I see the Minister of the Education Department shaking his head, sir, but he was asked a question by Deputy Fallaize and he said the proposals would be coming forward in 2016. Now, of course, if that project does go live as a consequence of the successful amendment, my understanding is that we would, all other things being equal, now be £5.5 million in deficit.

3040 So I would be grateful if the Treasury Minister, in responding to this debate, could make that point, sir, and if he could also, as a matter of course throughout the rest of the debate, keep a running total so that Members can understand just how much the position is deteriorating as we progress. And probably also worth saying, while I am on my feet –

Deputy Dorey: A point of correction, sir.

3045 **Deputy Trott:** I give way to Deputy Dorey.

The Bailiff: I think he has a point of order.

3050 **Deputy Dorey:** It is a point of correction, because the money that is being used for the College of Further Education is coming from the Capital Reserve. Now, it is quite clear in 5.26 that there is £185 million to £190 million and there is a commitment of £155 million, so that will increase up to £160 million but it does not affect general revenue because general revenue is separate to Capital Reserve. So it will not take us into a deficit situation.

Deputy Trott: Well, that is very interesting, sir.

3055 Maybe I could ask Members to look at page 6 of the Budget Report, because you will see that
before we start spending on capital, we have a nice healthy operating surplus of £27 million. Now,
that is a healthy operating surplus that we have had for a number of years, sir. But when we
transfer to the Capital Reserve the sum of £28 million, we find that surplus more or less
3060 evaporates and we just about balance the books. If that number is to be increased we will move
into deficit; it is as simple as that.

While I am standing, sir, can I also make the point that Members also bear in mind that if, let's
say a wealthy Member of the Assembly, like my friend Deputy Perrot, (*Laughter*) was prepared to
make a philanthropic gesture –

3065 **Deputy Perrot:** Just on a point of order. It would be so nice to have a new joke – a new joke
just once in a while! (*Laughter*)

Deputy Trott: Sir, once there is confirmation I am included in his will I shall stop baiting him at
every opportunity. (*Laughter*) But, on a serious note, the point is that we as a public sector burn
3070 £1 million every 16 hours – 16 hours is all it takes to burn £1 million. These are very significant
numbers, so it is essential, as we gain in our generosity during the course of this debate, the
running total of the deteriorating position – and I repeat we have now moved from a balanced
Budget into a deficit – all things being equal, of about £5.5 million. Let us hope that situation will
not get too much worse before the end of this debate, sir.

3075 Thank you.

The Bailiff: Deputy Lester Queripel.

Deputy Lester Queripel: Thank you, sir.

3080 I had the privilege and the pleasure of visiting Alderney recently as part of a States' delegation.
Deputies Quin, Le Lièvre, Collins and I left Guernsey Airport at 7.30 a.m. in the morning and
returned at 7.30 p.m. in the evening. And I know some members of the public, and even some
Members of this Assembly, say we should not be spending taxpayer's money on overseas visits
but, sir, there is nothing quite like seeing something for yourself rather than just reading about it
3085 in a report.

And, of course, one has to bear in mind, sir, that people in Alderney pay taxes too and they
were really appreciative of us going over to see the problems for ourselves; and I can assure
everyone listening, sir, that our visit was certainly jolly, and neither would we have wanted it to be.
We were there to learn as much as we possibly could about Alderney in our whirlwind whistle-
3090 stop 12-hour visit; and those 12 hours were absolutely jam-packed with all sorts of meetings,
presentations and visits to various sites.

In fact, sir, the whole day was a real education and I certainly came away from Alderney feeling
fully informed about the whole situation in our sister Island. And our last visit of the day was out
on to the runway at the Airport. Some of us were actually driven out onto the runway in the
3095 Airport fire engine, much to the annoyance of Alderney Representative Louis Jean who wanted to
ride in the fire engine with us but had to be content with being taken out onto the runway in a
pickup truck. But he did get to ride in the fire engine later, which brought a smile back to his face.

Sir, I digress, and it is at this point that I want to say I was shocked when I saw the condition of
the runway itself and I wrote a letter to the *Alderney Journal* pledging my support and I stand by
3100 that pledge in this Chamber today, because the work on the runway needs to be carried out as
soon as possible.

Sir, I was extremely impressed by the efforts being made by the people of Alderney to do
whatever they can to improve their economy; and I just want to mention a couple of examples, if I
may, because the condition of the runway is absolutely key – the lifeline link to the Island.

3105 The first example revolves around biodiversity, because Alderney is so rich in biodiversity and that is due to the tremendous efforts of Mr Roland Gouvain from the Alderney Wildlife Trust and Mr Martin Batt of Living Islands, but they have managed to establish a niche market –

The Bailiff: Are you straying from the amendment, Deputy Queripel?

3110

Deputy Queripel: No, sir, this is all relevant to the condition of the runway and the people who come in on planes on the runway.

The Bailiff: Oh, I see, right. It has increased the number of people visiting the Island and increased the wear and tear. Is that the point you are making? *(Laughter)*

3115

Deputy Lester Queripel: Can I perhaps just mention the second example, sir.

The Bailiff: If it is relevant. *(Laughter)*

3120

Deputy Lester Queripel: I am sure you will see it is relevant, sir. Thank you.

This niche market is attracting people from all over the world and, out of 2,000 Ramsar sites all over the world, the Ramsar site in Alderney is one of the most successful.

3125

The second example focuses on a new business being established in Alderney. This new business has created seven highly specialised posts, due to the fact that the business itself is one of the first in the world of its kind. I believe I am right in saying that. I am sure one of the Alderney representatives will correct me if I am wrong.

3130

So, sir, our sister Island, in a very real sense, is pioneering and I was so impressed with their efforts I told them that they should start preparing for success but that was before I saw the condition of the runway. After I had seen the condition of the runway I amended that to, 'Guernsey needs to help you to prepare for success'.

3135

Sir, to be able to prepare for success Alderney needs a runway that is fit for purpose and, as the amendment tells us, Alderney will be impacted severely if the runway fails. Failure of the runway is one of the highest risks to Alderney's economy and sustainability. Surely, sir, those two sentences alone present the business case that is needed for us not to delay the refurbishment of the runway.

3140

And just in case any of my colleagues are in need of a little more foundation for that business case, the very last sentence of the amendment tells us, 'deferring this project by at least another 12 months is counter to previous States' Resolutions to help support Alderney in its current challenging economic times and condemns the Island and its community to living with high risk for at least a further year.'

In conclusion, sir, the Alderney Chamber of Commerce, quite rightly reminded us when we were in the Island that the taxpayers of Alderney contributed to the refurbishment of the runway at Guernsey Airport.

3145

So, with that thought uppermost in our minds, I urge my colleagues to support this amendment and, indeed, help our sister Island to start preparing for success.

Thank you, sir.

The Bailiff: Deputy Ogier.

3150

Deputy Ogier: Thank you, sir.

3155

Alderney Representative Jean said that we could take advantage of Ronez being in the Island next year and presupposes in his speech that Ronez would be the winner of a tender for the refurbishment of Alderney Airfield, as a supplier of material or otherwise. As any tender for the works has not yet been issued, let alone any design of any works agreed, this can be by no means be assumed.

3160 Deputy Queripel tells us that the risk of runway failure is enough of a business case in itself. I can tell he has not taken anything through the SCIP process personally. I do understand the desire for momentum which drives this amendment but it is difficult, if not impossible, to conceive of a way in which the Alderney Airport refurbishment could actually begin in 2016 as the following steps still need to be progressed.

3165 The outline business case needs to be completed and approved; the PAR2 Gateway Review needs to occur; the Public Services Department and Treasury & Resources Department need to approve the steps to proceed; there then needs to follow a States' debate. There has to be the detailed design of a preferred solution and approval of the design package by the CAA and the Director of the Civil Aviation Authority; completion of the full business case and approval of it; then the tender of the preferred solution; the completion of the tender evaluation report and a recommendation to T&R for the approval of a contractor. We then need a final Gateway Review by Treasury & Resources to appoint the contractor and we need to sign a contract and begin the works.

3170 Now, in order to progress to commencement of works in 2016, a number of these currently essential steps in our process would need to be removed. Looking at the steps, even if we removed all the SCIP and control-type elements and move through quickly to a States' debate, detailed design, approval of the design by the Civil Aviation Authority and the Director of Civil Aviation, then a tender of the solution and a commencement of the works, it still looks extremely unlikely, if impossible, that we would be able to make 2016 for commencement of the works – even *with* all those elements removed. And these controls are unlikely to be removed as we are not in an emergency situation, given that Alderney runway will continue to be maintained to ensure good working order, as happened in Guernsey during our similar period of planning.

3175 I, therefore, agree with the view of Deputy St Pier contained in his recent correspondence, that the measures in this Billet are unlikely to result in any delay and I would possibly go further and say that it is difficult to conceive that they could, in fact, occur before 2017 at all. There was a presumption on Alderney's part that the failure to proceed with works in 2016 represents a likely failure, therefore, of the existing runway, but that is not the case. There are annual structural surveys of the runway at Alderney, daily inspections, routine maintenance; and that will continue for as long as it takes for the associated necessary investment into maintenance throughout.

3180 This is precisely what happened at Guernsey through the period of planning and something airport staff can, and will, do their utmost to maintain. Guernsey's was a deteriorating runway but this was managed through careful maintenance. Alderney's runway will similarly be maintained to ensure its continued suitability in the run up to the major works currently being progressed through the SCIP process.

3185 Now, PSD will live by the decision of the Assembly in this regard. We are not vehemently opposed in particular to this amendment, as this amendment is unlikely to result in any material change and its successful culmination would result in little more than a message of support to Alderney, albeit a rather meaningless one.

The Bailiff: Deputy Kuttelwascher.

Deputy Kuttelwascher: Thank you, sir.

3200 I agree with everything Deputy Ogier said and, I do not wish to upset Deputy Lester Queripel, but one thing he does not realise and that has not been said, is that both the Trislander and Dornier 228 can land on grass! They do not need a hard runway. So if, for some unforeseen reason, the hard runway was to be closed, the Dornier 228 can land on grass. So it is not quite the end of the story for air services to Alderney.

3205 Thank you, sir.

The Bailiff: Deputy Gollop.

3210 **Deputy Gollop:** Sir, I know you are, quite rightly, trying to keep us from straying too far from the main topic, but it is interesting that if you mention biodiversity in Alderney, I believe the rabbits on the runway are one of the reasons why the runway has suffered a fair amount of damage over the years. And we know too that the Joey planes are an endangered species – apparently one has turned up in the latest James Bond film! But I wonder if the Dornier range will be as able, as Deputy Kuttelwascher says, in landing on grass.

3215 But I hardly think that should be a template. The issue here is not whether they *can* land on grass but whether that might be the situation for several weeks or months at a time. And it is discouraging to hear Deputy Ogier say that even if we had the money in the bank tomorrow, we could not move ahead with the project. Maybe our SCIP processes are too lengthy, too bureaucratic and are getting in the way of our development as a community. And, moreover, we sometimes do have to move potentially quickly, because we have to face a situation here – it is almost a constitutional situation as well as a political one. Here we have a sister parliament, the States of Alderney, or at least their Representatives, very concerned about strategic links to the Airport and their Island, and that they very much want to see proactivity on our part to ensure the runway is fit for purpose.

3225 And we have been looking at these issues really since the days of the late – and, in a way, much lamented – Mr Paul Arditti who successfully galvanised, I think, the States to look at these concerns; and yet here we are, a fair time in, and we have not seen action on the runway. The Island's infrastructure and economy and future progress very much depend on this being prioritised. I think in the past – I am not criticising Deputy Ogier here or his new board – but maybe the Public Services Department put this to the back burner a bit and did not move it forward when they could have done.

3230 I think we should make every effort to support this amendment. When Deputy Bebb raised concerns about its detailed information, really it is little different in construct from the Education amendment that we supported. The Education amendment had an explanatory note that was clearly influenced by work from Income Tax and Treasury & Resources. This does not; this is more focused on Alderney. But, effectively, I would imagine the outcome would be more or less the same in the way it is phrased; and we have heard from the Representative that perhaps an indicative cost of £10 million is fair.

3235 Now, if we assume that the project will be supported at some point, we are not, effectively, committing more money than if we allowed the project to slow down, but what we are doing is carefully listening to Alderney, but also perhaps spending to save because the consequences of ignoring Alderney are obviously there.

3240 When I attended the St Peter Port meeting last night, we had one or two cautious words – I think from Deputy Domaille perhaps and others – but there were certainly some supporters of Alderney. One Douzenier with Alderney family roots supported it on those grounds, but other people supported it because of a need for this Assembly and the next Assembly to refocus their political interest – a bit like the UK Government is currently doing – on infrastructural capital development, rather more than what they consider to be excessive expenditure on, let's say, staff salaries, services or processes. Those points were made, but I certainly think Alderney will be even more of a potential liability to Guernsey unless we support their community on both a social and economic level and that includes reinforcing their principal transport link to the world.

3245 **A Member:** Hear, hear.

3255 **The Bailiff:** Yes, Deputy Perrot, I think, was wanting to speak. Deputy Perrot and then Deputy Langlois.

3260 **Deputy Perrot:** Alderney Representative Jean is a credit to his Island, (**Several Members:** Hear, hear.) as – and I would not want him to be left out – is Alderney Representative McKinley. They grace their offices. One of the great things about them is that, unlike a number of speakers

from Guernsey, they speak comparatively rarely but when they do they make, generally, a lot of sense.

3265 So I am sorry to say that I think Representative Jean is so wrong in coming up with this particular amendment, because I applaud the sentiments underlying the amendment – indeed, I applaud the sentiments by anybody who has an interest in one of these projects. Everybody wishes his particular project – or her particular project – (*Laughter*) to be ring-fenced, but in my view that is irresponsible Government.

3270 And loathe, as I am, to agree with what my good friend Deputy Trott has to say when he is in his little Arthur Askey (*Laughter*) cheeky chappie mode, but we all have to bear in mind those figures which do appear on page 6 of this Billet and what he did say about that was dead right.

3275 But could I just add something: if we have a system of priorities, that system has always got to be re-examined, because priorities could well change over the years and we never, ever know what is round the corner. This is not a capital matter, but whoever would have thought that we would be forced into Zero-10 by Europe. That was something that we had no expectation of. Now that is a revenue matter but it is exactly the same with capital matters.

3280 Who is to say, for example, that suddenly the UK might say, 'No, you cannot send your undergraduates to universities in the United Kingdom and we suddenly have to build a university in Guernsey. Who is to say that, all of a sudden, the Civil Aviation Authority is not going to say that Airport – never mind the runway, the whole of the facility – at Alderney is not fit for purpose and you will have to build something entirely different.

3285 I strongly suspect that all of these projects will pass muster but I cannot know that. If I had a chance, I would like to be saying, 'Okay, let's ring-fence the project which is all about the strategic improvement of coastal defences'. Why do I say that? I say that because there are large parts of Guernsey which are in danger, actually, of being flooded if that does not go through. Likewise – I can speak about it because I know about it – we ought to be ring-fencing the cremator project, because we are in such a powerless position at the moment with our equipment that if we do not do something in the future, we are going to be in a mess – we are going to be in a deadly mess! (*Laughter*) So we can *always* construct ring-fencing arguments, but I repeat myself when I say that is irresponsible Government.

3290 Deputy Lester Queripel says Guernsey needs to help Alderney to prepare for success. Fine – a very worthy sentiment. I do not think anybody would disagree with that, but any capital project relating to Alderney has still got to be reassessed against a new potential round of priorities because we do not know what is around the corner. We have a prioritisation process; we ought to stick with it. Sticking with it means that we have to re-examine it from time to time.

3295 Just building on something which Deputy Kuttelwascher, our ex airline pilot, has to say about Trislanders and Dorniers being able to land on grass – that is dead right but they can also land on beaches, I understand, (*Laughter*) as they do up in Scotland! I am not for a moment suggesting that we try that in Alderney because I think that the length of beaches up there probably would not accommodate those aircraft, but it is a thought.

3300

The Bailiff: Deputy Langlois.

Deputy Langlois: Thank you, sir.

3305 I would just like to start by thanking Deputy Gollop this afternoon for the wonderful thought of Joey planes as a contribution to biodiversity. It has made this afternoon worthwhile.

3310 I felt a slightly repetitive point, especially having followed what Deputy Perrot said, in terms of where we need to go with this amendment... I felt I had to speak as Chair of the Alderney Liaison Group – the group between the Policy Council and the Alderney States – and that group and its Policy Council Members, I am quite sure, will continue to support any steps needed to support the economy and remove risk from Alderney. And I think we have made significant progress over the last year to 18 months on that.

3315 However, for exactly the same reasons as I outlined for the College of Further Education amendment, I will be opposing this. It was reinforced by what Deputy Trott said earlier. T&R Prioritisation Process must prevail alongside the detailed and constant risk assessment which Deputy Ogier has outlined to be undertaken by Public Services.

So it is with huge regret that I need to just give advance warning of that because of the position on the other committee.

3320 **The Bailiff:** Deputy Paint.

Deputy Paint: I must have missed a bit –

The Bailiff: Can you put your microphone on?

3325 **Deputy Paint:** What I was going to ask, although I must have missed what Deputy Ogier said earlier... We all know that Alderney is very dependent on its Airport. We also know there is more than one runway, so I have really only got one question: what chance is there of the Alderney runways being condemned by the CAA or any other licensing authority in the very near future? Perhaps somebody could answer, but I really do not know who could.

3330

Deputy Ogier: The Alderney Airport runways are fit for purpose and, as long as they continue to be so, there is no need for them to be condemned; and they will continue to be so because they will be maintained adequately and suitably.

3335 **The Bailiff:** Alderney Representative McKinley.

3340 **Alderney Representative McKinley:** Sir, we are slightly concerned about the way this debate is going at the moment I detect a deep sense of disappointment, certainly here anyway... and that something we have all worked for, jointly together, over the last years – and I was not in the Assembly then – but we got a lot of support and continue to get a lot of support from a lot of States' Members here and there has been an awful lot of work done on this issue.

3345 But we continue to feel a sense that we are not addressing the steadily declining and increasingly rapid deterioration of our main runway. It is a level of risk that would not be countenanced here in Guernsey and we do not even have the fall back option of a ferry service. Actually I read recently in the *Press* here that people are even complaining about the possible weak transport links in Guernsey. If they are weak in Guernsey, they are certainly weaker in Alderney!

3350 Frankly, there is no more credibility in the protestation from PSD that everything is satisfactory and that their emergency plan, which in the event of a major failure would be to send Ronez to restart the batching plant that they would not use last year because it was broken and so they cannot use that plant, it is not operable. So those protestations are really not sustainable.

3355 I am very grateful to the 14 Deputies who came across to Alderney in the last few months. Most of them have seen and understand our real concerns about the Airport. And whilst the arrival of the Dornier is positive news, they do bring with them new risks on our temporarily narrow runway, of indeterminate load bearing capacity which, if the Budget proposal goes through unchanged, will last for another two or possibly even three winters.

3360 I have no wish to dramatise or over-dramatise the situation, or alarm people with safety fears, but the risks are real and can no longer be ignored, however difficult the financial situation. I will just go over them, if I may, just once more. There are three key issues concerning the runway: the surface condition, the width and the lighting.

The condition of the surface is very poor, with patching over a number of years and large volumes of loose stones being swept off daily. Ronez declined to do patching repairs this autumn

as they believe it is too risky to disturb the surface without larger supplies of material, which could only come from their batching plant and that batching plant has not been used for four years.

3365 There is currently no pavement classification number on the runway, which is an absolute necessity, and that actually reflects the load bearing capacity of the runway. Colin Le Ray says they will do the testing this year. Dornier's, incidentally, have a classification which requires a pavements classification number six, which the Civil Aviation Authority might, tomorrow, turn round and say, 'You have no pavement classification. Therefore, you cannot land on that runway.'

3370 It is quite possible – and the Civil Aviation Authority was over about two weeks ago. We have not heard back from them yet.

The Dorniers weigh more than the Trislanders and, when fully operational and fully loaded, will exert greater pressure on the runway surface. Now, I think when fully loaded – and we have heard this actually from Aurigny... and I therefore counter Deputy Kuttelwascher's statement that they can land on grass. They could probably land on dry grass fully loaded, when everything is fine and dandy, but when it is winter, it is wet, it is sodden they are going to have problems. And all we have to have is a Dornier landing fully laden at 100 miles per hour, touching down when the pilots at night cannot see the runway, because the runway width has been reduced from 23 metres to 17 metres, it just has to make a hole in an already fragile surface and we could have a very serious accident That is a true reality that is where we do stand. In dark conditions, as I say, the runway lights have to be moved. We did have an accident a year or so ago when three of the lights were taken out.

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3380

Undoubtedly, Guernsey has budgetary problems but they are taking unacceptable risks with the Alderney airfield and the amendment proposed would ask that this item be removed from the list of projects to be deferred. The project hardly represents the improvement; it would restore the main runway to its original 23-metre width with a new full surface width and length.

3385

I am sorry but this proposal is not greatly supportive or appears not to be greatly supportive of Alderney. I am enormously grateful – we are both enormously grateful, we are all enormously grateful – for what Guernsey does for us but this airfield is our lifeline; without it...

3390 We are not asking for money, incidentally. Of course it is going to cost and it was agreed that we would do this. We do not know the exact cost but I hope, actually, that perhaps by the end of the afternoon we might know, because I am sure they are on record somewhere. But if we delay this further it may actually cost us slightly more. So, in effect, Deputy Jean's amendment and the one that Deputy Hadley will be supporting also, is actually possibly going to save some money.

3395 Finally, I will just remind you of a mention that Deputy St Pier said this morning – a reference to a failing economy in Alderney. Please consider the consequences of a negative review by the Civil Aviation Authority. The consequences of runway closure, even for a short period and, more dramatically perhaps, the consequences of an accident and/or possible injury or worse, are we will go from being a failing economy to a *failed* economy.

3400 Thank you.

The Bailiff: Deputy Conder.

Deputy Conder: Thank you, sir. I will be very brief.

3405 I was one of the Members of this Assembly who accepted the invitation to visit Alderney in July and, indeed, I am a complete lay person in terms of being able to assess the state or standard of a runway or tarmacadam surface. But we were shown it and I did see the problems and the cracks and the pitting of the runway. In fact, I had rather longer than I might have expected because an aircraft was coming in and the fire vehicle we were in went off without me so I had a few more seconds to examine at close quarters the standard of the runway. They might have been trying to send a message to me but they did come back.

3410

It is in a shocking state – that is all I can say as a lay person. The width is reduced by overgrowing and the lights in some cases do not appear to be satisfactory, but the surface is the thing that I recall. I suspect if it was a motorway it would be closed.

3415 I cannot speak with authority but, for me, the reason I will support this amendment, and I would urge colleagues to, actually is the reverse of what my friend Deputy Langlois said a few moments ago: he said, or I think he said, this is the same argument in terms of the one we have just had about the College of Further Education and actually I agree, but I think for different reasons.

3420 I think it is the same argument because Alderney needs some certainty. The Budget has effectively, unilaterally taken these projects out of the list that they were previously in and there is huge uncertainty in Alderney at the moment. And, as our colleagues have said – most of our Alderney colleagues have said – most particularly about the quality of the runway and its efficacy. And this project will have to come back, just in the same way as the CFE will, to this Assembly for final approval.

3425 So in many ways I do not see what the great nervousness is in terms of allowing this back on to the list. Alderney and Alderney Representative colleagues need certainty in just the same way as the leaders of the CFE need certainty. So I would urge colleagues, simply on that basis... none of us can really make a judgement about the state and standard of the runway. I have seen it but I cannot tell you with any expertise as to how many years of life it has got left; it just looks to be in a poor state to me. But it is about certainty; it is about allowing this project to continue and particularly our colleagues here and the fellow members of our community in Alderney to have some certainty that this project will continue to the next stage.

So I would urge the Assembly to vote in favour of this amendment.

3435 Thank you, Sir.

The Bailiff: Deputy Hadley and then Deputy Fallaize.

3440 **Deputy Hadley:** Mr Bailiff, it is difficult to add very much to what the Alderney Representatives have said. They made an excellent case, I think.

The worry for me is that if these are taken out of the project now and this amendment is not supported, the project has to go for prioritisation along with other capital projects which might be put in the melting pot for the next Assembly. The next Assembly might not understand the urgency of the repair of the runway in the next Assembly and, indeed, the closure of the runway would be catastrophic. The cost of airlifting medical patients alone in and out by helicopter is something which is too horrendous to think about.

3445 So, in many ways, supporting this amendment does send a signal to Alderney that we are concerned about the runway and ensures that it is not put further down the line.

3450 **The Bailiff:** Deputy Fallaize.

Deputy Fallaize: Thank you, sir.

3455 There have been speakers who have said that Treasury's proposals must prevail in respect of prioritisation, but the States have already voted by a very substantial majority to take the College of Further Education project out of the list on page 42 and to afford it greater priority than Treasury proposed. So I think, with all due respect to the speakers who have made that point, that the line has already been crossed.

3460 In reality, I think, possibly unlike the College of FE project, this amendment actually does not make all that much difference in reality because there are so many stages, as Deputy Ogier said, for this project to pass through before it can proceed to requesting a capital vote. Now, that could be read either way. One could say well there is therefore not very much point in voting in favour of the amendment, but one could say, well, it means the amendment really is not all that risky; and on balance I think I take the latter view because of the message that this would send to Alderney. There is no question –

3465 I will give way to Deputy Bebb.

Deputy Bebb: I thank Deputy Fallaize for making the point that I have been thinking about, but would he agree that there is also the danger of us just voting in favour of this amendment in order to give us a feel-good factor that would send the wrong signal when nothing happens?

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The Bailiff: Deputy Fallaize.

Deputy Fallaize: No. *(Laughter)* And I have now lost where I was. It serves me right for giving way to Deputy Bebb!

3475

No, I think that the message that would be sent out to Alderney is important. There is no question that if the amendment is lost and the project is put into the next phase of capital prioritisation, with the degree of uncertainty that brings, that will be understood in Alderney as the States having deferred the rehabilitation project. That may not be how it is meant by the Treasury, it may not be how it would be meant by the States, but that is how it will be interpreted.

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And what Deputy Perrot said about the two Alderney Representatives is quite right: they are very articulate and forceful advocates of Alderney here, but they also are when they go back to Alderney. And I think the message that we will be sending them back to Alderney with, in reality – even though we may not mean it – will be that the rehabilitation project is deferred and it may not proceed, because it will have to come to another States, it will be post the General Election, and I just do not think that is a message that we should send back to Alderney. **(A Member:** Hear, hear.)

3485

Now, in the case of this particular project, in reality it does not make much difference because of the number of stages of this project that it has to pass through. And so I think we can vote for this amendment without incurring great risk to undermining the capital programme of the present States or the capital programme of future States.

3490

Thank you, sir.

The Bailiff: Deputy Lowe.

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Deputy Lowe: Sir, I wanted to err on the side of caution really because some of the messages coming out in these speeches concern me. I mean Alderney is trying desperately to get more people to visit them – rightly so; we all support that – and yet, listening to some of the speeches today, would I really want to go on a plane and land in Alderney at the moment? Because there are some pretty scaremongering speeches about the runway and I am sure the Minister for PSD or, indeed, Alderney Representative Jean will be able to give me some comfort that it is checked annually because they all have to be checked by the Civil Aviation.

3500

So this Airport runway is actually safe; it might not be in the best of conditions but there are probably lots of airport around the world that have got runways that might not be in absolutely pristine condition. But it has to pass regulations. As I say, I am sure it is annually that it has to go through all those tests.

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If there is a light that has gone out – well, there are so many light bulbs that go out in this place but it does not mean to say we stop operating – we continue and I am sure if there have been light bulbs that are out, they will be replaced, because they have to! I am going to ignore the mutterings from behind me, yet again. *(Laughter)* but I really do think... it really concerns me that there is an awful lot of emotion about this. Yes, it would be great to get that runway done and I do appreciate it does need repair, but be very careful on what is actually being said in these speeches because some of you are indicating that actually there is no way people should be going on a plane and landing there because it is not actually safe at the moment. So I ask for Members to think about what they are saying when they speak.

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3515

The Bailiff: Deputy Inglis.

Deputy Inglis: Thank you, Mr Bailiff.

3520 I have a lot of sympathy with what has been said this afternoon. I think the most critical thing that needs to be considered by T&R is that at the IoD Conference, you clearly stated that support through tax breaks were going to be given to high net worth individuals setting up home in Alderney. Now, how on earth are they going to get there and how on earth are they going to get off the Island. These individuals *will* rely on good air links.

3525 Now, I am certainly concerned that if we kick this can further on down the road, we will more than likely put a real nail in the coffin of Alderney. Alderney has to be considered. We are well aware of the things that are going on there, but the most important thing is connectivity; and the connectivity within that Island seems to be lacking and it seems to be getting worse and worse.

3530 Whilst it is not an ideal way of dealing with things, we have got to stop kicking this proverbial can down the road. So I ask Members to support this amendment and let's get on with the job in hand.

Thank you, sir.

Alderney Representative McKinley: Just a question, sir, actually, really –

3535 **The Bailiff:** You have already spoken before, Alderney Representative McKinley.

Deputy McKinley: Well, I am just going to mention about the nail in the coffin –

3540 **The Bailiff:** Well, you cannot ask him to give way because he has sat down I am afraid.
(Alderney Representative McKinley: Sorry.) (Interjections)
Deputy Bebb.

Deputy Bebb: Thank you, Monsieur le Bailli.

3545 Just very briefly, I would appreciate at the end of this debate whether the Minister for Treasury & Resources or Alderney Representative Jean could give an indication as to a more accurate figure than what we had earlier on, of either £5 million or £10 million or maybe more. I think that we really do need to have a more accurate figure.

3550 Also, I would appreciate an outline from the Treasury & Resources Minister... were this amendment to be passed or failed, what are we talking of in differences in regard to delivery?
Thank you.

The Bailiff: Deputy Dorey.

Deputy Dorey: Thank you, Mr Bailiff.

3555 As a Member of PSD, I think Members have not listened to what Deputy Ogier said. Whether this project, this amendment, is successful or not, it will make no difference as to when this project goes ahead. It is not sufficiently far advanced to go ahead, ahead of the proposed date for the capital prioritisation debate in 2016.

3560 So what difference will this amendment make? Well, what it will do is that there will be £10 million or so greater commitment of the existing Capital Reserve, so instead of where we have got commitments now of £160 million out of £185 million to £190 million, we will have a commitment of £170 million out of £185 million to £190 million; and it will mean that this project will then not be subject to a prioritisation debate in 2017.

3565 Because I presume that if we say – and perhaps Deputy St Pier will clarify this – this project is going ahead, although it will not be started, I presume that it will then be said that it will not then be in competition with the other projects that the States will consider in 2017.

So that is the difference. What you are potentially saying by proposing this amendment... you are saying, 'We want to go ahead with this project without seeing what other projects there will be to consider when we do the capital prioritisation debate in 2017,' but you will not advance this

3570 project. From the information that I have been given, that is just not possible and I think Deputy Ogier clarified that very clearly.

Thank you.

The Bailiff: Deputy Sherbourne.

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Deputy Sherbourne: Thank you, sir.

Alderney is in crisis – have you noticed? Those of us who attended the presentation by Professor Wood made that very clear and indicated that if we were not careful we would go down the same route. Now, I think that should focus our thinking with regard to the support that we offer Alderney. And who I would like to hear from are Members of the Alderney Liaison Group sitting here today and the position that they find themselves in with regard to this particular amendment and support for Alderney.

3580

Thank you.

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The Bailiff: Deputy Brehaut.

Deputy Brehaut: Just very briefly, sir.

I wanted to be cautious about sending out a mixed message here, because we have T&R later in the Budget talking about incentivising people to move to Alderney by lowering the cap, and if we are saying we want people – we used to call them ‘rich’; I think they are called ‘people of high net worth’ these days because it is considered to be proper, but if we want people – to invest in Alderney what signal, what message, are we sending out to them to say that, ‘Bring you, your family, your wealth, your skills to Alderney, but the wetland reserve that you quite like is actually the runway!’

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I just think that is a very... we do not want to give those sort of mixed messages out. So if we are saying we are going to invest in the community and we want people to *literally* invest in that community, then we need to send a strong signal out today because Alderney does need a bit of a shot in the arm of confidence at the moment.

3595

Thank you.

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The Bailiff: I see no-one else rising.
Deputy St Pier.

Deputy St Pier: Thank you, sir.

3605

Perhaps I could just address the financial consequences of this amendment first and I agree with Deputy Gollop’s analysis of 15(2) – the omitted information on the amendment from 15(2).

In essence, there are no financial consequences for this amendment if it goes through, because the project is so early in its development that, either way, the same expenditure is going to be incurred on the development of the project.

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Deputy Bebb asked for a more accurate estimate of the cost of this project and it is very difficult to provide because, again, as I say, the indications are very early. I think the initial analysis by the Public Services Department was looking at the range of options from ‘do nothing’, i.e. zero, to ‘do an awful lot’, which I think was £18 million from memory. The preferred option is the one that is referred to in the Budget Report, which is £10 million.

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Deputy Trott’s point in relation to the beginning of this particular mini debate, in relation to the impact on general revenue as a result of the last amendment and this amendment, and Deputy Dorey intervened on that. In a sense, they are of course both right because there will not be any immediate increase to the Capital Reserve as a result of either the last amendment or this next amendment. *But* I think the point that Deputy Trott was making – and making well – was that clearly, to the extent that funds are spent out of the Capital Reserve, that has to be replenished

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from general revenue if we are going to undertake other projects – unless of course we do not undertake other projects, which is the whole purpose of prioritisation.

3625 Deputy Inglis and Brehaut made the same point really, which is in relation to high net worth individuals: they need to have connectivity; are we sending out mixed messages; and are we kicking the can down the road? And Deputy Sherbourne said that the Island is ‘in crisis’. Again, I think this is really the fundamental point about this amendment: it will make no difference to the timing of this project – which is exactly what Deputy Ogier said. And I think, contrary to Deputy Fallaize’s point in relation to the messages that we are sending, I think Alderney Representatives McKinley and Jean are operating under a misunderstanding that if this amendment goes ahead
3630 then the runway will go ahead.

That is far from certain because the whole process has to run its course and I am concerned that, indeed, we would be sending mixed signals to the community and beyond which we may be unable to deliver – which I think, in essence, was Deputy Bebb’s intervention on Deputy Fallaize’s point.

3635 I mean the amendment is based on a mistaken premise. The explanatory note says that the amendment is to prevent the further deferral of the Alderney Runway Rehabilitation Project, but our proposals make absolutely no difference to the timing of the delivery of the project, and I am grateful to the Minister for Public Services for confirming that.

3640 And they certainly will not defer the project by – as it says in the explanatory note – at least 12 months. The timing of this project is entirely in the hands of the Public Services Department and my understanding is that it is nowhere near ready to submit their outlined business case yet.

So sentiment might encourage us to support this amendment but logic certainly does not and it should be rejected, sir.

3645 **The Bailiff:** Alderney Representative Jean will reply to the debate.

Alderney Representative Jean: My, I have written some down this time! (*Laughter*) Let’s see if I can get to the beginning of it all. Ah yes, Lester Queripel enjoyed the visit. ‘Alderney people – they pay taxes.’ You are quite correct. He learned a great deal and was more fully informed when
3650 he left. I am grateful for his support. He stands by his decision and is going to support our amendment. He admires the efforts going on in Alderney and I must admit, even for myself, at those presentations I am pretty pleased by a lot of what is going on in Alderney at the moment. There are some good things happening and the Alderney community is, without doubt, trying hard.

3655 There is a new business there: the money laundering and that is setting up and that is very true and we are very lucky – (*Laughter*) Did I make a mistake there? (*Laughter*) The *anti*-money laundering! (*Laughter*) Correct! There we are, I will correct myself. Very funny! We are not going in for money laundering in Alderney, okay! (*Laughter*) Of course that was before he saw the runway and, basically, yes he is right and he asks for support and I thank him.

3660 ‘Tender for a supply of material and we have to outline a business case’ – Deputy Ogier. ‘Detailed preferred option’ – yes, these things take time and some of you may say that we made a mistake with our amendment, but I do not agree. We did talk about 2016 and this thing does need to be raised and highlighted in its importance, if nothing else. If absolutely nothing else, that needs to be reinstated in this Assembly! It is really important.

3665 ‘Kicking the can down the road’ – yes, well, I agree, it can be viewed that way and it is of concern. Deputy Kuttelwascher – well, I can probably pass him by in saying he agrees with Deputy Ogier. Deputy Gollop – ‘move more quickly and concerned about strategic links’. And, yes, Paul Arditti and myself did a lot here to galvanise the Guernsey States into action. He agrees that the amendment should be supported. And he also feels that PSD placed Alderney airfield on the
3670 backburner. ‘The project will require support and time’ – there is no doubt about it. What is interesting as well is the support that he saw at the Douzaines for Alderney. ‘Money to be saved’ –

yes, I agree; it is probable that money would be saved by re-aligning in line with our own road programme.

3675 Deputy Perrot, I thought your words were very heartening about our contribution to this States, even if you were not quite as supportive as I would have liked. But I am very grateful for those kind words and so is my colleague. You know, he says 'coastal erosion, coastal defence'. Yes, it is all important, I agree – very important. Nobody would ever want any flooding around Guernsey or anywhere else, for that matter. But, going back to the runway, it is our roadway to the world; it is crucially important to us.

3680 'Planes and Dornier's can land on grass' – yes, if it is not wet, is what I would say. The weight is different; they are heavier. They are not as suited to the grass runway. Maybe they are fine in dry weather.

3685 'Alderney Liaison Group support and assist' – Deputy Langlois. He will oppose the amendment... priority list and assessment, must vote against. Well, I understand but this indeed would, you know, send a good message to support this amendment to Alderney that it is coming and it will happen. Mr Paint, 'what chance the runway could be condemned?' Mr Ogier – 'runways remain fit for purpose'. Well, as I have said already and I do not see any argument against that, three years down the road – which is the probable outcome of this, which would mean if you wanted to save the money and be in sync with our own road programme, you are talking about 3690 2018... That is your risk. That is your risk, truly – and I mean that.

My colleague – I have the opportunity and I am just going to congratulate him for what I thought was truly an excellent speech. Well done and thank you. Thank you very much for that.

(Alderney Representative McKinley: Thank you.)

3695 Deputy Conder, I would also like to thank you for your tremendous support. 'Alderney needs the certainty' – you are quite right and the project *will* have to come back urging support. 'If it was a motorway it would be condemned' – thank you, yes, you are quite right.

Deputy Hadley – 'Alderney Representatives have put a good case. If it does not get done it will get put into the next Assembly. Support the amendment!' Excellent! Thank you very much, Deputy Hadley, and thank you for seconding with me.

3700 Deputy Fallaize – again very interesting observations. 'It does not make that much difference... takes the latter view... if the amendment is lost, looks like... wrong message.' Thank you for that and I quite agree. You make a lot of sense. I quite agree and I hope that many of you will vote for this amendment – and enough to get it through. Even if – *even if* – it is only to send a message to Alderney how seriously you take it. I understand the processing and, I mean, perhaps it has been 3705 put on the back burner but at least it will take you take the pan and put it on the front burner and that has got to be good – that has got to be a good message.

Deputy Lowe – 'concerned about the state of the runway.' Well, we are too and the message there would be, for me, that we are concerned enough to have brought this amendment. That is what it is all about.

3710 Deputy Inglis – 'High earners cannot get there... kick the can down the road. Connectivity getting worse and worse in Alderney.' Yes! Yes, it is true and these things have to be addressed, along with the airfield – and the quicker the better. Thank you for that very supportive speech.

3715 Mr Bebb asked for more firm costings. I think we got the answers to that, for which I am grateful, from Deputy St Pier. Deputy Dorey – 'if we said yes although not started, we would want to go ahead... not to pass to advance the project' – so not supportive, but never mind.

3720 Deputy Sherborne – 'Alderney in crisis. The lecture by G Wood and the article that we all saw in the *Press* and the presentation here. We must support.' I am grateful to him and I think him for those words. Deputy Brehaut – 'support... a shot in the arm for Alderney' – my thanks for that. Deputy St Pier agrees with Deputy Gollop – 'impact on general revenue, points made, capital spent out.' He believes that it will make no difference and that we made a mistake in placing the amendment and under a false premise. Well, no, I have to disagree there. I do not believe it was under a false premise. The amendment is brought in in good intent and is no mistake, certainly,

by Alderney; and the Alderney States themselves have met to discuss this and it is generated from the Alderney States and we are just bringing it through it here. So it is not a mistake.

3725 Who have I missed? I think I am there.

What I would like to say in conclusion is to thank all of you, generally, for your remarks and to those who have spoken in support; and I would like to ring out and see that message of support for Alderney. It is a serious thing, it is our gateway to the world and it is very important to us. If we had another it might not be so bad, but our airfield and our connectivity could be badly affected by this and there is the probability of a three-year delay, and it is not quite as it says in the Guernsey Billet, unless the Guernsey States is willing to pay for the mobilisation of Ronez, but at least this will pull this forward onto the front burner as well. It is an important message to send – a good one. Please vote for the amendment and thank you, sir, for my time.

3730 Thank you.

3735

The Bailiff: Right, in that case, we come to the vote on the amendment proposed by Alderney Representative Jean –

3740 **Deputy De Lisle:** Could we have a recorded vote please, sir.

A Member: A recorded vote, sir?

3745 **The Bailiff:** I was waiting for that. There is a request for a recorded vote. *(Laughter)* The amendment proposed by Alderney Representative Jean and seconded by Hadley. A recorded vote.

There was a recorded vote.

Amendment 6:

Not carried – Pour 27, Contre 15, Ne vote pas 1, Absent 3

POUR

Deputy Le Clerc
Deputy Gollop
Deputy Sherbourne
Deputy Conder
Deputy Bebb
Deputy Lester Queripel
Deputy Le Pelley
Deputy Trott
Deputy Fallaize
Deputy Laurie Queripel
Deputy Lowe
Deputy Collins
Deputy Green
Deputy Paint
Deputy James
Deputy Brouard
Deputy De Lisle
Deputy Burford
Deputy Inglis
Deputy Soulsby
Deputy Sillars
Deputy Quin
Deputy Hadley
Alderney Rep. Jean
Alderney Rep. McKinley
Deputy Harwood
Deputy Brehaut

CONTRE

Deputy St Pier
Deputy Stewart
Deputy Gillson
Deputy Le Lièvre
Deputy Spruce
Deputy Dorey
Deputy Le Tocq
Deputy Adam
Deputy Perrot
Deputy Luxon
Deputy O'Hara
Deputy Kuttelwascher
Deputy Domaille
Deputy Langlois
Deputy Robert Jones

NE VOTE PAS

Deputy Ogier

ABSENT

Deputy David Jones
Deputy Duquemin
Deputy Wilkie

3750 **The Bailiff:** Members, if I can have your attention, the result of the voting on the amendment proposed by Alderney Representative Jean, seconded by Deputy Hadley, was 27 votes in favour, with 15 against and 1 abstention. I declare the amendment carried.

The next amendment is to be proposed by Deputy Langlois and seconded by Deputy Le Tocq. I understand it is a short opening speech, it is not opposed by the Department and I suggest that we see how far we can get with that this evening.

3755 Deputy Langlois.

Deputy Langlois: It is a short proposition from a short proposer, sir. *(Laughter)* Do we need to read the –

The Bailiff: Only if you wish it to be read.

Amendment 7:

In Proposition 8, to substitute '10 years' for '5 years'; and in paragraph 2 of the Sixth Schedule incorporated in that proposition, for '2020' substitute '2025'.

3760 **Deputy Langlois:** I hope that people have read the amendment, sir, and it is indeed a very simple amendment.

If Members would turn to pages 134 and 135, it is simply a matter of changing a five-year period into a 10-year period, with the two small number of changes that are outlined in the amendment.

3765 I believe that Treasury & Resources will be supporting the amendment and I also believe that the Alderney Representatives are happy with this, although they are in some doubt about the major significance of it, but nevertheless it is going in the right direction.

3770 But, sir, the only thing I would say is that if we approve this amendment, please do not regard it as any sort of single answer to Alderney's economic problems and please do not regard it as a major precedent within the serious fiscal decisions that have to be made about the fiscal union in the coming few months.

3775 T&R have already made the case for what we are proposing within the Propositions; it is simply the length of time for which the Proposition should last. It is a prudent extension to it, that should give the right message to those who are thinking about moving in and make any incentive that is already there more attractive.

Please support this amendment.

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

3780 **The Chief Minister (Deputy Le Tocq):** Yes I do, sir.

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

Deputy St Pier: I do, sir.

3785 As you have indicated, sir, we will be supporting this. The initiative is intended to be a 'no cost' measure to encourage high net worth individuals to move to the Island, with of course resulting benefits both directly to Alderney through the positive impact on their economy and, of course, to the wider Bailiwick through new income tax receipts. It can only possibly be net positive, if anyone takes up the opportunity.

3790 The extension of the initiative to 10 years, as proposed in this amendment, from five, will give more certainty and confidence to those considering moving to the Island and therefore we support it, sir.

The Bailiff: Deputy Bebb.

3795 **Deputy Bebb:** Thank you, Monsieur le Bailli.

I am generally rather concerned in relation to all these Alderney amendments. Nobody is in any doubt as to the current state of the Alderney economy; it could not escape anybody's notice as to the fact that something needs to be done, but in that desire to just do *something*, my fear is that we are having a scattergun approach towards Alderney and yet there is no evidence to show that these measures would be in any way effective.

3800 I think that in relation to this amendment, it is quite possible that because the Department supports it, of course it will be approved. But in what way, at the end of 10 years will we have confirmation as to whether it has been effective or not? In relation to all the other amendments, there is no coherent approach.

3805 Now, from my understanding, there is a paper due to the States before the end of this term, outlining a financial prospect in relation to Alderney – the approach that we should take in a coherent manner. I question, therefore, whether it is appropriate to, once again, be passing certain things in this Budget when actually what we need is to understand that coherent approach before we go and tinker at the edges, which is what this feels like.

3810 I have no doubt that I am speaking for no particular reason here, in a way, because this will be passed, but it does go to show that the futility of actually having an amendment with no understanding of whether or not it will be effective, no understanding as to how well it will be received in Alderney, and no understanding as to the economic benefits that Alderney may receive from having someone who may be resident there, conduct all their business and all their purchasing outside the Island, which is perfectly possible.

3815

Thank you.

The Bailiff: Deputy Trott:

3820 **Deputy Trott:** Sir, two questions – which would have been better placed to the Treasury Minister who has already spoken, so maybe someone else in his Department could answer as part of the debate.

The question is this: does this only impact on new residents or does it capture current residents who might see their income rise in such a way as to be captured? I ask this question for this main reason: if a current Guernsey resident chose to move to Alderney and become resident in Alderney, would they be able to take advantage of this obvious tax advantage? If the answer to the second question is yes, we need to be very careful indeed.

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The Bailiff: Does anyone else wish to speak? No, in that case... If anybody does wish to speak will you please stand. I think a few people are looking at me and I do not know if they are looking at me in the hope that I am going to wind up the debate or – (*Laughter*)

3830

Alderney Representative Jean.

Alderney Representative Jean: Thank you, sir.

3835 It is my understanding with this amendment that it is the possibility of extending it to 10 years from five years. I think that is good; that would do some good. I am grateful for this, because it might encourage some higher earners to come and live in Alderney and I think that is important. I think also in the future, as well, we have to look at something with regard to the population there itself – to the actual population existing in Alderney – to encourage back the working families. But this is very good; this will help. I am grateful and I thank you for it and I shall support it.

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The Bailiff: Does anyone else wish to speak? No, in that case, Deputy Langlois will reply to the debate.

3845 **Deputy Langlois:** Thank you, sir.

3850 I take the point made by Deputy Bebb earlier, that the question of evidence... 'Evidence-based' is one of my least favourite phrases which has become normal parlance in this Assembly, and nine times out of 10, it is absolutely justified. I am sorry, in terms of a Proposition like this, of course it is not evidence-based. Without going out and doing some vastly complicated and hugely expensive piece of market research amongst very wealthy people, who probably would not answer the questions anyway, then you are coming up with ideas which logic would say will work – the evidence will come from the industry that advises them, and so on.

3855 So it is something which, as the Treasury Minister said, can only go in one good direction and carries, in the opinion of the proposers here, very little risk. So that is the limit of the evidence.

3860 Deputy Trott's questions – I have it on good authority from the Treasury Department that it is for new residents to the Bailiwick and that will be apparent in the regulations that come out; and, no, there is no chance of tax arbitrage from Guernsey into Alderney. I would hope that I could give – or that the Treasury Minister can give – an undertaking that that would be confirmed to Members in a written answer at some point, just to clarify it beyond reasonable doubt.

3860 So I –

3865 **Deputy Trott:** Thank you very much for giving way, Deputy Langlois, but may I seek the input of Her Majesty's Procureur, because when is a new resident, a new resident to Alderney not a new resident to Alderney? Now, sir, if we were to maintain, unequivocally, fiscal union, I could understand that argument –

The Bailiff: Are you making a speech now or asking a question of Her Majesty's Procureur?

3870 **Deputy Trott:** Well, let us start with that question and there may be some supplementaries, sir. The question is, Her Majesty's Procureur: when is a new resident to Alderney not a new resident to Alderney?

The Procureur: Well, I will let Deputy Trott answer that question. *(Laughter)*

3875 **Deputy Trott:** Happy to do so, sir – which, as a result of the answer I am about to give, clearly what Deputy Langlois has just been given on good advice cannot be correct, because you are either a new resident to Alderney or you are not. If you are currently resident in Guernsey and you go to move to Alderney, you become a new resident in Alderney – is what the Proposition says.

3880 **Deputy St Pier:** Sir, a point of correction perhaps.

The Bailiff: Deputy St Pier.

3885 **Deputy St Pier:** Deputy Langlois said 'new residents to the Bailiwick', not to Alderney!

Deputy Langlois: Thank you for that correction because it is exactly what I have written here and I think it was exactly what I said. So, nevertheless, I think there is a reasonable question here and a reasonable request for clarification and I believe that I am getting the assurance from the Treasury Minister that he will clarify that at a later date, and in writing.

3890 So I thank Alderney Representative Jean for his input here. I did say earlier that I believe we have the support of Alderney on this and that has been confirmed, and so on.

So I ask you all to support the amendment.

3895 **The Bailiff:** Well, we are being asked to vote on the amendment proposed by Deputy Langlois and seconded by Deputy Le Tocq. Those in favour; those against.

Members voted Pour.

The Bailiff: I believe that is carried. If anybody wishes a recorded vote there will be a recorded vote, but I believe that was carried. Nobody is requesting it so I declare the amendment carried. We will rise and resume tomorrow at 09.30 a.m.

The Assembly adjourned at 5.39 p.m.