



OFFICIAL REPORT

OF THE

STATES OF DELIBERATION

OF THE

ISLAND OF GUERNSEY

HANSARD

Royal Court House, Guernsey, Tuesday, 1st November 2016

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

Volume 5, No. 29

ISSN 2049-8284

*Published by Her Majesty's Greffier, The Royal Court House,
St Peter Port, GY1 2NZ. © States of Guernsey, 2016*

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

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B. L. Brehaut, R. H. Tooley

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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

A. J. Nicolle, Esq. (H.M. Deputy Greffier)

Absent at the Evocation

Deputy C. N. K. Parkinson, (*absent de l'Île*); Deputy J. P. Le Tocq (*relevé à 11h 00*);
Deputy A. H. Brouard, (*relevé à 9h 56*);

Business transacted

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States of Deliberation

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

[THE BAILIFF *in the Chair*]

PRAYERS

The Deputy Greffier

EVOCATION

CONVOCATION

The Deputy Greffier: To the Members of the States of the Island of Guernsey, I hereby give notice that a meeting of the States of Deliberation will be held at The Royal Court House on Tuesday, 1st November 2016 at 9.30 a.m. to consider the Item listed in this Billet d'État which has
5 been submitted for debate.

Welcome to Deputy Inder

The Bailiff: Members of the States, good morning to you at all.

May I, on behalf of you all, welcome Deputy Inder as he takes his seat for the first time, which
of course, by convention is the seat that would have been occupied by Deputy Jones had he not
10 been elected to a Presidency. So, congratulations and welcome, Deputy Inder. *(Applause)*
Deputy Greffier, if you can call the first Article.

Billet d'État XXVI

POLICY & RESOURCES COMMITTEE

I. Policy & Resources Committee – States of Guernsey Annual Budget for 2017 – Debate commenced

Article I.

The States are asked to decide:

Whether, after consideration of the States of Guernsey Annual Budget for 2017, they are of the opinion:

1. *To limit the entitlement to personal tax allowances, through the phased withdrawal of personal tax allowances as a person's income increases, setting the upper annual earnings limit on Social Security contributions (as directed by Resolutions 27A and 33A of Billet d'État IV dated 2 February 2015) as "the Personal Allowance Threshold" with effect from 1 January 2017 by:*
 - a. *Withdrawing the personal tax allowance at a ratio of £1 for every £3 an individual's income exceeds the Personal Allowance Threshold.*
 - b. *To ensure equality of treatment, irrespective of whether an individual is married, in a civil partnership, separately assessed or cohabiting with children:*
 - i. *by considering each spouse's income separately, for the purpose only of calculating the Personal Allowance entitlement, to ensure that it shall be the same as it would be were the couple independently assessed.*
 - ii. *withdrawing the Spouse's Income Allowance at a ratio of £1 for every £3 the claimant's spouse's income exceeds the Personal Allowance Threshold, with the married person's allowance reduced by the Spouse's Income Allowance prior to such withdrawal.*
 - iii. *without prejudice to the foregoing and for the avoidance of doubt, by withdrawing any transferred personal allowance at a ratio of £1 for every £3 an individual's income exceeds the Personal Allowance Threshold, where a couple transfer any unused personal tax allowance between themselves.*
 - c. *Pro-rating the Personal Allowance Threshold for a person who is solely or principally resident, in the year of that person's arrival in, or permanent departure from, Guernsey, based on the proportion of time spent in Guernsey in the relevant year.*
2. *To close the higher Personal Tax Allowance (granted in the First Schedule, paragraphs 1(ii), 1(iii) and 1(v)) to people who turn 65 after 1 January 2019.*
3. *To close the Dependent Relatives Allowance, in the case of a child receiving higher education, to new claimants with effect from 1 January 2018.*
4. *To exempt from charge to Guernsey tax, distributions from the accumulated profits of a company which is not incorporated in Guernsey, and which has not carried on business in Guernsey whether through a permanent establishment or otherwise, nor used to hold Guernsey investments (other than bank deposits), which arose prior to the date the beneficial member of that company becomes resident in Guernsey, where:*
 - a. *The individual has a beneficial interest in the company of 1% or more; and*
 - b. *The distribution is made by the end of the second full year of charge since the individual became resident*
with the Policy & Resources Committee authorised to prescribe any limitations, conditions, restrictions and qualifications relating to this matter by regulation and to direct the preparation of such legislation as may be necessary to give effect to this decision.
5. *To endorse the intention of the Policy & Resources Committee to increase the Benefit in Kind charges with effect from 1 January 2017, by 3% per annum, compounded, for 2017, 2018 and 2019, as set out in paragraph 4.24 of this Report, by regulation under powers conferred by section 8(2A)(b) of the Income Tax (Guernsey) Law, 1975.*
6. *To endorse the intention of the Policy & Resources Committee to investigate the possible extension of excise duty to other fuel oils and report back in the Budget Report for 2018.*
7. *That the rates of excise duty in Guernsey and Alderney on the under mentioned goods shall be varied as follows:*

<i>With immediate effect:</i>	
<i>Cigarettes</i>	<i>£315.24 per kilogram</i>
<i>Cigars</i>	<i>£306.70 per kilogram</i>
<i>Hand rolling tobacco</i>	<i>£285.61 per kilogram</i>
<i>Other manufactured tobacco</i>	<i>£247.73 per kilogram</i>
<i>Tobacco leaf – unstemmed</i>	<i>£275.01 per kilogram</i>
<i>Tobacco leaf – stemmed</i>	<i>£277.77 per kilogram</i>
<i>Petrol other than any fuel used for the purpose of air navigation</i>	<i>63.5p per litre</i>
<i>Petrol used for the purpose of marine navigation where supplied by an approved trader</i>	<i>40.4p per litre</i>
<i>Gas oil</i>	<i>63.5p per litre</i>
<i>Biodiesel</i>	<i>63.5p per litre</i>
<i>Beer exceeding 1.2 per cent volume but not exceeding 2.8 per cent volume</i>	<i>47p per litre</i>
<i>Beer brewed by an independent small brewery exceeding 1.2 per cent volume but not exceeding 4.9 per cent volume</i>	<i>47p per litre</i>
<i>Beer, other than beer brewed by an independent small brewery, exceeding 2.8 per cent volume but not exceeding 4.9 per cent volume</i>	<i>75p per litre</i>
<i>Beer brewed by an independent small brewery exceeding 4.9 per cent volume but not exceeding 7.5 per cent volume</i>	<i>60p per litre</i>
<i>Beer, other than beer brewed by an independent small brewery, exceeding 4.9 per cent volume but not exceeding 7.5 per cent volume</i>	<i>94p per litre</i>
<i>Beer exceeding 7.5 per cent volume</i>	<i>£1.09 per litre</i>
<i>Spirits</i>	<i>£33.96 per litre of alcohol contained in the liquor.</i>
<i>Cider exceeding 1.2 per cent volume but not exceeding 2.8 per cent volume</i>	<i>47p per litre</i>
<i>Cider produced by an independent small cider-maker exceeding 2.8 per cent volume but not exceeding 4.9 per cent volume</i>	<i>47p per litre</i>
<i>Cider, other than cider produced by an independent small cider-maker, exceeding 2.8 per cent volume but not exceeding 4.9 per cent volume</i>	<i>75p per litre</i>
<i>Cider produced by an independent small cider-maker exceeding 4.9 per cent volume but not exceeding 7.5 per cent volume</i>	<i>60p per litre</i>
<i>Cider, other than cider produced by an independent small cider-maker, exceeding 4.9 per cent volume but not exceeding 7.5 per cent volume</i>	<i>94p per litre</i>
<i>Cider exceeding 7.5 per cent volume</i>	<i>£1.09 per litre</i>
<i>Light wines not exceeding 5.5 per cent volume</i>	<i>59p per litre</i>
<i>Light wines exceeding 5.5 per cent volume but not exceeding 15 per cent volume (including sparkling wines)</i>	<i>£2.39 per litre</i>
<i>Other wines</i>	<i>£3.82 per litre</i>

8. To approve the draft Ordinance entitled "The Excise Duties (Budget) Ordinance, 2016" and to direct that the same shall have effect as an Ordinance of the States.

9. *That the rates of Tax on Real Property in Guernsey and Alderney with effect from 1 January 2017 shall be as set out in paragraph 4.55 of this Report.*
10. *To approve the draft Ordinance entitled "The Taxation of Real Property (Guernsey and Alderney) (Amendment) Ordinance, 2016" and to direct that the same shall have effect as an Ordinance of the States.*
11. *That the rates of Document Duty with effect from 1 January 2017 shall be as set out in paragraph 4.62 of this Report.*
12. *To approve the draft Ordinance entitled "The Document Duty (Amendment) Ordinance, 2016" and to direct that the same shall have effect as an Ordinance of the States.*
13. *To endorse the intention of the Policy & Resources Committee to investigate options for the States of Guernsey to receive greater revenue from those businesses that might benefit from public investment including, but not limited to, consideration of the appropriate level and scope of General Revenue income generated from telecommunications and non-regulated professional services businesses and partnerships, such as accountants and advocates, and report back in the Budget Report for 2018.*
14. *To agree that no grant is made in 2017 from General Revenue to the Guernsey Health Service Fund and to direct the preparation of the necessary legislation.*
15. *That the objective in the Fiscal and Economic Plan which provides for a 'real-terms' freeze on aggregate States' revenue expenditure' should be interpreted for 2017 to exclude the additional amount of £3,475,000 being the £8,200,000 specifically allocated for the Committee for Health & Social Care less the £4,725,000 reduction in General Revenue expenditure as a result of no grant being made to the Guernsey Health Service Fund.*
16. *To note the intention of the Policy & Resources Committee to recommend Cash Limits for the Committee for Health & Social Care for 2018 and subsequent years that phase out the £8,200,000 of additional funding allocated in 2017.*
17. *To increase the authority delegated to the Policy & Resources Committee to approve funding from the Transformation and Transition Fund for the Transforming Health and Social Care Services programme by £500,000 to £1,500,000.*
18. *To approve the cash limits for ordinary revenue and capital expenditure for 2017 totalling £373million as set out in paragraph 6.12 of this Report.*
19. *To rescind resolution 39A of The States of Guernsey Budget 2015 (Billet d'État XXII, 2014) and agree the transfer to General Revenue of the sum of £875,000 currently ring-fenced for the elemental refurbishment of Les Beaucamps High School.*
20. *To authorise the Policy & Resources Committee, pursuant to Section 2(4) of the States Trading Companies (Bailiwick of Guernsey) Ordinance 2001, to agree to and implement the Board of Guernsey Post Limited's proposal to repurchase £6million of shares reducing the shareholding of the States accordingly, and subject to Guernsey Post Limited complying with its obligations under the Companies (Guernsey) Law, 2008.*
21. *To authorise the Policy & Resources Committee, pursuant to Section 2(4) of the States Trading Companies (Bailiwick of Guernsey) Ordinance 2001, to agree to and implement the*

Board of Guernsey Electricity Limited's proposal to repurchase £4million of shares reducing the shareholding of the States accordingly, and subject to Guernsey Electricity Limited complying with its obligations under the Companies (Guernsey) Law, 2008.

22. *To immediately transfer the sum of £5.4million to General Revenue from the Capital Reserve.*
23. *To transfer the sum of £29.8million from General Revenue to the Capital Reserve on 1 January 2017.*
24. *To set the States' Trading Supervisory Board a target minimum contribution to General Revenue of £5million of capital returns (in addition to any dividend paid in accordance with existing policy) from the States' trading assets in 2017.*
25. *To approve that returns of capital from States' trading assets in 2017 be transferred to the Capital Reserve.*
26. *To direct Guernsey Water to transfer a maximum of £19.9million to the Capital Reserve to reimburse the total cost of Belle Greve Wastewater Outfalls Project.*
27. *To delegate authority until 30 June 2017 to the Policy & Resources Committee to open capital votes for projects categorised as pipeline projects, not exceeding a total of £10million, charged to the Capital Reserve and direct the Policy & Resources Committee to report to the States on the use of this delegated authority by no later than the Budget Report for 2018.*
28. *To agree to change the name of the Economic Development Fund to the Future Guernsey Economic Fund.*
29. *To direct the Policy & Resources Committee to recommend within future annual Budget Reports, transfers from General Revenue to the Future Guernsey Economic Fund of 50% of the value of evidenced tangible fiscal receipts to the States of Guernsey arising from measures funded from the Future Guernsey Economic Fund.*
30. *To agree that the Alderney Gambling Control Commission surpluses received by the States of Alderney continue to be transferred to the States of Alderney capital allocation until 31 December 2019.*
31. *To delegate authority to the States of Alderney to transfer from the States of Alderney capital allocation to the Alderney Economic Development Fund a maximum amount of £300,000 in each of 2017, 2018 and 2019.*
32. *To delegate authority to the States of Alderney to approve use of the Alderney Economic Development Fund.*
33. *To note that, with effect from 2020, unless alternative arrangements are put in place as part of the package of changes to the financial relationship between Guernsey and Alderney, the Alderney Gambling Control Commission surpluses will be credited to the General Revenue Account.*
34. *(a) That, subject to the provisions of the Income Tax (Guernsey) Law, 1975 and to the provisions of this Proposition, the allowances claimable for the Year of Charge 2017 by an individual solely or principally resident in Guernsey by way of relief from income tax at the*

individual standard rate, shall be the allowances specified in the First Schedule to this proposition.

(b) That the allowances specified in the First Schedule to this Proposition shall only be granted to an individual who has made a claim in accordance with the provisions of the Income Tax (Guernsey) Law, 1975 and who has proved the conditions applicable to such allowances and prescribed in the Second Schedule to this Proposition have been fulfilled.

(c) That:

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

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

FIRST SCHEDULE
Year of Charge 2017

Allowances claimable by an individual solely or principally resident in Guernsey by way of relief from income tax at the standard rate.

NATURE OF ALLOWANCE

AMOUNT OF ALLOWANCE

1. Personal Allowance

(i) for persons who are married or in a civil partnership

Tax at the standard rate on £20,000, subject to the provisos in paragraph A, and calculated in accordance with paragraph B.

A - Provided firstly that the allowance shall be reduced by the sum of £1 for every pound of spouse's income allowance, including any transferred allowance, that would have been granted prior to the withdrawal of any of that allowance. Provided secondly that, should a divorce or separation occur in the year of charge, the allowance shall be reduced accordingly, and shall be calculated on the basis of the number of days in the year of charge which precede that event. In such a case each spouse shall receive a reduced share of the appropriate allowance for single persons specified in (iv) or (v) below for the remainder of the year of charge, which shall be calculated on the basis of the number of days remaining in the year of charge (including the day of the divorce, or separation). Provided thirdly that in the case of the death of a claimant, the deceased claimant shall be entitled to the allowance for the full year of charge, reduced by the amount of the appropriate allowance for single persons specified in (iv) or (v) below granted to the surviving spouse for the remainder of the year of charge from (and including) the claimant's date of death; and in the case of the death of the claimant's spouse, the claimant shall be entitled to the allowance for the full year of charge. Provided fourthly that the allowance shall be pro-rated for a person who is solely or principally resident in the years of that

person's, arrival in, or permanent departure from, Guernsey, based on the proportion of time spent in Guernsey in the relevant year of charge.

B – The allowance is reduced at a ratio of £1 of allowance for every £3 of assessable income that the claimant's income is above the equivalent of the upper annual earnings limit as determined by the Employment and Social Security Committee in respect of the relevant tax year. In order to calculate the amount of the allowance, each spouse's income shall be considered separately, together with any spouse's income allowance granted. Should the claimant not have sufficient income of their own to utilise the balance of the married person's allowance, any excess shall be treated as being the spouses.

For the purposes of this paragraph and paragraphs (ii) to (v) below, "divorce" means that the Court for Matrimonial Causes has made a Final Order on a decree of divorce or of nullity of marriage in respect of the marriage in question or that the courts of another jurisdiction have made a corresponding order in respect thereof, and includes an order for the dissolution of a civil partnership.

(ii) for persons who are married or in a civil partnership where, at the commencement of the year of charge either they, or their spouse living with them, was of the age of 64 years or over.

Tax at the standard rate on £21,450, subject to the provisos in paragraph A, and calculated in accordance with paragraph B.

A - Provided firstly that the allowance shall be reduced by the sum of £1 for every pound of spouse's income allowance, including any transferred allowance, that would have been granted prior to the withdrawal of any of that allowance. Provided secondly that, should a divorce or separation occur in the year of charge, the allowance shall be reduced accordingly, and shall be calculated on the basis of the number of days in the year of charge which precede that event. In such a case each spouse shall receive a reduced share of the appropriate allowance for single persons specified in (iv) or (v) below for the remainder of the year of charge, which shall be calculated on the basis of the number of days remaining in the year of charge (including the day of the divorce or separation). Provided thirdly that in the case of the death of a claimant, the deceased claimant shall be entitled to the allowance for the full year of charge, reduced by the amount of the appropriate allowance for single persons specified in (iv) or (v) below granted to the surviving spouse for the remainder of the year of charge from (and including) the claimant's date of death; and in the case of the death of the claimant's spouse, the claimant shall be entitled to the allowance for the full year of charge. Provided fourthly that the

allowance shall be pro-rated for a person who is solely or principally resident in the years of that person's, arrival in, or permanent departure from, Guernsey, based on the proportion of time spent in Guernsey in the relevant year of charge.

B – The allowance is reduced at a ratio of £1 of allowance for every £3 of assessable income that the claimant's income is above the upper annual earnings limit as determined by the Employment and Social Security Committee in respect of the relevant tax year. In order to calculate the amount of the allowance, each spouse's income shall be considered separately, together with any spouse's income allowance granted. Should the claimant not have sufficient income of their own to utilise the balance of the married person's allowance, any excess shall be treated as being the spouses.

(iii) for persons who are married or in a civil partnership where, at the commencement of the year of charge, both they, and their spouse living with them, were of the age of 64 years or over.

Tax at the standard rate on £22,900, subject to the provisos in paragraph A, and calculated in accordance with paragraph B.

A - Provided firstly that the allowance shall be reduced by the sum of £1 for every pound of spouse's income allowance, including any transferred allowance, that would have been granted prior to the withdrawal of any of that allowance. Provided secondly that, should a divorce or separation occur in the year of charge, the allowance shall be reduced accordingly, and shall be calculated on the basis of the number of days in the year of charge which precede that event. In such a case each spouse shall receive a reduced share of the appropriate allowance for single persons specified in (iv) or (v) below for the remainder of the year of charge, which shall be calculated on the basis of the number of days remaining in the year of charge (including the day of the divorce or separation). Provided thirdly that in the case of the death of a claimant, the deceased claimant shall be entitled to the allowance for the full year of charge, reduced by the amount of the appropriate allowance for single persons specified in (iv) or (v) below granted to the surviving spouse for the remainder of the year of charge from (and including) the claimant's date of death; and in the case of the death of the claimant's spouse, the claimant shall be entitled to the allowance for the full year of charge. Provided fourthly that the allowance shall be pro-rated for a person who is solely or principally resident in the years of that person's, arrival in, or permanent departure from, Guernsey, based on the proportion of time spent in Guernsey in the relevant year of charge.

B – The allowance is reduced by a ratio of £1 of allowance for every £3 of assessable income that the claimant's income is above the upper annual earnings limit as determined by the Employment and Social Security Committee in respect of the relevant tax year. In order to calculate the amount of the allowance, each spouse's income shall be considered separately, together with any spouse's income allowance granted. Should the claimant not have sufficient income of their own to utilise the balance of the married person's allowance, any excess shall be treated as being the spouses.

(iv) for single persons.

Tax at the standard rate on £10,000, but subject to the second and third provisos relating to divorce, separation or death set out in (i), (ii) or (iii) above. Provided fourthly that the allowance shall be pro-rated for a person who is solely or principally resident in the years of that person's, arrival in, or permanent departure from, Guernsey, based on the proportion of time spent in Guernsey in the relevant year of charge. The allowance is reduced at a ratio of £1 of allowance for every £3 of assessable income above the equivalent of the upper annual earnings limit as determined by the Employment and Social Security Committee, in respect of the relevant tax year.

(v) for single persons aged 64 years or over at the commencement of the year of charge.

Tax at the standard rate on £11,450, but subject to the second and third provisos relating to divorce, separation or death set out in (i), (ii) or (iii) above. Provided fourthly that the allowance shall be pro-rated for a person who is solely or principally resident in the years of that person's, arrival in, or permanent departure from, Guernsey, based on the proportion of time spent in Guernsey in the relevant year of charge. The allowance is reduced at a ratio of £1 of allowance for every £3 of assessable income above the equivalent of the upper annual earnings limit as determined by the Employment and Social Security Committee, in respect of the relevant tax year.

2. Dependent Relative Allowance

In respect of each dependent relative - tax at the standard rate on £3,225 or on the amount of the contributions whichever is less:

Provided that if the income of the dependent relative (exclusive of any contribution) exceeds £6,775 the allowance shall be reduced to tax at the standard rate on such sum as remains after subtracting from £3,225 the sum of £1 for every pound by which the dependent relative's income exceeds £6,775.

Provided further that if any Family Allowances are payable in respect of the dependent relative, the allowance shall be further reduced to tax at the standard rate on such sum as remains after subtracting from £3,225, or such lesser sum as remains after deducting from £3,225 the sum of £1 for every pound by which the dependent relative's income exceeds £6,775 the sum of £269 for every month in the year of charge for which such Family Allowances are payable.

3. Infirm Person's Allowance

Tax at the standard rate on £3,225

4. Housekeeper Allowance

Tax at the standard rate on £3,225

5. Spouse's Income Allowance

Tax at the standard rate on a sum equal to the amount of the claimant's spouse's net qualifying income but not exceeding tax at the standard rate of £10,000, or £11,450 for a spouse aged 64 years or over at the commencement of the year of charge, and the balance of personal allowances not utilised by the claimant. The allowance is reduced at a ratio of £1 of allowance for every £3 of assessable income above the equivalent of the upper annual earnings limit as determined by the Employment and Social Security Committee, in respect of the relevant tax year.

6. Charge of Children Allowance

Tax at the standard rate on £6,775.

7. Retirement Annuity Allowance

Tax at the standard rate on a sum equal to the qualifying premiums or contributions.

SECOND SCHEDULE

Conditions applicable to the allowances specified in the First Schedule

1. Personal Allowance

(1) The conditions to be fulfilled to entitle the claimant to the personal allowance are:

- (a) in respect of the allowance specified in paragraph 1(i), (ii) or (iii) of the First Schedule ("married persons or those in a civil partnership") -*
- (i) the claimant is the husband in an opposite sex marriage or the elder spouse in a same-sex marriage or civil partnership; and*
- (ii) that at the commencement of the year of charge the claimant's spouse is living with the claimant or is wholly maintained by the claimant; and*

(iii) that in computing their assessable income for that year the claimant is not entitled to make any reduction on account of any payment made for the claimant's spouse's maintenance.

Provided that if any question arises as to whether a spouse is or is not wholly maintained by the claimant, the question shall be determined by reference to the financial circumstances of that spouse.

(b) in respect of the allowance specified in paragraph 1(iv) or (v) of the First Schedule ("single persons")-

(i) that the claimant is not entitled to an allowance specified in paragraph 1(i), (ii) or (iii) of the First Schedule ("married persons"); or

(ii) that the claimant is subject to the second or third proviso relating to divorce, separation or death set out in the said paragraph 1(i), (ii) or (iii).

2. Dependent Relative Allowance

A. (1) The conditions to be fulfilled to entitle a claimant to a dependent relative allowance in the case of a child receiving higher education are:

(a) that the child in respect of whom an allowance is claimed -

(i) is the child of the claimant, or

(ii) is the illegitimate child of the claimant and in the year of charge is maintained by the claimant;

(b) that on the first day of August in the year of charge, the child is over the age of nineteen years and is, in that year of charge, receiving full-time instruction at any university, college, school or other educational establishment.

(2) The expression "child" shall include a stepchild, and a child who has been lawfully adopted shall be treated as the child of the individual by whom he has been so adopted and not as the child of the natural parent.

(3) Where a couple are cohabiting as if they were married and either has a child in respect of whom a dependent relative allowance is claimable, either individual by a notice in writing addressed to the Director, may elect that, for the purposes of the said allowance, the child shall be treated as if it were the child of that cohabitee.

(5) Where two or more persons jointly maintain or contribute towards the maintenance of any such person as aforesaid, the allowance shall be apportioned between them in proportion to the amount or value of their respective contributions towards the maintenance of that person.

B. (1) The conditions to be fulfilled to entitle a claimant to a dependent relative allowance in any other case are:

(a) that the claimant at his own expense maintains or contributes towards the maintenance of a person being a relative of the claimant or of the claimant's spouse; and

(b) that the person so maintained is prevented by incapacity due to old age or infirmity from maintaining himself; and

(c) that the claim relates to a dependent relative in respect of whom a claim has already been made for a year of charge prior to the Year of Charge 2009.

(2) Where two or more persons jointly maintain or contribute towards the maintenance of any such person as aforesaid, the allowance shall be apportioned between them in proportion to the amount or value of their respective contributions towards the maintenance of that person.

3. Infirm Person's Allowance

(1) The conditions to be fulfilled to entitle a claimant to an infirm person's allowance are:

(a) that the claimant is by reason of old age or infirmity or by reason of the old age or infirmity of the claimant's spouse compelled to maintain or employ an individual solely for the purpose of having care of the claimant or the claimant's spouse;

Provided that the allowance shall not be granted by reason of infirmity unless throughout the year the claimant or the claimant's spouse was permanently incapacitated by physical or mental infirmity.

- (b) if such an individual is a relative of the claimant or of the claimant's spouse and if the claimant is entitled to any other allowance in the First Schedule in respect of that individual, that the claim has been relinquished;*
- (c) that the claim relates to an infirm person in respect of whom a claim has already been made for a year of charge prior to the Year of Charge 2009.*
- (2) Not more than one allowance shall be allowed to any claimant for any year.*

4. Housekeeper Allowance

- (1) The conditions to be fulfilled to entitle the claimant to a housekeeper allowance are:*
 - (a) that the claimant is a widow or widower.*
 - (b) that in the year of charge a person is employed or maintained by the claimant solely for the purpose of acting in the capacity of a housekeeper for the claimant;*
 - (c) if such person is a relative of the claimant or of the claimant's deceased spouse and if the claimant is entitled to any other allowance in the First Schedule in respect of that person, that the claim has been relinquished;*
 - (d) that the claim relates to a housekeeper in respect of whom a claim has already been made for a year of charge prior to the Year of Charge 2009.*
- (2) A housekeeper allowance shall not be granted to any individual for any year in respect of more than one person.*
- (3) A housekeeper allowance shall not be granted to any individual for any year if such individual is entitled for that year to a personal allowance for married persons, or to an infirm person's allowance.*
- (4) "Housekeeper" means a person who is responsible by delegation for the management of the household, including arrangements for food, housekeeping expenditure and the care of linen and laundry.*

5. Spouse's Income Allowance

- (1) The conditions to be fulfilled to entitle a claimant to a spouse's income allowance are that the claimant is entitled to the personal allowance for married persons and that there is included in the claimant's assessable income some income arising or accruing to the claimant's spouse.*

6. Charge of Children Allowance

- (1) The conditions to be fulfilled to entitle a claimant who is also entitled to the personal allowance for married persons to a charge of children allowance are:*
 - (a) that in the year of charge the claimant, or the claimant's spouse, is in receipt of Family Allowances in respect of one or more children*
 - (i) on 1 January, or*
 - (ii) on the date on which Family Allowance is first claimed in respect of that child in the year in question.*
 - whichever date is first relevant, and*
 - (b) that the claimant proves that throughout the year either the claimant or the claimant's spouse is totally incapacitated by physical or mental infirmity and that a person is maintained or employed by the claimant for the purpose of having the charge and care of the child, and*
 - (c) that neither the claimant nor any other individual is entitled to a dependent relative allowance in respect of the person so employed or maintained, or if the claimant or any other individual is so entitled, that the claim has been relinquished.*
- (2) The conditions to be fulfilled to entitle a claimant who is entitled to the personal allowance appropriate to persons other than married persons to a charge of children allowance are that in the year of charge:*

- (a) the claimant is in receipt of Family Allowances in respect of one or more children
- (i) on 1 January, or
- (ii) on the date on which Family Allowance is first claimed in respect of that child in the year in question.

whichever date is first relevant, and

- (b) the claimant is not cohabiting with another person, except where -

- (i) the claimant proves that throughout the year either the claimant or the claimant's cohabitee is totally incapacitated by physical or mental infirmity, and that a third person is maintained or employed by the claimant for the purpose of having the charge and care of the child, and
- (ii) neither the claimant nor any other individual is entitled to a dependent relative allowance in respect of the person so employed or maintained or if the claimant or any other individual is so entitled that the claim has been relinquished.

Provided that where the recipient of a family allowance in respect of one or more children is not entitled to claim the charge of children allowance because the claimant is cohabiting with another person, the claimant may, in respect of the year of charge, by notice in writing addressed to the Director, elect that the whole, or any unused part of, the personal allowance to which the claimant would otherwise be entitled shall cease to be the claimant's and shall become part of the personal allowance of the person with whom he is cohabiting, such election, once made, to be irrevocable in respect of that year of charge. Such additional personal allowance shall be reduced at a ratio of £1 of allowance for every £3 where the assessable income of the individual is above the equivalent of the upper annual earnings limit as determined by the Employment and Social Security Committee, for that relevant tax year. For the purposes of this paragraph "cohabiting" means living with another person as if they were married throughout the year of charge.

- (3) The claimant shall have relinquished any claim to a housekeeper allowance or to an infirm person's allowance for that year.
- (4) Where an individual is entitled to claim a dependent relative allowance in the case of a child receiving higher education he shall, for the purposes of the preceding paragraphs numbered (1) to (3), be treated as if he were in receipt of a Family Allowance in respect of the said child. Provided that if there are two such individuals the charge of children allowance shall be apportioned between them in proportion to the amount or value of their respective contributions towards the maintenance of that child.
- (5) Not more than one allowance shall be granted to any claimant for any year.

7. Retirement Annuity Allowance

- (1) The conditions to be fulfilled to entitle a claimant to a retirement annuity allowance are that the claimant pays a premium or makes a contribution to a retirement annuity scheme or to a retirement annuity trust scheme approved under the provisions of section 157A of the Income Tax (Guernsey) Law, 1975 and of which he is a beneficiary.
- (2) Subject to the provisions of the next succeeding paragraph the qualifying premiums or contributions, as the case may be, shall be the amount of any premium paid or contribution made by the claimant during the year of computation of the income of the claimant assessable for the year of charge.
- (3) Notwithstanding the provisions of the preceding paragraph no allowance shall be given in respect of any qualifying premiums or contributions to the extent that, in aggregate, they exceed:
- (a) 100% of the income of the claimant during the year of computation referred to in the preceding subparagraph, or
- (b) any retirement annuity contribution limit for the time being prescribed by Regulations made by the Department.
- (4) In the case of a married couple or couple who have entered into a civil partnership:

- (a) for the avoidance of doubt, the allowances specified in this paragraph apply in respect of each party to the marriage or civil partnership, and each party to the marriage or civil partnership may be considered to be the claimant for the purposes of this paragraph, irrespective of whether the couple are jointly assessed or separately assessed by virtue of an application under section 46 of the Income Tax (Guernsey) Law, 1975, and
- (b) for the purposes of this paragraph, and notwithstanding subparagraph (1), either party to the marriage or civil partnership may also pay (and an allowance may be granted in respect of) qualifying premiums or contributions to a retirement annuity scheme or retirement annuity trust scheme of which the other party is a beneficiary, provided that the maximum allowance granted in respect of any individual may not exceed the limit prescribed in subparagraph (3).

35. To approve the following Expenditure Budgets for the year 2017:

- (a) Policy & Resources Committee
- (b) Committee for Economic Development
- (c) Committee for Education, Sport & Culture
- (d) Committee for Employment & Social Security
- (e) Committee for the Environment & Infrastructure
- (f) Committee for Health & Social Care
- (g) Committee for Home Affairs
- (h) Scrutiny Management Committee
- (i) Development & Planning Authority
- (j) Overseas Aid & Development Commission
- (k) States' Trading Supervisory Board
- (l) Royal Court
- (m) Law Officers

36. To approve the following Budgets for the year 2017:

- (a) Corporate Housing Programme
- (b) Solid Waste Trading Account
- (c) Guernsey Registry
- (d) Ports
- (e) Guernsey Water
- (f) States Works
- (g) Guernsey Dairy
- (h) States Capital Investment Portfolio – Operating Costs
- (i) Superannuation Fund Administration
- (j) Committee for Employment & Social Security – Contributory Funds

37. To note the Budget for the States of Alderney for 2017.

Deputy Greffier: Article I – The States of Guernsey Annual Budget for 2017.

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The Bailiff: The debate will be opened by the President of Policy & Resources Committee, Deputy St Pier.

Deputy St Pier: Good morning.

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Mr Bailiff, I must begin by declaring an interest under Rule 17(15). My eldest child started at university this year. I will therefore be eligible to claim Dependent Relatives Allowance with effect from 1st January 2017 and will not be impacted by Proposition 3, if it is approved. However, if my two younger children proceed to higher education, I would become ineligible to claim Dependent Relatives Allowance in respect of each of them, if Proposition 3 is approved.

25 I should add, for the avoidance of doubt, that in accordance with the Rules of Procedure, I did of course recuse myself from my Committee's discussion on this matter, and I therefore played no part in its decision in my absence to recommend Proposition 3 to the States in this Budget Report.

30 Mr Bailiff, I am pleased to present on behalf of the Policy & Resources Committee, the States of Guernsey Budget for 2017. It is worth setting out at the outset that this is not *my* Budget. It is one compiled by the Committee as a whole, including proposals which we all consider best meet our prime objective of achieving a balanced Budget, in a manner which is responsible, fair, progressive and realistic. Once we have debated it today and the Propositions become resolutions, it will of course become *our* Budget: a Budget endorsed and approved by this Assembly for our Island's community needs.

35 I am not going to repeat all of our proposals within this speech. Instead, I wish to focus on some of the fundamental issues. Some of my Committee colleagues will speak on other matters of interest: Deputy Brouard, as the Member with responsibility for Bailiwick issues, will talk on Alderney matters; Deputy Stephens with her social policy role will speak about charitable giving; and Deputy Trott will update Members on the States of Guernsey Bond.

40 Sir, the annual Budget; the Social Security Uprating Report, which we will debate later this week; Future Guernsey and the Policy & Resource Plan, which we will debate in two weeks; Public Service Reform and Transformation; and the Capital Programme – slowly, but surely, all the strands and separate pieces of work are being drawn and knitted together. We have the opportunity in this States, for the first time, to ensure that planning, capital projects, policy and resource allocation are co-ordinated decisions, not individual decisions taken in isolation. This is a tremendously exciting period of change and opportunity for Government in Guernsey. Policy & Resources are committed to working as closely as possible with other Committees.

For example, as noted in the Budget Report, we hope to have much closer and regular ongoing dialogue with the Committee for Employment & Social Security on fiscal matters.

50 Before speaking about the 2017 Budget and to help set its context, I would like to give a very brief update on the current financial position for 2016.

At the end of the first quarter I informed the Assembly that, at that stage, a deficit was being forecast in the order of £10 to £15 million this year. I outlined a series of measures put in place to seek to balance the position. When I updated this in early September, the forecast deficit had reduced to £6 to £8 million; and I am pleased that the Budget Report includes a further narrowing of the gap, to some £5 million as a result of these measures, and some improvement in revenues.

The most recent forecast is that the deficit at the end of the year is likely to be lower still, and could even be entirely eliminated as a result of continued expenditure restraint.

60 With two months of the year yet to run, let's not count too many chickens just yet, but it is particularly pleasing to report that, month-on-month, the projected overspend of the Committee for Health & Social Care is steadily reducing.

The budget for health and social care services has, quite understandably, become an area of significant attention, and one whose recent financial history could be described as 'somewhat turbulent,' with several years of budgetary challenges and cost pressures resulting in overspends. During 2015, an external assessment of the appropriate baseline budget for current service provision was undertaken, the BDO report. The resulting report compared the costs of our services to our peers, and identified areas where a reduction in expenditure should be possible, through efficiencies or transformation, ranging from £5 to £24 million.

70 However, the report recommended an immediate but temporary increase in the budget for the services currently provided of £8.2 million. This was agreed by the States last year, but resulted in the need to suspend our fiscal target of no real terms' growth in aggregate revenue expenditure. This increase was unequivocally a temporary measure with the intention that budgets would be reduced in future years, as the significant efficiency and transformation opportunities identified in the report, were delivered.

75 Unfortunately, extensive political and Civil Service changes during this year, and substantial operational and financial pressures, have resulted in a delay in commencing the transformation

programme. Although the programme is now underway, the Policy & Resources Committee has taken what it considers to be a realistic approach in recommending a cash limit for 2017, which does not include a target for delivery of any savings. However, there remains an expectation that savings will be delivered and cash limits will be reduced over future years. I am sure Deputy Soulsby will speak to this further during general debate.

This is a responsible and prudent approach, which does not place undue pressure on this priority area, and allows further time for the delivery of transformation and change activities, which will lead to service benefits and will deliver financial savings.

The review undertaken in 2015 suggested that savings of over 12% are possible on the overall health-related spend, provided a holistic, coherent and ambitious reform programme is delivered.

I cannot overstate, and I know this is a view shared by the Committee for Health & Social Care, how important it is that major reform of the health system is planned and delivered. This has been recognised in the Annual Independent Fiscal Policy Review, which has advised that reform needs to consider what services should be provided; to whom; and how these services can be most effectively delivered. Without this reform, they warn, our public services will remain precarious over the medium-term. Although reform is being led by the Committee for Health & Social Care, they will need active engagement and support from the Policy & Resources Committee – which we shall provide – and indeed all Members of this Assembly.

The transformation of health and social care must also consider the funding, integration and reporting of services. When the total cost of States' health and social care services is considered, expenditure amounts to over £170 million a year, which has been growing in real terms.

In particular, the cost of those services funded through the Health Service Fund have been growing in real-terms in recent years, which we cannot afford to sustain. For example, the cost of the secondary health care contract has increased by 22%, or 15% in real terms, from £14.5 million to £17.7 million, since the last fee review was implemented in January 2013. Although much of the expenditure from the Health Service Fund is through contracts with third parties, those contracts, including any new secondary health care contract, must be subject to the same rigour, requirement and expectation for transformation and savings. At the moment, expenditure from that fund does not have the same level of scrutiny and comment as general revenue expenditure, and it should.

Therefore, following consultation with the Committee for Health & Social Care, it is my Committee's intention to support transparency in our highest spending area, by including in the next set of States of Guernsey Accounts, a summary statement which consolidates all publicly-funded, health-related expenditure. Quite simply, we cannot continue to operate and report along Committee-based lines, but need to move to service reporting and work towards removing artificial barriers.

In the same vein, we have recognised that the current funding model for health services is not optimal, or fair. This applies both to which Committee is responsible for delivery of the service and how services are funded, currently through a combination of social security contributions and general taxation, which of course distribute the burdens on the public in very different ways. Therefore, over the next year, a review of the options for reforming health service funding, with a view to making it more fair and progressive, will be carried out with the Committee for Employment & Social Security.

Sir, given our experience in 2015 and 2016 of revenues falling short of our original budget expectations, the Budget for 2017 has been prepared using very prudent revenue assumptions. We are also proposing net additional revenues of £5.4 million arising from responsible and reasonable tax and duty changes.

Over this term, my Committee will be seeking to broaden the tax base, and continue to seek ways to make the tax system more progressive, both pursuant to and subject to the decisions taken by the last Assembly in the Personal Tax, Pensions and Benefits Review; including, of course, the decision not to pursue any further investigation of a Goods and Services Tax. For example, whilst designed to be revenue neutral to the States, the reforms in Document Duty recommended

130 in this Budget, are intended to support and stimulate the housing market, which is currently showing welcome signs of recovery. The change to a graduated system is also progressive, as the rates charged will increase as the property values increase, therefore benefitting the most, those trying to get a foot on the first rung of the property ladder.

135 In addition, the withdrawal of Personal Income Tax Allowances for higher earners, is estimated to raise £2.4 million of additional income, and this progressive measure has enabled the real-terms' increase in the single Personal Income Tax Allowance to £10,000.

140 There has been some unease at our proposal to remove the age-related income tax allowance from 2019 onwards, and I know that Deputy Roffey will speak on that matter during general debate, to urge Members to oppose Proposition 2. We recognise that this will have a particular impact on those with low fixed incomes. However, in line with the proposals in the Personal Tax, Pensions and Benefits Review, following which a decision was made to phase out age-related reliefs, we do not believe that the tax system is the best way of targeting support to those in most need. The tax system provides the same universal relief to both those retired and working, low and high paid. We believe that the benefits system is a far superior method of protecting those most vulnerable, and implementing the SWBIC proposals, when they become affordable, will be the best means of achieving this. If Proposition 2 is not approved, the medium-term forecasts for 2019 and 2020 will need to be revised, and the lost revenue of retaining the allowance for new claimants will need to be replaced, from another source. (**A Member:** hear, hear.)

145 As set out in the recent Annual Independent Fiscal Policy Review, and I quote:

The fall in working age population and continued pressure on the finance sector worldwide points to the possibility of a further decline in revenues from personal and corporate taxation. ...

Global growth is projected to continue at a sluggish pace over the next two years and the knock-on effects of UK's decision to leave the EU remain unclear. In order to be prudent, Brexit should be treated as a downside risk to Guernsey's economic growth between 2016 and 2019. The States may need to revisit its existing plans for fiscal tightening should revenues fall short as well as any actions designed to support economic activity if the downside risk materialises.

150 In order to address these real risks of shortfalls in revenue, it is necessary and responsible to continue to look at measures, both to increase revenue and reduce expenditure. This Budget Report outlines two reviews which will be carried out in 2017 to consider extending the revenue base, firstly, to generate greater income from those businesses who will benefit most from the Island's investment in world-class connectivity, including digital and transport links; and secondly, whether the excise duty regime should be extended to other fuel oils, not just motor fuel and petrol for marine use. I should emphasise that the Policy & Resources Committee is not committed to any particular proposals in respect of either review and they will be undertaken with an open mind; but we fully support the need to broaden the tax base, where appropriate and fair, in order to improve our revenue sustainability.

155 It is pleasing that the Annual Independent Fiscal Review recognises that the States', and I quote:

160 have continued to show impressive restraint in expenditure ...

165 In respect of expenditure, the package of measures put together to deliver this balanced Budget comprises reductions in expenditure of over £11.3 million in 2017. The largest contribution to this comes by way of real-terms budget reductions of 3% for all Committees, other than Health & Social Care, amounting to £6.6 million.

Although this will be challenging, all Committee Presidents have assured me that they believe it will be possible for their Committees to live within the cash limits proposed in this Budget. We are most grateful to all Committees for their active commitment to this objective.

170 A further reduction in overall non-formula-led expenditure is planned for both 2018 and 2019, at least £10 million each year. This is an unashamedly challenging target, but one which my Committee believes we must strive for. The target is one that can be achieved if we

175 wholeheartedly embrace the need for reform, dare to be ambitious in those plans, and work
together towards success, targeting areas of opportunity, particularly around the use of
technology. The target most certainly will not be delivered by a 'salami slicing', committee-based
approach. For the avoidance of doubt, and to repeat assurances I have given to individual
Committees, that means that it is quite firmly not the intention of my Committee to simply
allocate a percentage target reduction to each Committee.

180 Further significant work needs to be undertaken through Public Service Reform and as part of
the development of the capital portfolio, to identify and prioritise reform activities that will deliver
the most benefit in the time available, and then allocate resources and targets to those. It is my
intention to update the Assembly on the progress of Public Service Reform and Transformation,
by way of Statement before the end of this year.

185 Delivering savings in the context of current services will be important as we know that there
will be increases in demand for some existing services in the coming years. We also know that
there is already pressure to introduce new or enhanced services; not least proposals being
approved, such as the reform of supplementary benefit. Realistically, therefore, it is only going to
be possible to make funding available, through the reform of existing services which deliver
savings. The use of this funding should be subject to prioritisation through the Policy & Resource
190 planning process, by this Assembly, to ensure that it is allocated to the areas which best deliver on
the objectives which we agree will help us to deliver Future Guernsey.

My Committee acknowledges the structural fiscal challenges we still face as a result of ongoing
demographic changes. To address this we will develop a medium-term fiscal plan as part of the
next phase of the Policy & Resource Plan.

195 Whilst it has been possible to recommend an increase in the appropriation to the Capital
Reserve in 2017, it is still below the target in the fiscal framework. This is clearly unsustainable.

There is a continued requirement to invest in our capital infrastructure, both to maintain and
replace existing assets, but also to enable transformation in the delivery of services. The
appropriations to the Capital Reserve in 2017 and later years will be supplemented by transfers of
200 income from the States of Guernsey Trading Assets. It will become increasingly important – as
recognised by the Annual Independent Fiscal Review – that those businesses are operated in a
commercial manner, providing a return to the States as shareholder, both through capital returns
and ongoing dividends.

Following the recent round of Capital Prioritisation, it is apparent that it is not going to be
205 possible to allocate funding to deliver all of the proposals submitted – 51 of them estimated at
nearly £700 million, compared to projected funding available of £280 million, about 40%.

This limited funding means that it is ever more important that a mature and responsible
approach is taken, so that the necessary work is carried out to build a portfolio of projects that is
achievable, sustainable and affordable. It must include the right projects, they must have the right
210 scope and they must be delivered at the right price.

Therefore, we will need to be realistic and seek to manage expectations on what can be
delivered, based on the funding available. Whilst it would be very easy to allocate the entire
funding available to a handful of flagship projects, these may not support the development of our
economy, or enable the critical reform of public services.

215 This is why we are recommending the allocation of funding to categories: 30% to maintain the
operation of existing services; 50% to transform service delivery; and 20% to projects that will
benefit the Island or a specific sector of the economy.

This allocation should ensure a broad spread of projects, and should allow us to target
investment into those which help us deliver on the Policy & Resource Plan objectives. However,
220 Committees are going to have to be responsible and realistic, and play their part as proposals are
developed to ensure that consideration is given to all available options for delivering desired
outcomes, even if these are not their favoured solutions. We are going to need to work together
to define and agree the scope of projects, which are affordable and within the overall context, in
order to deliver a balanced portfolio for approval at the Policy & Resource Plan debate in June

225 next year. We will also need to consider all possible alternative funding mechanisms, including, of course, the use of some of the Bond proceeds, provided, of course, there is a revenue stream to support this alternative.

Sir, before I close, I wish to acknowledge and thank all those involved in the preparation of this Budget, particularly, of course, the States' Treasurer and the Assistant States' Treasurer, but there are many other officers working closely together, across many Committees, and without whom it would not be possible to have produced this Budget Report.

Sir, when work on the 2017 Budget commenced, modelling showed that if existing policies in respect of capital allocations were followed, no Budget measures taken, and the increased cost of health and social care services met, there would have been a deficit of £25 million next year.

235 As a result of the measures included within this Budget Report, we have been able to put together a package which eliminates the expected shortfall through a balance of revenue raising and expenditure restraint, in which all Committees have played their part, and for which they should be commended.

The measures to reduce expenditure are approximately twice the value of the net increase in tax and duty income, which we believe is a fair result and burden sharing for taxpayers. (**A Member:** Hear, hear.) It has therefore been possible to produce not only a balanced Budget but also one which, in the round, is far more favourable than my Committee imagined possible in the middle of this year. That is, or ought to be, an inspiring achievement in which all Members of this Assembly can be justly proud.

245 We believe that the Budget Report being considered today represents a progressive, fair, prudent and realistic package for 2017, and I commend it to the States. (*Applause*)

The Bailiff: Members, we will deal first with the amendments, before moving to general debate.

250 I propose that we take first a technical amendment that is to be laid by the Law Officers, and proposed by HM Comptroller.

Mr Comptroller, do you wish to have the amendment read, or will you read it?

The Comptroller: Sir, I am happy to read the amendment.

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The Bailiff: Just before you do, Deputy Brouard do you wish to be *relevé*?

Deputy Brouard: Thank you, sir.

260 **The Bailiff:** Thank you.
Mr Comptroller.

Amendment

For the version of the draft Ordinance entitled "The Document Duty (Amendment) Ordinance, 2016" set out at pages 80 to 84 of Billet d'État No. XXVI of 2016, substitute the version of the draft Ordinance annexed to this Amendment.

The Comptroller read the amendment.

265 **The Comptroller:** Sir, if we look at the Billet at page 80 we will find set out there, at pages 80 to 84 the draft Ordinance that I have referred to. The amendment is that that Ordinance should be replaced with the draft that is annexed to the amendment. The draft that is annexed to the amendment is exactly the same as the draft that is in the Billet with the exception that section 1, which is set out at pages 80, 81 and part of 82 is slightly different, in that the banding is worded in a slightly different way. There was an argument that the draft as presented in the Billet that because of the way that bandings at (b), (c) and (d) were worded, there was a pound in each band

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275 that did not get charged for duty. The amended version of the Ordinance will put the matter beyond any doubt, by slightly rewording the banding. So if the Members adopt the progressive or graduated rates of duty that are proposed the Ordinance will have the effect of properly implementing the policy if that is approved by the States.

The Bailiff: Thank you very much.
Was that your maiden speech?

280 **The Comptroller:** I am not sure that it was! *(Laughter and applause)* Oh it was, yes! *(Laughter)*

The Bailiff: Madam Procureur, do you second the amendment?

285 **The Procureur:** I do, sir, yes.

The Bailiff: Is there any debate? No.
Well, we go straight to the vote then on the amendment. Those in favour; those against.

Members voted Pour.

The Bailiff: I declare it carried.
Now, two further amendments have been circulated. Deputy Ferbrache.

290 **Deputy Ferbrache:** *[Inaudible]* ... with the consent of Deputy Kuttelwascher, he is seconding it; I will not be tabling it.

The Bailiff: You will not be tabling it, so in that case we do not need to discuss whether we take it next. We will move straight to the amendment being proposed by Deputy Roffey.
295 Would you like this to be read Deputy Roffey, or will you read it?

Deputy Roffey: Pardon, sir?

300 **The Bailiff:** Would you like the amendment to be read, or ... ?

Deputy Roffey: If it has to be – I understand the Rule does not require it.

The Bailiff: Well, it is a matter for you.

305 **Deputy Roffey:** No, I think it is straightforward, and people understand what it says, sir.

Amendment

To insert, immediately after Proposition 34, the following Proposition:

'35. To instruct the Policy & Resources Committee, in conjunction with the Committee for the Environment & Infrastructure, to report to the States no later than the date of submission to the States of the budget report for 2018, on the possibility of re-introducing motor tax.'

Deputy Roffey: Obviously, I will restrict myself just to the amendment at this stage, but I suppose I ought to do a general declaration of interest and get it out of the way. I am a director of an organisation that sells petrol, sells alcohol, sells cigarettes tobacco, and I have the usual personal interest in things like income tax allowances and CRP. It might be a bit boring if we all declare that today, I suppose.

Sir, 20 years ago I was really strongly in favour of scrapping motor tax, and increasing the tax on fuel. I had several good reasons for that. Where was the logic in taxing the same group of

315 motorists in two different ways? There was at that time lots of head room to increase the duties
on fuel, because they were really low. I thought it would be just more efficient to raise taxes at the
pumps, rather than through a Government department employing civil servants. I supported the
polluter pays policy. Now all of those positive reasons for wanting to scrap motor tax still exist
today, and I have no doubt we will hear some of them this morning. That is one side of the
320 consideration. Indeed, they still existed 10 years ago, when we finally got around to discussing
whether or not to scrap motor tax. By that time I had completely changed my mind, and alongside
the late, fiscally conservative, Deputy Bill Bell, fought a rear-guard action to try and stop the States
scrapping motor tax. I did that because the world had moved on, and it had patently become a
very bad, even foolish idea, but the States went along with it anyway, and now I believe the
chickens are just starting to come home to roost.

325 Why was it a mistake? Two reasons. Firstly, it had become clear by that point that Guernsey's
narrow tax base was about to become even narrower. We were only going to get a fraction of the
revenue that we traditionally had from corporate profits. So we were going to be even more
reliant on income tax as a principal source of income than we had been prior to that time. In those
circumstances to narrow our tax base further was foolishly, almost criminally, reckless in my view.
330 Now, some have said it is not narrowing the tax base, because you are still taxing the same group
of people, motorists – how is it narrowing it to tax them in one way rather than two ways? Well, of
course, it is. I mean, if you follow that logic there are only 63,000 people in Guernsey: let's just
have one tax. Now, it is not narrower, we are still taxing the same group of people; the reality is
that if you do not have different forms of tax you are far more exposed to changes which can
335 affect the amount of income, the amount of revenue, coming in to the exchequer. By taxing
motorists in just one way, duty on fuel, rather than two ways, as had been the case before that,
fuel and motor tax, we were exposing ourselves to changes which would erode our income.

So, really, relying on duty on fuel as the only way to ... I think the main point I should go on to
is that, secondly, even back then, even 10 years ago, it was really becoming absolutely clear that
340 we were starting to move towards a world where the amount of motor fuel sold in Guernsey was
on a downward glide path. Just the very beginning of a move towards a post hydrocarbon world.
It was absolutely clear to anybody looking forward, so simply to rely on duty on fuel as the only
way of taxing motorists was, to use that dreadful management speak, like standing on a burning
platform.

345 Now, I am going to look at those two issues more in a minute, but before I do so, can I just
mention in passing that actually the move did not even achieve much in the way of efficiency
savings that I and others hoped that it might, because the States still needed to keep track of
vehicle ownership the amount of savings that resulted were absolutely minimal.

Okay, let's just consider for a moment our narrow tax base. There are endless ways that we
350 could broaden our tax base – of course there are. The trouble is most of them are a heck of a lot
more unfair than income tax, which is our main source of income at the moment. So we are in a
dilemma. It is difficult to broaden our tax base and treat people fairly, but surely the last thing we
should be doing is narrowing it any further. That really is reckless.

So, if we are not going to narrow our tax base further, then we have to at least maintain the
355 level of tax on motoring that we have done since the year dot. If we do not, if we get less in from
motorists, then we are narrowing our tax base further. The problem if we are to do that through
fuel duties alone is that fuel sales are declining. I know we have only seen them drop by 10% in
the last few years, but all the indications are that trend is not only set to continue, but it is already
accelerating. Why? Because of changing technology. More electric cars – not many at the
360 moment, but by gum they are coming. More hybrid cars, and perhaps even more importantly in
the equation, just far more fuel-efficient cars run by internal combustion.

As an environmentalist I really welcome this trend, but from a revenue raising perspective the
problem is obvious. Either you resign yourself to raising a dwindling amount of revenue from
motorists, something we can ill afford, I am delighted we might have a balanced Budget this year,
365 but nevertheless we can ill afford to raise a dwindling amount from motorists, or you increase the

rate of duty on fuel by far more than inflation to compensate for those falling volumes. That is exactly what P&R are doing in this Budget. But think about it and it is clearly an unsustainable strategy.

370 Firstly, I ask how high can we really put fuel duties, when our petrol and diesel prices will inevitably be compared with other jurisdictions where they do not have this problem, because they have more than one way to tax motorists? I think we are reaching that limit already. I do not think, of course, it is technically possible for us to have hugely expensive petrol in Guernsey and diesel, far more expensive than anywhere else in Europe. Of course, we can do that, but is it politically deliverable? I do not think it is. What about the commercial users who will start kicking
375 off? I heard last night on the news taxi drivers say they would like to be exempt in the way the buses are. Sure, we can do that, magic stroke of a brush. What happens then, to raise the same amount from motorists you have to put the duty of fuel used by the rest of the people up even more. It really is a vanishing point that we are heading towards.

380 So, do we really want to condemn Guernsey to hugely expensive fuel prices in order to maintain our revenue? What do we do when fuel sales fall to 50% of their peak, and they will, in the foreseeable future, do we double the duty on fuel in real terms? We are already up to 40p a litre, just on the motor tax element, on fuel here, do we want to go to 60p, 80p a litre on that? I do not think ... You may tell me that you are happy to support that, Deputy Brouard is nodding his head – good luck to him, I do not think it is politically deliverable. I do not think the commercial
385 users will stand for it. I think it is absolutely impossible.

Of course, what would happen if we did do that? Ironically, it would accelerate the trend towards reducing fuel sales, because the marginal costs of buying electric cars, hybrid cars, super-efficient cars would become more attractive, because of Guernsey's abnormally high fuel prices, higher than anywhere else in Europe, more people would invest in that, so less fuel would be sold.
390 So what is the logic in order to maintain our income from motoring, we have to put up our fuel duties even more. Or we accept less money from the motorists. Again, environmentally that is great, but from a fiscal point of view it is a real catch 22.

We need to cut through this Gordian knot, sir – I know how to mix my political clichés. This amendment is not about how to raise more revenue from motorists. Let me just repeat that. This
395 amendment is not about raising more taxation from motorists. It is not about treating them as a cash cow.

Of course, I can only speak for myself in this matter. It may well be that my seconder is a bit more of a leftie, tax-and-spend type than myself. I do not know. But I am definitely not looking to increase the level of taxation on motorists. Rather, this is all about how to raise the same amount
400 in a sustainable way, rather than in a way which is clearly the financial equivalent of that famous blurring platform. I am sure that if we wanted to introduce a form of motor tax, then this Assembly would insist that the duties on fuel were reduced accordingly.

Now, of course, I am not naïve, I do know that significantly lower duties on fuel would provide a future Policy & Resources Committee with the headroom, if they were so Machiavellian to try
405 and exploit the situation, to try and creep those duties up again for financial reasons and for fiscal reasons. But that is not what this is about, and if they try to do that the answer is with all of you, it can only happen if this Assembly approves it. Do you have such little confidence in yourself, that you will vote against looking at motor tax because you cannot trust yourself not to then increase duties on motorists later on. It is pretty sorry state if we have come to that.

410 Nor is this amendment in any way prescriptive over what form of motor tax should be considered. Now, I personally would like a fairly smart system that could be used to encourage the sort of vehicles that are suitable for Guernsey roads, discouraging those that are patently unsuitable for Guernsey roads, while not preventing them – if people want to pay the tax they can have whatever car they want. In my mind, you would favour narrower cars, and perhaps try to
415 deter people from going for too wide a car that forces everybody to use pavements as if it is a part of the road these days, it seems to me. But others will find that unacceptable social engineering. That is not the debate for today. I am not trying to suggest what sort of motor tax

we have, only asking P&R to look at it again. In fact, nor would we necessarily be signing up to bringing in any form of motor tax, if we pass my amendment. All we would be agreeing is that the idea should be examined.

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I know the devil may be in the detail, but let's at least look at that detail. It could be the answer is actually a third way, a completely third way, not relying solely on duty on fuel, and not bringing in motor tax. But my experience as a politician is that only when you ensure a detailed consideration of a subject does the lateral thinking come in, and actually third ways sometimes emerge.

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Sir, as fuel sales dwindle, this is clearly an issue which will need to be addressed some time. Either we can do it now, or you can reject my amendment, and we can put it off. A bit like we did with the demographic time bomb – we saw it coming 20 years ago, we knew 20 years down the road this will not be sustainable, but effectively said, well, we will cross that bridge when we come to it. If we had been a bit more forward looking, our social security funds would be in a better position to withstand the pressures now. Do not repeat the mistake here.

430

So often we put things off as a Government. We know that as a strategy for taxing motorists, fuel duties are becoming a busted flush. We know that they are not sustainable in the long term. But of course, we can reject the amendment, say, 'Well, we can make it last for another five years or so – you know it is not completely broken yet. All right, we will look at it when we really are in the soup and it does not work anymore.' That is not a responsible way to go. Let's at least look at the alternatives now. That is all this amendment asks for. No commitment, not asking you to sign up to motor tax, just timely consideration. What have you got to lose?

435

Now, the idea of taking a fresh look at this whole issue of how to tax motoring ... That is what I am talking about: how to tax motoring, so I use the shorthand 'motor tax', and I wish I had not, because it brings back pictures of the bad old days of the 1990's and those very slow moving queues down at Bulwer Avenue, with a cheque book in your hand. Of course, that type of taxation was never sustainable. It was ripe for, what the buzz word these days is, 'transformation' about how it was actually applied, but I am talking about a different way of taxing motoring, so I used motor tax.

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445

As I say, that idea of taking a fresh look has support from some rather disparate and surprising sources. That starts with the proposer and seconder, who actually do not usually agree on that much in politics – to be honest, he is often wrong. *(Laughter)* I hope I do not lose his vote for that. Unsurprisingly, it includes people like taxi firms, although they prefer to be exempt altogether. But actually it includes people like the Guernsey Motor Trades Association, you all had an email from them with a few words highlighted in red saying, 'Please support the Roffey/Kuttelwascher amendment.' Yet, these are the people who sell cars, they want to take a fresh look at how to tax motoring, because they are not stupid. They realise that this is an unsustainable approach we have at the moment, and it needs to be reformed, and they want to come to the table, to be honest, and put their two pennyworth in about how it is done. I do not blame them.

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Frankly, only the myopic cannot see that this needs to be reviewed. We have started the move towards a post-hydrocarbon world. That phrase actually should be considered in all of our policies, for example, whether or not we spend a shedload of money on a deep water discharge berth, but that debate is for another day. Today we are talking about taxation.

460

Vote for the amendment if you, at least, want to consider the options next year. If that research shows that motor tax is problematic, and expensive to operate, I will be the first to vote against it. But I actually see no reason whatsoever why it should be given modern technology. I know my knowledge of modern technology is not very deep or broad, but it seems to me that the whole thing should be capable of being transacted with a few clicks online. Light years from those bad old days down at Bulwer Avenue – but I am falling into the trap of drilling into detail again. That is for another day.

465

All I would say at this stage is simply this, if you have an open mind vote for my amendment. But if you object to receiving information, if you object to making an evidence-based decision by

470 asking P&R to look at it, at to come back to you with their conclusions for how it would work, if
you are really close minded in that way then, obviously, you will vote against it.

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

475 **Deputy Kuttelwascher:** Yes, sir.

The Bailiff: Thank you.

Now, I understand that Deputy Trott will be speaking on this amendment on behalf of Policy & Resources Committee. Do you wish to speak now or reserve your right to speak later?

480 **Deputy Trott:** On the grounds that I will have to sum up, sir, I had better wait until last, I think.
I do not get two bites of the cherry, do I?

The Bailiff: Deputy Roffey will be summing up on the amendment, as it is his amendment, you
only get one speech. (*Interjection*) If you wish to under the new Rule 24(7) if you wish to speak
485 later, then you may speak later.

Deputy Inder, do you wish to speak on the amendment?

Deputy Inder: Yes, sir.

490 Thank you for the opportunity to make my maiden speech and to address, through you, the
Assembly.

I will speak to the amendment, but if I can ask you, sir, to allow me a minute's grace making
general reference to tax on fuel, I would be grateful, as I feel it will add to the broader picture.

495 Sir, when Deputy St Pier, announced a 5p per litre fuel hike two weeks ago, he was interviewed
on *BBC Radio Guernsey*, I am going to paraphrase what Deputy St Pier said, and if I misrepresent
him in any way, I am happy for him to interject, even though this is my maiden speech and he is
not supposed to. (*Laughter*)

500 In the interview he spoke of a future environmental tax, and I think he touched on it today, sir,
in his opening. Or he suggested that there was a possibility of an environmental element in future
fuel duty. He also hinted at bringing other fuels into scope. So, it would seem there are plans to
tax other parts of fuel consumption or the fuel economy. Finally, he explained that as we walk
more, we cycle more, use the buses more, and technology changes, all the things that
Government has asked us to do, the tax take from the fuel duty has diminished, and this was
touched on by Deputy Roffey when he spoke, when he opened the amendment.

505 But something occurred to me on that final statement. If you take the last part of the interview
to its natural conclusion, in 20 years' time when the rest of us are exhausting pixies and stardust
out of our electric cars, the last diesel wagon in Guernsey will be paying something in the order of
£20 million a year in fuel duty. Sir, there has to be a better way of raising revenue than hammering
the motorist year on year on year.

510 When I walked the Vale Parish in the recent bye-election there was not one person that
opened the door to me and said, 'Neil, I really want more indirect taxation.' (**A Member:** Hear,
hear.) Not, one. It may come as a surprise to this Assembly, but not one person said that. Quite
the reverse, and on matters of tax, I had a conversation about Government waste, I had a
conversation about the Government wage bill, the fear of the Waste Strategy costs which are
about to go before this Assembly shortly. One parishioner pointed out to me the £1.64 raised in
515 pension was immediately wiped out by the 0.05p hike in fuel duty. This pensioner did a fair
amount of carrying around family through the week. So that was wiped out immediately. I also
had conversations about, I am sorry chaps, Zero-10 having broken our public services. These are
the things the people of Guernsey wanted addressed, not more tax.

520 And to this amendment laid, I will speak directly. I have some sympathy for what Deputies
Roffey and Kuttelwascher are trying to achieve. They have listened to the diminishing returns

argument, are trying to look for ways to address that. In the absence of what many people in this Island think is a functioning corporate tax strategy, one where those with the broadest shoulders contribute the most, Members will continue to come up with these wheezes to extract more money out of the working population of this Island.

525 Sir, this amendment is no different to milking a cow from the other side of the stall. It is still the same cow –, even if you squint, it is still the same cow.

I will not be voting for this, sir. This will not broaden the tax base, it will just hit more of the same people with another annual bill, and for that reason, sir, I ask the Assembly to reject it.

Thank you. *(Applause)*

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The Bailiff: Deputy De Lisle.

Deputy De Lisle: Sir, I want to speak, essentially, in the same vein, because by dispensing with the motor tax we were able to release three to four staff in 2007-08, so it was not a minimal change, Deputy Roffey. Also we released the community from travelling and lining up for ages outside the Road Tax Office, if you will recall, every year, and sometimes more than that for some people.

Any reintroduction of motor tax, of course, will add to bureaucracy, and this is something that, I think, at the current time, we should be looking at very, very seriously.

540 Now what Deputy Roffey is wanting to introduce is a new tax. Be that the reintroduction, or not, but it is another tax on the people of Guernsey, and taxpayers feel that they are subject to more than enough tax at the present time.

545 Already the 2017 Budget proposals include an investigation of the extension of the Excise Duty on other fuel oils, and I would suggest that what Deputy Roffey is suggesting is overkill, actually, at the current time, people have had enough with being subjected to new taxes, and hikes in current taxes. So I think we have to respond to the public desire to reduce the amount of taxation on them.

Thank you, sir.

550 **The Bailiff:** Following a request I have had from a Member, those who wish to remove their jackets may do so.

Deputy Gollop, you wish to speak.

Deputy Gollop: Yes, sir, thank you.

555 Yes, I found Deputy Roffey's speech very challenging. I do, I think, remember supporting his point of view, and the late Deputy Bell's, at the time, really for two reasons. The first was along the lines that I think politicians who saw this more from a macroeconomic perspective would realise that in losing a strain of a tax, you not only reduced potentially your Government revenue, but it also meant that to receive the same money you had to put it in other ways, that in turn would lead to, perhaps, undesired consequences, even if we have not seen a pixie and stardust vehicles yet. The other reason, actually, was that we were at the time, I believe, approaching or just in the Zero-10 era, and frankly, it was unlikely we would see a GST, politically, at the time. It was unlikely that we would see the growth that was predicted, albeit we did see some growth. It was unlikely that we would see savings cuts sustained. So, as a consequence we were actually throwing out a tool, precisely at the time that we most needed one.

565 To a degree there is headroom in petrol taxes and so on. Actually, that headroom has diminished. We all know the populist impact of 'Enough is Enough' in the last few years. We have perhaps not reflected it entirely in the Election, but it was certainly reflected with hundreds, if not thousands, of people demonstrating and communicating both physically and in social media.

570 But Deputy Inder makes some sound points that if you ask people do they want indirect taxation they will say no, and they will also say we are taxed enough already, and that people in the middle, or lower middle, of the structure are suffering pain, but the beauty of indirect taxation,

575 which is why I ... I do not know if I am a Machiavelli but I am a bit sneaky perhaps, (*Laughter*) is that hidden taxes are just that: they are stealthy. You do not you are paying them. The problem with income tax, or even perhaps social security, is that it is far too obvious what you are paying, and therefore creates pushback from the public, who, as Deputy De Lisle says, feel they are already taxed enough already, but they are also the first to ring him up and say, 'We want a late night bus to the West', or something like that, which is already a heavily subsidised organisation. One could perhaps give even more pressing examples, such as the ones Deputy St Pier did about the health needs.

580 Getting to the figures in the Budget, off the top of my head, Deputy St Pier and P&R Committee are suggesting 63p per litre on motor fuel. Now, there was a time when I was really green, even before I joined Deputy Burford's Committee, and so on, and I was thinking, we have actually got an opportunity in Guernsey, unlike Deputy Brouard perhaps would like, or maybe he would like it, to raise the cost of motor fuel beyond where it was, because for many years we were running behind the UK. We had a theoretical policy planning programme in planning documents, and strategic documents, and vision documents, and everything else, that we wanted to reduce the adverse effects of the motor car, or whatever that means, but we were actually having cheaper motoring than most other places, in the sense of duties, and we were having a high level of car ownership, and generally speaking, a higher margin of wage, and lower taxation. So we were actually providing a form of economic incentive to drive around in a way.

590 But now we look at the figures and we see something different. The UK despite the coalition's austerity programme, and their massive deficit, according to my figures, they might be wrong, but it is 57p a litre currently, 57p or 58p per litre of fuel – admittedly they do charge VAT on top of that which can be ... but we are now nearly 64p so we have overtopped them, we have gone beyond them. We have no more headroom left, without producing the kind of difficulties that have been outlined in Deputy Roffey's speech.

600 Deputy Roffey alluded to the social security question, which I think, is a theme perhaps running in the Budget. I remember when the Care in the Community Scheme was brought in, I thought at the time the figures were too low, but the Advisory and Finance Committee of the day were actually opposed to it anyway, by a majority, and pragmatically to get it through the Assembly it was not possible to necessarily tell the Members, or the wider public, what the real costs would be. Maybe that is one of the reasons, due to populism, that we have not planned as far ahead as we could do, because it is easy to react to the opinions of the day.

605 All this amendment does, it does not actually talk about any particular kind of motor tax; it just says look at the principle, and I do not necessarily see why Deputy De Lisle's view that we would not lose staff is not true. We did hear, disappointingly, from Deputy St Pier that the predictions some people made a year or two ago that we would see a rapid transformation of the Civil Service would occur, there has been a delay to that, but as no doubt Deputy Kuttelwascher will explain, Deputy Roffey has already alluded to, the days of the 1990's and people queuing round the block at Bulwer Avenue, are hopefully, dare I say it – that office will not be used for much longer under the property rationalisation programme, anyway – have gone, because more and more people can, and should, unless they are a little bit technophobe, like me – except on Twitter – actually pay online. They pay by direct debit, standing order, or electronically, using electronic banking, the amount of staff used, should be much more minimal. Indeed, it is part of the transformation, the delivery of efficiency services, that is a wider part of what we will see in the strategic Future Guernsey and so on.

615 So, I think we should support this amendment, and even if we have reservations about it, we actually need to do the work, we need to get the arguments across, and have the political, economic and business analysis necessary.

The Bailiff: Deputy Fallaize.

Deputy Fallaize: Thank you, sir.

625 I disagree with Deputy Gollop in two respects. First of all, I think he is wrong that people have
less resistance to indirect taxation than direct taxation, on the basis that they do not really know
what they are being taxed on. Actually, there is no question, if we were to have a poll of every
elector in Guernsey and ask them, 'Which tax would you prefer to pay more of?', income tax
would come out top. (**A Member:** Hear, here.) There are problems with raising income tax,
630 because of the diminishing number of people of ordinary employment age, and because of
international competitiveness, but nonetheless, I think Deputy Gollop has misrepresented the
prevailing public view.

I also disagree with him when he says that this amendment is dealing with the principle of tax
on motorists, because actually it is not. The philosophy behind this amendment is sound, but it
635 does actually say that Policy & Resources should report to the States on the possibility of
reintroducing motor tax. It does not say the principle of taxes on motoring; it says the
reintroduction of motor tax. Well, if it is the reintroduction, then it means the tax on motoring
which applied previously, by definition. So, although Deputy Roffey has passed it off, and said he
wished he had not called it motor tax, I think, that is more than just a passing problem. I think
640 what is being proposed is an investigation into the reintroduction of a tax, which we were all
familiar with, and which applied previously.

Now, perhaps the Policy & Resources Committee, when they speak on the amendment, will
advise how they will interpret this amendment, if it is approved, whether they will be prepared to
accept that the purpose of it is to investigate alternative tax on motoring, or whether they
645 consider it to be a rather more rigid direction to consider the reintroduction of the original form
of motor tax.

I do not particularly want to go back to the original form of motor tax, charged on weight, if I
remember correctly, I do not think that was particularly useful.

On the other hand there is no question that voting against this amendment is, implicitly,
650 indicating that one is content with above inflation rises in fuel duty in the years ahead. Now, I do
agree with Deputy Roffey on this point. This is not going to be politically possible. It may be all
right now, but I am fairly certain, given the Assembly's aversion to tax generally, that if the Policy
& Resources Committee finds itself in the position of having to propose ever greater increases in
fuel duty, above the rate of inflation, because the same amount of money has to be collected
655 from a diminishing number of fuel miles, as it were, I think the States will start rejecting those
proposals. Then it will not be an issue of the width or narrowness of the tax base. The income of
the States will fall, and for reasons which I will refer to in general debate, we can ill afford for the
income of the States to fall any further, because it has fallen proportionately considerably in
recent years.

660 So, I am not exactly sure yet, how I will vote on this amendment. If this amendment had
actually in the wording proposed a rebalancing of taxes on motoring, I would have voted for it
without question, because as Deputy Inder referred to it, the diminishing returns argument, but I
do not want to go back to taxing vehicles annually on the basis of their weight.

Thank you, sir.

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The Bailiff: Deputy Lester Queripel.

Are you comfortable standing, or do you prefer to deliver your speech seated?

Deputy Lester Queripel: I am fine for the moment, sir, thank you, I appreciate your concern,
670 sir.

Sir, I am amazed that the speakers so far are speaking about this amendment as though it is
asking us to agree to introduce motor tax. What a complete waste of time, do we want to be here
all day? It is not doing that at all, it is merely asking for a report. (*Interjection and laughter*) Sir, I
am not comfortable with the last line of the explanatory note,
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'If introduced, motor tax will also allow the duties on petrol and diesel to be reduced.'

I am not comfortable with it, because I would like to see the duties on petrol and diesel removed altogether, if motor tax comes in. It is either one or the other. (*Laughter*) But that is a debate for another day.

680 We are merely being asked to agree to, or not support, the amendment seeking a report. So, sir, I would like colleagues to bear that in mind, when they speak on the amendment, which is merely seeking a report and I think we should support that as Deputy Roffey said, why wouldn't you support just merely production of a report for the States to debate? So, we will debate the issue on another day. At the moment we are debating whether a report should be produced or not and whether we support that.

685 Thank you, sir.

The Bailiff: Deputy Brouard has been waiting a while, and then Deputy Kuttelwascher.

Deputy Brouard: Thank you very much, sir.

690 Can I first of all congratulate Deputy Inder on his speech, he came from nowhere and came really right to the fore with that speech. So thank you very much for that, I think you will be a very good asset to the Assembly, and so congratulations on that. It was excellent.

I voted to keep motor tax back in the day, I think it was 2008 when it first came up. I could not see the idea of going just to the environmental tax and just having it on fuel, but that horse has already left the stable. The effect environmentally has been positive, because of the falling demand for fuel, because people are now hunting out fuel efficient cars, and I would like that to continue. I am also extremely concerned because this amendment has been crafted by quite astute politicians. It is what it says on the tin: it is on the possibility of reintroducing motor tax. So, please, if that is not what you wanted to do, then you should not have placed this amendment, through you, sir. (*Interjections*)

700 I do not have a problem with maintaining the same income from motorists that we do now. I do not have a problem with that. But I do have a problem with having the extra hassle of having a new line, a new lever put in, because that hassle will fall back on virtually every single Islander, because most of the islanders do have cars, and we are going to have, exactly as he said, every six months we will have to do our renewal. It may be online, it may be this, we are going to have to make sure our documents are up to date, and every year we will have to send something in, and then they will want the insurance or something, and it is just going to be more hassle for Islanders and, of course, it is going to be more staff, and more hassle for our Department. All the very arguments that people made back in 2008 when it was abolished.

710 Now Deputy Roffey made it very, very clear it is not about raising more money from motorists. I think he said it several times. I think that is naïve. I think once you have got motor tax back in play, and you are paying your £300 a year for your car, and your fuel is at, I don't know, 70p a litre, that will soon be 80p a litre and 90p a litre and £1 a litre and the motor tax will go up to £400. Those levers will be used. It may be not your intention, or you would not vote for it, but I just have that feeling, when you put those tools into the toolbox they will be used, and they will be exactly that, and motorists will be used for just those things that you said it was not going to be.

715 I like the idea of moving to more efficient cars, and I think we have got time still for that to continue. I like the idea of people buying smaller cars, using less fuel, and then they get the advantage. Although it is temporary, because we will probably put up the price of duty, but as long as people are paying roughly the same amount for their motoring as they do now, I do not seem to have a problem with that.

720 Also motor tax is going to be extremely regressive, because it is just those people who are on the lower salaries, the pensioners, who will then have to pay a lump sum for their annual use of their car. They cannot spread the payments as you do now. Every time you buy your fuel you are spreading the payments of the use of your car over the whole year. Now you are going to have to pay £300 in one hit – those are the sort of limits I can remember, I think it was £200 for certain cars. It is that sort of amount. So, every pensioner who has got a car will be hit with that sort of

730 lump sum a one off every single year. Of course, if you are on low wages you are going to have exactly that same problem. You are going to have to find that extra lump sum of money to pay your motor tax, whereas now you have that option that you are paying it by the amount of fuel you use, and you spread the cost over, which makes it a lot more palatable for a lot of people who do not have the income to sustain the idea of paying a lump sum.

735 Deputy Trott will give the official position of P&R, I hope I am not too far off *piste* (*Interjections*) but maybe he will tell us later. But sir, reject this amendment, it is extremely regressive, it is not the way forward, and it is asking, literally, for motor tax to be reintroduced. Do not be fooled by some sort of cloak and dagger that this is going to be something completely different. It is what it says on the tin. That is the amendment we have in front of us, I would ask you to reject it.

740 Yes, there are long term changes we will have to look at as we have more and more diminishing returns. That day is not today. This will hit pensioners, and it will hit those people on low incomes. So please reject the amendment.

Thank you, sir.

The Bailiff: Deputy Kuttelwascher.

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Deputy Kuttelwascher: Thank you, sir.

I really enjoyed the comments made by Deputy Roffey. I should have worn my red tie, (*Laughter*) but I was not quite expecting that, and as a politician he is quite entitled to be right occasionally. (*Laughter*)

750 Sir, back to the matter in hand. For those who have a copy of the Budget, or can refer to it, I look to page 21, and paragraph 4.38 and I wonder if people have overlooked the implications of that paragraph. I am going to read it because it is relevant. It says:

‘It is apparent that excise duty on motor fuel is a shrinking tax base...’

Somebody has already said that is the last thing we need,

‘and, in order to maintain the real value of the income derived from this source, it is likely that...’

It is more than likely

‘unless the tax base is changed,...’

755 So, it is half inviting consideration of it, isn’t it?

‘above inflation rises will be needed in future years to compensate for anticipated falling volumes of fuel consumed. Therefore, having regard to the recognised need to ensure future revenue stability, the Policy & Resources Committee is of the view that it is an appropriate time to consider whether the scope of fuel oils subject to excise duty should be extended.’

So, they are looking to extend the tax base by extending duties on more fuel oils, and the next line which is highlighted:

‘Therefore, it is recommended that the States endorses the Committee investigating the extension of excise duty to other’

and it says ‘fuels oils’, but I think that is a typo there should not have been an s on the fuel.

‘consulting with industry and the public and reporting back with, if appropriate,...’

– so it might come back with nothing, a bit like what we are suggesting –

‘recommendations in the 2018 Budget Report. This investigation would be carried out in close collaboration with the Committee for Home Affairs.’

760 Now, that investigation will include taxing home heating fuel, that is a fuel oil. That is their way
of addressing the problem. All this amendment is suggesting is it is not the only way you could
address the falling or shrinking tax base. There are other issues. I wish people would just read the
amendment before they speak. This is not a direction to reintroduce motor tax. It might be that
that is what the recommendation is, and the brouhaha of queuing up with insurance and
765 everything. Have people not realised what has happened. We all carry around an insurance disc in
the car now. That is a red herring. Everything could be done by online now. You may need half an
extra staff, because all the vehicles are recorded on a computer, they have all the registration
numbers and everything could be done almost automatically. Have we not gone down the route
of e-Government, Service Guernsey, is that all out of the window? Nobody is going to have queue
770 up anywhere. But anyhow, that is just another thought.

It is interesting, Deputy Roffey and I met with representatives of Guernsey Motor Trade
Association and they were very keen on this whole issue being reviewed. That is why they
supported it. They sent you all an email. How many times are we told to listen to the experts, the
motor industry? If we talk about education we are told to listen to the experts. (*Interjections and*
775 *laughter*) No, I am not giving way, I am sorry.

So let's see if Members have any regard for the so-called experts, and they have a good point,
the motor industry. Not so long ago we introduced a tax to help fund the buses, an initial
registration based on emissions. We have now got this business of feeding in disparate taxes on
the motorist. We pay, I think it is £25 if you sell your vehicle as part of the process. What about
780 the cost of issuing driving licences? Does that reflect the bureaucratic cost of actually doing it? I
do not know. Is what we pay for a driving licence a reasonable amount? I would like to see all this
reviewed.

In fact, although the word 'motor' tax has been used, and that is one of the options, if you
have a review, somebody come back with a brighter idea. Policy & Resources could come back,
785 'We do not think motor tax as it used to be is anything like what needs to be done, but there
could be some alternatives.' So why is it that Policy & Resources can have a review as to whether
or not they maybe will tax home heating oil, and nobody has even thought about that. It has not
even been noticed in the public domain, never heard a note about it, and have not heard anything
from the media. But it is certainly on the cards, it is on their radar. That is not the only fuel oil, you
790 could tax fuel oils in boats, tax them more heavily. This is all about sustainability. Our shrinking tax
base has been identified, is there anything we can do about it, or do we want to do anything
about it?

Talking about taxing everybody or every car in this regressive nature, you could exempt cars of
at least say 4S. You do not have to tax every car, you could put a massive tax on a Bentley. Now, I
795 do not think many people would object to that. So far it has been full of negative assumptions. Is
there a way of producing a system which is fair, and would stabilise the tax base? That is all it is.

I will, of course, and I hope Members will support the amendment.

Thank you.

800 **The Bailiff:** Deputy Yerby.

Deputy Yerby: Sir, I am standing to enjoy a very rare opportunity to be populist. Up until
yesterday this was not a position I would have taken, and I hope Deputy Merrett will not mind me
crediting her for changing my mind.

805 Deputy Queripel, Deputy Roffey and Deputy Kuttelwascher are absolutely right, this is an
amendment which direct Policy & Resources to do more research and come back with
recommendations. Nevertheless, resources are tight and time is short, and I have no intention of
directing Policy & Resources to do work which, when it returns to the Assembly I would not
support.

810 I firmly believe that this Government must raise income, and when it comes to general debate,
I will speak strongly in favour of an increase in progressive measures. But if I am going to take that

position, then I must be consistent. As Deputy Brouard has said, this measure is quite regressive in its nature.

815 I approve of behavioural taxes. They work. We have seen that with tobacco consumption, with alcohol consumption, even with fuel consumption. The figures are in the Budget. But this is a step in the wrong direction. It is a step away from something that changes harmful behaviours to something that penalises everybody clear across the board. It is not fair, and I will not be supporting the amendment.

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

The Bailiff: Deputy de Sausmarez.

Deputy de Sausmarez: Thank you, sir.

825 It has been very interesting hearing the variety of views. I would like to start off by saying I have no idea whether I would support a motor tax, it very much depends, as Deputy Roffey says, on the detail. Until we have seen the report, none of us could sit here and categorically say yes or no – the point being that I just think it is churlish to turn down an opportunity to find out. **(Several Members:** Hear, hear.) As Deputy Lester Queripel explained, we are not voting on the
830 actual decision, we are voting on the investigation into its merits.

I would just like to pick up on, there is a little bit of a recurring theme and Deputy Yerby just touched on it, and I was actually pleased to hear Deputy Brouard, who is our environmental policy co-ordinator and champion, also say that he was very keen for any measures that would encourage a shift to more environmentally sustainable modes or forms of cars, I suppose, in this
835 respect.

Deputy Yerby says that she supports behavioural taxes, mechanisms that influence behaviour. Well, because I am quite geeky, I was actually doing some reading last night, and I stumbled upon the carbon tax consultation from January 2010 that was distributed by the then Environment Department, and a couple of paragraphs jumped out. It goes through why it is important and
840 productive to introduce such a tax, which I admit is not the tax that we are discussing today, but it does touch on the behavioural issues. It says:

'As an incentive to reduce consumption a fuel tax generally also results in reduced emissions. In addition the petrol/diesel tax may encourage increased use of gas and electric powered vehicles, again leading to reduced emissions. However'

– this is the important bit –

'the removal of the annual road tax removes the ability to use this recurring annual charge to penalise high emission and reward low emission vehicle ownership. The Department is unaware of any jurisdiction that relies solely on tax on fuel, or a first registration tax coupled with tax on fuel, to drive consumer habits away from high emission vehicles. As a consequence none of the European models bear direct comparison and the impact an annual recurring road tax has on purchasing habits is therefore currently not available to Guernsey.

845 I have to say, having thought about this issue for many, many years, I do think we lost more than a revenue stream when we took away motor tax, unpopular though it might have been. It was far more than that. Deputy Brouard referred to levers: it was an important lever.

We do have a first registration duty, and that obviously has some benefits, but one of the benefits that we do not have from it is the mechanism of an annualised charge. It is that annualised charge that is absolute crucial in driving behaviour, in driving consumer change, it really is. As this document from 2010 points out, we are unique in not availing ourselves of this.
850 The first registration duty is, I believe, even being paid by some car dealers. So how much of an effect it is actually having on behavioural habits, I do not know. We definitely know that annualised charges have a far greater effect.

855 Now, I am not standing here to say that I would definitely support a motor tax, I absolutely, categorically, do not know whether I would, but I can say that people, Members, really should not be resisting this, because they think it will not drive behaviour. If you are keen to have co-ordinated tax policies in order to drive certain desirable behaviours which, I think we would all agree, would be very beneficial to the Island, then let's not chop this out of the equation before it has even had a chance to prove, or disprove, by means of this report what it could do for us. I strongly believe this is something we should investigate, and then we make the decision on another day once we have seen the content of that report whether it is something we should be looking to reintroduce, or introduce.

860 I think on that subject, I do think it is a little bit pedantic, and over semantic, to harp on about the reintroduction of motor tax. I think I am right in saying that the proposer and seconder of this amendment have no intention whatsoever to harness that to what we used to have, it is looking at an annualised charge for motor vehicles that is intended, and that is an investigation that I would like to see.

Thank you.

The Bailiff: Deputy Green.

870

Deputy Green: Sir, thank you.

Unusually, sir, I look forward to hearing from Deputy Trott later on in this debate (*Laughter*) unusual, I know, because I do think the advice of the Policy & Resources Committee will be very important to the way I vote in due course. I think Deputy Fallaize hit the key issue on the head.

875 I would say the arguments that Deputy Roffey and Deputy Kuttelwascher have made this morning have been very persuasive, they have been advancing what I think is probably a rational case. But the difficulty with the argument that they have advanced this morning is that it is not entirely aligned with the wording of the amendment, and I do not think it is semantics, to be honest, Mr Bailiff, I think we have to be absolutely clear on what we are signing up to here, because the direction in the amendment is on the specific matter of the possibility of reintroducing motor tax. (**A Member:** Hear, hear.) That is the model that we had in the past. Deputy Roffey spoke about the opportunity for this sort of motoring tax in general to look at the options to consider the options, but that is not what the resolution would say, in the event of this amendment being carried.

885 I give way to Deputy Roffey.

Deputy Roffey: I thank Deputy Green.

Quite apart from the semantics about whether reintroducing motor tax would mean identical motor tax to the one we have before, which I do not accept at all. Does he accept that all the amendment is doing is asking P&R to look at it, and even if it were to be attributed as saying, look at bringing back exactly the form of motor tax we had before – which is not intended – even if it were, does he accept that they would be free to come forward with whatever variation they may see fit to that particular proposal?

895 **Deputy Green:** Well, I thank Deputy Roffey for that intervention. That is why we need to hear from Deputy Trott, sir, because it is their interpretation of this which is going to be key. Why would the amendment say the reintroducing of motor tax if it was not that clear?

If this amendment is passed, sir, as I was saying a moment ago, the resolution of the States will be for P&R to look at the possibility of reintroducing motor tax. That is the issue, and therefore I do look forward to hearing from Deputy Trott, because at this moment I, as I say, I am persuaded by the argument that has been made in the States, I just do not think it is the right argument for the wording of this amendment.

900

The Bailiff: Deputy Ferbrache.

905 **Deputy Ferbrache:** Sir, I am not provoked to speak by Deputy Roffey or by Deputy Kuttelwascher, but by Deputy de Sausmarez, because she talks about behavioural change. Well, we have already got behavioural change, because the duty that is raised from fuel duty is falling because people are not using their motor cars as much.

I am not going to give way to Deputy ... unless she is going to correct me on something I have missaid. I am not going to give way to her otherwise.

Deputy de Sausmarez: It is a point of correction.

915 **Deputy Ferbrache:** Deputy Roffey just made a speech in relation to Deputy Green, which did not seem really to follow and I am not going to give another Member of the –

The Bailiff: I think she is asking she is not asking you to give way but on a point of correction.

Deputy de Sausmarez: It is, thank you sir.

920 It is a point of correction. The reason duty has been falling is not due to a significant modal shift, as the very optimistic Deputy Inder suggested, but very largely due to the increasing efficiencies of modern vehicles.

925 **Deputy Ferbrache:** I do not know whether that is a given or a proven. I imagine it is actually a mixture of both, so we are probably both right, and that does happen occasionally. *(Laughter)*

But where I take objection to, and Deputy de Sausmarez said, 'Well, we are only going to look into a report, we have not made any views', and both Deputies Roffey and Kuttelwascher are not saying they are in favour of motor tax, and they have made that very clear, and I accept what they say.

930 But she is saying we are taking away, if we do not introduce it – or if we do not consider it, I should say – something that reflects behaviour matters. Well, hang on, because if you bring in a charge of £200 or £300, or whatever motor tax may be, as Deputy Brouard said, it is not going to affect the person who drives a Bentley, to quote from Deputy Kuttelwascher. It is not going to affect anybody in this particular room. But it is going to affect the old age pensioner, and it is going to affect the people on modest incomes. Now, I do not want their behaviour affected by people who can afford to make behavioural changes, as we all can, and they cannot. Very easy to stand there and say 'behavioural changes' – it is not going to affect the rich, it is not going to affect the middle class; it is going to affect the poor, (**A Member:** Absolutely.) and I think that is appalling, (**Several Members:** Hear, hear.) for anybody even to suggest that. Rich and middle class people can say it – not ordinary people.

940 Again unless this is a point of correction, I am not going to give way.

945 **Deputy de Sausmarez:** It is a point of correction in that is entirely not what I was suggesting whatsoever. There is absolutely nothing to suggest that a motor tax should penalise the pensioners, the little old ladies. That is not a modern way of thinking. It is not relevant to this investigation, I do not think.

950 **Deputy Ferbrache:** I do not believe that is a point of correction. It will. Let's look at the real world. It will. They are going to have to find £200 or £300. It may not be much to most of the people in this room. It is a lot of money to a lot of ordinary people, and it is something that should not be considered.

Now, I do not understand, and I fully accept the good will of Deputy Roffey and his intention, and what he says, and he repeated it, I think, on more than one occasion, that the idea is not to increase tax revenue from the motorist.

955 Well, in practical terms, if we do have a report, and it does bring in motor tax, it will be, because that is the way it works. We could do it a different way, I understand the professional

body, and I fully accept their points. There is a different way, we just do not increase fuel revenue by above inflation in years to come.

960 The States' Assembly has a discipline in that regard, because when we come to the general debate, I will be asking, when he eventually responds, and at the end of the debate, Deputy St Pier to tell us how we are going to broaden the tax base, what are we going to do to do it, because I would rather hear from that, how that is going to be done over the next 12 months, what the thought processes are, than bring back something that will be bureaucratic, and I know we can always do transfers at the bank, I pay my TV Licence now through something or other, I never
965 actually see a TV licence, and I am sure you all do to, those of you who have got televisions. So, perhaps some of you who are environmentally friendly do not watch the television, but most of us ordinary folk do, and in relation to all of those matters, it will still be more civil servants when we need less civil servants (**A Member:** Hear, hear.) it will be more bureaucracy, when we need less bureaucracy, and I am against anything that is going to impose a tax burden, of any kind, direct or
970 indirect, on poor people.

The Bailiff: Deputy Le Tocq, do you wish to be *relevé*?

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

The Bailiff: Alderney Representative Jean.

Alderney Representative Jean: Thank you, sir.

980 We hear in this amendment of the possibility of a reduction in fuel consumption. We know that part of that is through fuel tax climbing higher, and more efficient motors, and cars, and vehicles. That has to be a good thing.

Deputy Roffey's amendment promises a reduction in fuel tax. Will this apply in Alderney? Although this starts as a report, innocent enough, but to me it is the thin end of the wedge. My concerns are for people in general, for families, young working families, for old age pensioners,
985 for people in general who are already paying very high fuel taxes, and by the look of it climbing higher.

In voting for this, we will begin a process of accession. We must stop this now, at the root, right now, and not vote for this amendment. I think it is fairly important.

990 In Alderney the fuel taxes are higher, we have our own Alderney Government fuel tax, plus Guernsey's. That I will go into later in my speech on the Budget, but I think we should stop this right now. I think it is dangerous.

Thank you.

995 **The Bailiff:** Deputy Brehaut.

Deputy Brehaut: Thank you, sir.

1000 Although Deputy de Sausmarez has already raised the point, I think we have overlooked that this Assembly introduced an emissions charge, you have done that, so we have fuel duty and we have first registration emission changing. In a way that actually is very fair, and does not penalise the pensioner, it does not penalise, necessarily, the family or the older person, because with any regime you introduce you simply band it. So, for example, I do not have the emission list in front of me, but by way of example, if we look at the type of car pensioners generally drive it is of a certain type. If you, for example, say that anything below 1,000cc is exempt from this, then make them exempt from that. If you then want to band it to say that a charge kicks in when you buy a
1005 vehicle of say 1.2 litres, then do it, but anyone who goes on, who wants to buy the 3 litre, and astonishingly a 5 litre vehicle, then perhaps you would have a banding that felt appropriate.

So, I think it is wrong to say that this will be a blanket charge that penalises everyone. We could be sent away to discuss the potential to introduce a tax regime that took on board all of the arguments in the Assembly with regard to specific groups in mind.

1010 I just wanted to say with regard to the GMTA, and their endorsement of these proposals, we need to be a little bit careful about that, because if you are a car salesman, and you have a purchase tax of any sort, you have to sort of work that into the price of the vehicle, and say it is £8,000 with the new taxation regime we have, and I am talking of perhaps emissions, then that is a more difficult pitch to sell. Where the attraction to a motor tax, and why the motor trade like it, in
1015 my view, is quite simply, they sell you the vehicle, the vehicle is yours, then they say to you, actually, you need to go out and get motor tax for it now, so this is sort of one remove, which makes it a bit easier for them to sell, rather than to take absolute ownership of it.

So, tax most certainly can be banded, and the important element here, and again, touched on by Deputy de Sausmarez is the annualisation of the charge, which we have not had and that we
1020 have lost. Because, when the person buys the vehicle for the first time they buy it the registration duty they will have in mind, not what it is costing them there and then, but what are the costs the next year, and the year after that. What is so wrong ... ?

I will give way to Deputy Brouard on the risk that he does give me new material. (*Laughter*)

1025 **Deputy Brouard:** Thank you, Deputy Brehaut.

Would there also be a banding for young families and so on, and people who need perhaps a larger car, and are not on such high incomes?

Deputy Brehaut: Well, young families, Deputy Brouard, have children with asthma, young
1030 families have older parents with chronic obstructive airways disease. This Island has a pollution problem. So when do we introduce these emotive sensitive arguments? Actually, when it suits. If it suits us to use the older person, or the younger family, we will use it when we oppose what some people see as the tip of the green environmental iceberg. Through you, sir, as ever.

But just with regard to the altruism of the motor trade, and the history of taxation on vehicles,
1035 very, very quickly. The motor trade have been driven to produce more fuel efficient motor vehicles, not through altruism, but from legislation in other places. There are places in America where you cannot take certain vehicles. There are places in America where they favour electric vehicles. It has not been the altruism of the motor trade, historically, that never wanted to introduce seat belts for example; that never wanted to introduce airbags; that never wanted to
1040 introduce side impact protections system; that really never wanted to produce energy efficient vehicles by volume, because they were so closely tied in, incidentally, to the producers of oil. The world has changed, not through the altruism of the industry, but through politicians, through legislation, and through environmental pressures, so we must take that on board.

We ought to, if you get close enough to a commercial vehicle, you will see on the side of it,
1045 painted or handwritten on it, that it weighs over two tonnes and it is limited to doing a speed of 25 miles an hour. On Guernsey now we have vehicles that weigh over two tonnes to take children to school. How have we got there, and what is wrong with ... ? Actually, with regard to taxation we are trying to do something about that to stop people, particularly with vehicles of that size, both using the half of the road and the majority of the pavement.

1050 In essence this asks two Committees to go away, Policy & Resources, and the Committee for Environment & Infrastructure. I do not object to that, and I would like to go away and explore this. But in Policy & Resources, we have a policy that is delivering a depleting resource, a diminishing resource, what are we going to do about it. We are being invited today to do something about that, acknowledging that we have a problem. I would ask the Policy & Resources Committee,
1055 because we are simply being asked to go away and investigate that, simply to do that very thing.

Just with regard to the burdensome nature of new taxes and people paying in one hit, that is an entirely bogus argument. You can pay your insurance on the day, or you can pay it over 12 months. I believe if you have a tax bill you can pay it on the day or you can pay the terms monthly

1060 that are agreeable between yourselves and the Income Tax. Nobody is going to pay £300 and
£400 or be pushed to if they cannot afford it, because people can spread these costs, and it is
right that they should, and I agree with Deputy Kuttelwascher, we are heading for the green, sorry
the e-agenda with regard to online form filling and things, and surely, if the Government in the
21st century cannot do something like this I will be quite astonished.

1065 So, please, I have never known Deputy Fallaize to be pedantic before today, I have to say.
(Laughter) It came as a bit of a surprise to me. But we know there is a sense, there is potentially a
will in this Assembly to do something, that is not, okay not accurately reflected in the wording, but
please let this amendment get passed go and give two Committees an opportunity to come back
with something that works, because, clearly, it is not working now.

1070 **The Bailiff:** Deputy Paint.

Deputy Paint: Sir, first of all I would like to say that I support Deputy Ferbrache and Brehaut
and Alderney Representative Jean in what they say. There is no doubt about it, I believe that they
are absolutely correct. This amendment in my opinion, is just another example of a reattempt at
1075 yoyo government. But this time with a very long string.

I am sorry, but I cannot support the way this Assembly is driven by a few, just trying to get
their own way all the time, we are under attack all the time with green policies. They do not work.
They do not work. People do not want them, and we represent the people, not just the few. I think
some of these people would like to see the poorer people in our community pushing
1080 wheelbarrows, and perhaps driving their donkey and carts. You will not see that again. You just
will not see that again.

Thank you, sir.

1085 **The Bailiff:** Deputy Laurie Queripel.

Deputy Laurie Queripel: Thank you, sir.

I must not be tempted to say I was not intending to speak during this debate so I won't, but I
will anyway. *(Laughter)*

1090 I do have some sympathy for this amendment. I understand the intent, to secure revenue in
the face of increasing fuel efficient vehicles. In a way it flies in the face of something the States
have been promoting and pushing for many years, which is the user pays policy. It absolutely flies
against that principle.

1095 Also, I have been brought to my feet really because of the things that Deputy Brouard said,
and the things that Deputy de Sausmarez said, the poles apart comments, really, and opinions.
But also there is something that has not been mentioned yet, and I wonder if this kind of ... I am
going to call it motor tax, because that is what is just what it says in the amendment – this motor
tax may actually backfire, because – *(Interjection and laughter)* Thank you, I am on good form this
morning! I have not said anything yet, but ... *(Laughter)*

1100 People may end up being taxed on vehicles they do not use very much, they use very, very
little, and will it encourage those people to use those vehicles more to get better value for their
outlay? That has not been said yet. I wonder, and that will run contrary to environmental policies. I
know it is always a tricky balance with these things, and something might always get upset or
tipped in the wrong way, if we make a decision, but I think that is something that nobody has said
that needs to be considered. There are people out there who are very restrained and very careful
1105 in the use of their vehicles, and if they are going to pay £300 for a vehicle every year, surely they
are going to think to themselves, 'Well, I need to get good value for this, so I will use my vehicle
more.' So that has not been raised, yet, and I think it is something that needs to be considered.

1110 It is not a tax on the use of motor vehicles in a sense; it is a tax on the ownership of motor
vehicles, and I think that is an important difference. But if we are going to secure or raise extra
revenues, and I know that we have to do that, because of the demographics, and because of the

greater pressures on care and health services that are going to come forward in the future – and I know that we have to do that because of the inflationary element, so regardless of all the savings, and efficiencies we are going to make as a States, and we have to make those savings and efficiencies, regardless of that we are going to need to raise more revenues in the future – but if
1115 we are going to secure, or raise, extra revenues, it has to be done in a progressive way. It has to be based on ability to pay. It has to come from where it can most easily be spared, and that will not be the case, regardless of the good intention, with a motor tax.

Now, sir, I will vote for the rise in fuel duty, because it goes towards funding important and essential services, that is a very important element of States' revenues, but it may be the last time I
1120 do so, because for the reasons I have just given, we have to find ways to get revenue from where it can most easily be spared, not tax the same, or tax more, the same low and middle income and fixed income low fixed income pockets.

I was just interested also in something that Deputy Kuttelwascher said, he referred to page 20 of the report. I was thinking, the Deputy read out where it says Policy & Resources are
1125 recommending:

That the States endorse the Committee investigating the extension of excise duty to other fuel oils'

I just wonder, actually, if it is too much of a stretch anyway, if they are going to do that , for them to look at the issue of motor tax, because they are going to do an investigation anyway, they are going to do some research. I just wonder if they could just include that in their research, in their investigation, just to see if it is something that could be considered.
1130

So, yes, I do have some sympathy but for all the reasons I have given, I do not think I will be supporting the amendment.

Thank you, sir.

The Bailiff: Yes, Deputy Le Tocq.
1135

Deputy Le Tocq: Thank you, sir.

I will be brief, I did hear Deputy Roffey's arguments in the car on the radio on the way from the airport here, and I have a lot of sympathy with the arguments that he has given, and others have given in this debate in terms of the shrinking returns that we are going to get from taxing fuel.
1140 There are obviously competing elements, one could say similar to the tobacco strategy, the success of the strategy has meant that we have got diminishing returns from it.

What I do not agree with is that this quite restrictive review report that is being asked for is the answer to it. I think we need to be far cleverer than that. I certainly as a member of P&R want to continue to look at the way in which we tax fuel and motor use, and an appropriate way of doing so that is not restrictive and detrimental to those less able to pay in our community, that is fair.
1145 We know we just cannot continue to expect to have the same sorts of returns as fuel efficiencies increase. That is why in the Budget Report investigations into other forms of fuel taxation have been looked into. There is no reason why we should not do that. But this particular amendment. I know Deputy Roffey did allude to the fact the it perhaps has not been worded as well as he would
1150 have liked, in retrospect, but it is too restrictive from our point of view, and I cannot see any benefit at all in a return to motor tax in the form that it was, or indeed in any type of that form. We would have to be looking far more broadly and far more clever in the way in which we would apply it in the future.

So I cannot support this amendment, and I encourage others to reject it also.
1155

The Bailiff: Yes, Deputy Merrett.

Deputy Merrett: Thank you, sir.

1160 I am going to be brief. It seems quite simple to me. The wording of this amendment is restrictive, and I take great comfort from Deputy Brehaut saying that he does wish to look at widening the tax base, and on this area of motor tax, or indeed motoring.

As far as I am aware, sir, there is no reason why Environment & Infrastructure cannot do that, regardless of this amendment being passed, I hope it is not, and bring it back to P&R in due course.

1165 So, I take great comfort from Deputy Brehaut in saying that Environment & Infrastructure would be potentially happy and willing to look at this.

Might I suggest, quite simply, sir, that is the way forward.

Thank you.

1170 **The Bailiff:** Deputy Graham.

Deputy Graham: Sir, thank you.

1175 Nothing I have heard so far in this debate has persuaded me that when push comes to shove I would vote for a return of the motor tax in the form that we remember it. Indeed, a lot of what I have heard suggests that I would not be convinced ever to do so. But having said that, I really do commend the amendment that has been put before us today, because I think it is an example of thinking laterally, which is incumbent on all of us, as we face the narrowing of the tax base that we are so familiar with.

1180 In the same way, I would have commended Deputy Ferbrache and Deputy Kuttelwascher for the amendment that was not in fact brought before us today. I think with respect in their case they were not only thinking the unthinkable but perhaps thinking the unworkable, (*Laughter*) but I really do give them full credit for doing so. I give the same credit to Deputy Peter Roffey, and again Deputy Kuttelwascher.

1185 We have heard that Deputy Roffey, perhaps, regrets the precise wording that he has used in this amendment. I personally am inclined not to dance on the pin of interpretation, really, here. I believe it is an invitation to P&R and, if indirectly, to Environment & Infrastructure Committee to have a really good and sensible look at how best, and how most fairly and how most productively to raise revenue from the ownership and the use of the motor vehicle.

1190 If the amendment could be treated in that way by Policy & Resources, I would be inclined to vote for it, because I think it is an open door to the sort of thinking we ought to be indulging in.

Having said that, if it comes up with a form of motor tax that I remember, I think I will remain unconvinced, but it may produce other thoughts, and in that sense I am inclined to vote for the amendment.

1195 I think the only thing that would stop me from doing so is if I would hear categorically from P&R, and I suppose I am looking to Deputy Trott now, for guidance on really how narrowly they wish, or intend to seek, to interpret the invitation that the amendment gives to them to look at this issue, and if they are going to dance on the pin of interpretation, and interpret it extremely narrowly, to what extent it will be a waste of resources.

1200 **The Bailiff:** Deputy Langlois.

Deputy Langlois: Thank you, sir.

1205 Several Deputies, Deputies Brouard, Ferbrache and Yerby to name but three, have described this measure as regressive, or potentially regressive, and we have no idea of what the report would say, and also you cannot simply describe a tax as being regressive. You have to look at it –

Deputy Ferbrache: Point of correction.

I never used the word 'regressive' at all, and I would be grateful therefore if it would not be misinterpreted because I never used that word.

1210

Deputy Langlois: Well, I will withdraw Deputy Ferbrache, but you certainly implied it would be an imposition on the elderly, and the low income families, as did Deputy Brouard.

1215 There is no reason any particular tax should be regressive. You could even introduce a GST in a progressive way, each tax operates in the context of the whole tax system. So one cannot assume that the results of this report, which this amendment calls for will, inevitably, be recommending a regressive tax, it might be progressive, it might be fiscally neutral. That is not a reason for voting against this amendment.

1220 Also, I would like to say that a key point Deputy Roffey made was that we should be trying to pre-empt future problems, rather than waiting until they are on top of us and then trying to solve them. Everybody has admitted that the quantities of fuel being sold are reducing, and therefore we have not got a stable base for our revenues, and our headline rate of pounds per litre for fuel has already reached UK levels. Nobody says, oh yes, but in the UK they have got the road tax. It is the headline rate everybody always looks at, it is analogous to our 20% income tax rate. Without the lever of some alternative, the amendment does not commit to it, some other lever, our headline rate in terms of pounds per litre, our fuel on this Island is going to start going sky high. We need some other mechanism for taxing and controlling that headline rate. We are not going to get it just by ignoring it, standing up in this Assembly and claiming that somehow this is going to hit pensioners and low income families, because there is no reason why that should be the case. This is just a request that Policy & Resources goes away and looks at the taxation of motorists. I will be supporting it and encourage all other States' Members to do so.

1230 Thank you.

The Bailiff: I see no-one else rising. Oh yes. Deputy Leadbeater, what I think is your maiden speech, is that right? Deputy Leadbeater.

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Deputy Leadbeater: Sir, when I first saw this amendment, I was extremely sceptical, it looked to me like the previous motor tax based on weight of vehicles would be reintroduced, and I could not see much reduction in fuel costs coming as a result.

1240 But if I can be given reassurance that this amendment is seeking to look for a fair way of increasing the revenue collected from vehicles, like maybe an annual tax on expensive cars of say over 50 grand or so, and increasing as the value does, let's be honest if you can commute from Torteval to St Peter Port in a 150-grand Bentley you can afford it. So, only if I can be given this reassurance that your average person will not be targeted in the proposed report will I be able to vote in favour of it.

1245 Thank you. *(Applause)*

The Bailiff: I see no-one else rising.

Deputy Trott will speak on behalf of Policy & Resources Committee, immediately before Deputy Roffey replies to the debate.

1250

Deputy Trott: Thank you, sir.

Sir, there were one or two genuine nuggets in this debate, which I shall focus in on. Deputy Inder clearly needs to be congratulated on what was a very good, confident speech.

1255 Sir, Deputy Fallaize amused me, as he so often does, because he somewhat emphatically, and unequivocally, stated that people would like to see an increase in income tax over all other taxes, and he spoke typically authoritatively on this subject. How does he know, sir? Has he carried out a referendum? *(Laughter)* I make this point because very recently, sir, he was critical of me saying that I knew what the electors' of St Sampson's views were – well, I asked them, sir, or those that were in, so I had a pretty good idea – but he said I needed to be careful when seeking to interpret public opinion without unequivocal evidence. So I bounce that back to him, sir: he needs, I think, to be equally careful.

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Now, Deputy Brouard described this as a regressive tax; others, including most recently, or penultimately, Deputy Langlois, sought to disabuse us of that idea, of course, motor tax is regressive. We all know that.

1265 Now, Deputy Kuttelwascher, again, amusingly, sir, he said listen to the experts. I thought that was particularly salient –

Deputy Kuttelwascher: Point of correction.

1270 I did not say listen to the experts. I said we have been told in the past to listen to the experts in relation to education. I did not actually say you have to listen to them, (*Laughter*) it is not the same thing, but Deputy Trott has got a habit of misconstruing what people say.

Several Members: Hear, hear. (*Laughter*)

1275 **Deputy Trott:** Fortunately, we have the *Hansard*, sir, which we can check. But I am delighted not to listen to the experts. I would just like some direction from Deputy Kuttelwascher. Was he saying listen to the experts, or was he saying do not listen to the experts? I would be interested to hear his views.

1280 **Deputy Kuttelwascher:** Sir, I was suggesting that if you are going to listen to experts you should be consistent. Need I say more? It is no good listening to one lot, and then ignoring another lot. I personally do not think there is such a thing as an expert; they are a lot of people who think they are experts. (*Laughter*)

1285 **Deputy Trott:** On that we agree, sir, but let's be consistent, and he wants me on this occasion to listen to the experts, because they support his view. The experts, i.e. Aurigny, and Flybe, and Blue Islands, tell us not to extend the runway, and now clearly, sir, they are experts but might they have a vested interest? Well, of course, they just might – which is why one has to be very careful when one listens to an organisation like the Guernsey Motor Trade Association with regard to this particular amendment. That is all I shall say, sir.

1290 Deputy Yerby, again, viewed this amendment as being potentially a step in the right direction and, again, reminded us of what it is, and that is a regressive move. Now, I though Deputy de Sausmarez's contribution was typically well delivered, and she said, sir, some garages are paying the first registration charge on behalf of their customers. Well, of course, they are, because it is the selling of fuel that is so important to them. That is why we have so many fuel outlets. That is how they make their money.

I give way, sir.

The Bailiff: Deputy de Sausmarez.

1300 **Deputy de Sausmarez:** Thank you, sir.

1305 The point I was making is that the first registration duty, although it has many merits, is not necessarily as an effective vehicle of behavioural change to modal shift as an annualised tax would be, because it is a charge that is considered only once in that vehicle's life cycle. An annualised charge tends to be far more effective, and there is an awfully large body of evidence to support that. Not least the fact that every other jurisdiction has one.

1310 **Deputy Trott:** I partially accept those arguments, sir, but what I will say is that the reason why motor vehicle vendors pay that charge is because they know how annoying their clients find it, and at the end of the day it is about selling fuel, as I say.

Now, Deputy Green is a lawyer, sir, and an able one at that, and he drew our attention to something which, I think, really is worthy of further analysis, and that is the wording of the amendment, something that was picked up when the Policy & Resources Department considered

1315 this. It is very specific. It says reintroducing, carry out an investigation on the reintroducing of motor tax. You cannot reintroduce something that you hitherto have not had. You can introduce something new, but you cannot reintroduce it. That is one of the many problems with this amendment, I say through you, sir, to Deputy Graham, because it is so prescriptive it is difficult to interpret it in any other way.

1320 Now, sir, I want to move on to some of the more, in my view, substantive arguments, and I will start with fairness. How can it be fair, how can it be fair that Mrs Le Noury on this occasion is going to live in the South East, so rather than Torteval – and some may consider that coincidental with Deputy Roffey's electoral district, it was not intended to be – but let's assume she lives in the South East. She drives a Ford Capri, incidentally, which she ... (*Laughter*) well she inherited from her husband. She has been a widow for 30 years, she inherited the vehicle from her husband, she uses it only a couple of times week to visit her daughters who live in Deputy Roffey's previous electoral district in the North – all she uses it for.

1330 Now by contrast, Deputy Ferbrache, who has an Audi, likes to take his wife for a drive on Sunday afternoon, and he whizzes around the Island. Sometimes they stop at the Airport for a cup of tea, sometimes they go down to one of the garden centres, that has a coffee shop, soon you will have the option of stopping at one near the Camp du Roi. (*Laughter*) The point is Deputy Ferbrache is making choices, sir. He is making choices, he is driving his car, because he can afford it, whereas Mrs Le Noury has no such choice, and that is what makes fuel tax so fair. You can avoid it if you are able. Whereas, with a motor tax you cannot. It is imposed upon you, irrespective of your earnings, sir.

1335 Now, I am certainly not going to lecture this Assembly, sir, although I will say that it is traditional, and it has been during my nearly 17 years in the States, to applaud the Treasury Minister of the day's Budget speech. That has been the convention and I can only assume, sir, that the States' inability to applaud his introductory speech had nothing to do with content, and everything to do with the fact that many Members were unaware of that convention.

1340 But let's talk about political lessons that have been learnt over 17 years. If you want to irritate your community, reintroduce an old tax, particularly, if that tax was despised. That is why the States of 2007 rejected it wholeheartedly with, incidentally, the support of the then Environment Department: it was despised, and it was despised for a number of reasons, not least we made criminals out of some of our good citizens who had forgotten to renew their tax disc, and suddenly found themselves appearing in court, because of the heinous crime of not having the time to, in those days, stand in a queue at the motor tax department, particularly when people were leading busy lives. Clearly, there have been some movements in that. Online would make things easier, but bear in mind that back in those days we had five civil servants administering this. We reduced the Civil Service by five as a result. Who is to say we will not need an equivalent amount simply to get this up and running should we choose to reintroduce motor tax?

1350 Now the motor trade are in favour, this should be of no surprise, of course, they want to sell more fuel, sir. That is, as I say, how they make their money. Now many of them will say, 'Oh Deputy Trott does not know what he is talking about, we do not make any money on fuel', well why are there so many outlets? They make a tidy little margin, and I do not have any problem with that, they are business people, and they deserve to make an honest cost.

1355 But let's not be under any illusions, the selling of fuel is important to the motor trade, whereas, of course, the payment of a motor tax, well, that is the bad old States, isn't it? 'They are imposing that upon you, nothing to do with us, governor. In fact, if we had had our way you would not have it.' You can just imagine, can't you?

1360 Another thing I have learnt, sir, in my time in this Assembly, is that if you have a review you set a train in motion. You give the impression, and others will certainly beat you over the head with it, saying, 'Well, you voted for this review, we have come back with these proposals, how dare you reject them!' That is where Deputy Yerby is right again, if you do not think you will support the reintroduction of a motor tax – and we have heard lots of sort of flowery alternatives today, that is not what the amendment suggests – then do as I shall do, sir, and vote against this amendment.

1365

Finally, sir, I leave you with this. Our community is not stupid, the explanatory note says:

'If introduced motor tax would also allow the duties on petrol and diesel to be reduced.'

Our community will not believe that. Our community will see it for what it is, another source of income for this Assembly, and will be, I think, very disappointed indeed, at the prospect of paying more for what is effectively a tax that should remain where it is, sir, consigned to the annals of time.

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I ask Members to reject this amendment.

The Bailiff: Deputy Roffey.

1375 **Deputy Roffey:** Thank you, sir.

Let me deal with the semantics first, if I may. I said in my opening that I regretted the wording of my amendment, but let me be quite clear, I only regretted it, because I thought it conjured up the imagine of reintroducing the old style motor tax. I utterly refute the idea that the wording, as currently drafted points only to the introduction of the same sort of motor tax as we had prior to its abolition. The reality is Guernsey used to have a motor tax; now it does not have a motor tax. I think perhaps we should have a motor tax again, therefore I am asking for the consideration of the reintroduction of motor tax. There is nothing in there that remotely suggests it has to be the same as the motor tax that was abolished a decade ago. Indeed, that is not the sort of tax that I would ever conceive of supporting, and therefore I would not have drafted it in that way if I thought that was going to be interpreted in that way.

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But I feel comforted, because if it is passed it will go to P&R and to Environment & Infrastructure, and involved in that no doubt will be Deputy Trott, and I have observed Deputy Trott over decades now. I know he is never completely tied to every jot and tittle of a States' Resolution, if he is asked to look at something. *(Laughter)* When he is asked to look at something he comes forward with his own ideas. He comes forward with what he thinks is best, that is exactly what will come back to the States. I doubt that it will be, in his case, the reintroduction of any form of motor tax, but nevertheless, really, as Deputy Graham said about dancing, angels dancing on a pin head. Nobody is going to be tied to that. They are going to look at this area and come back with proposals.

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Now, he does not want to see that happen, sir, because once you put a train in motion then it almost inevitably gets to its destination. Interesting. My friend Red Yan pointed out *(Laughter)* that in this Billet there is proposal that could lead to the taxation of home heating. Now, I ask all those people who have been worried about the poor, and the elderly: if there are two trains leaving the station, these two trains of thought that we are looking to put in motion, because we have to do something about the dwindling return on duties on motor fuel, and one is looking at other ways of taxing motorists, and the other is hitting home heating, which train would you prefer to board? I suggest you vote for this, and vote against the Proposition in the Billet that says that we should be looking to extend the duty onto other fuels.

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Let me deal with a few specifics here. Deputy Inder was first to speak and, like others, I congratulate him on his maiden speech. I think he said something along the lines of people have been doing what Government wanted, getting more fuel efficient cars, and as a result you are saying it is not sustainable, how fair is that? Not particularly fair, but it is life. I have to say, if motor tax did come back, I would quite like, in the early years, to exempt electric cars, and maybe hybrid cars, to encourage people to move towards them. But I tell you what, when 80% of us are driving those in 20 years' time, it would be utterly impractical to continue with that incentive, because we would not be raising enough revenue. So, I am afraid, 'welcome to Government'.

1410

Deputy De Lisle does not want any more tax on motoring, nor do I.

Deputy Gollop likes sneaking indirect taxes, I do not. I do not. I wonder what he thought about the 5p on plastic bags, but that is another matter.

1415 Deputy Fallaize, well, he is a very bright chap, but he is obsessed with semantics, and I hope I have convinced him that there is nothing in this amendment that will stop a range of different proposals being looked at.

1420 This business of repressiveness, rather than going through everybody. I actually think that a motor tax can be far, far less regressive than a duty on fuel, although I am not suggesting getting rid of duty on fuel altogether, because it was always there, of course, before we rejuvenated tax. For example, and excuse the slack wording, but granny cars could be pretty much zero rated, and those people, the people that Deputy Ferbrache is worried about, and Deputy Brouard, they will actually pay less than they do now, because they will, if they are financially up against it opt for the sort of car that (a) costs less to buy in the first place and (b) actually then will not attract the motor tax, or a very minimal tax. They will be better off. The people with the status car, the people with the big booming car, that we all have to go on to the pavement to avoid, they may be charged more. That is the sort of motor tax I would like to see. It may be not what we come up with, but it does not need to be regressive. It can be absolutely the opposite of regressive, it can be progressive if done properly.

1430 Likewise, Deputy Brouard says, he likes the fact that we are selling less fuel, he wants that fuel efficiency to continue. So do I. Get a motor tax right and it will do a heck of a lot more to encourage the more fuel efficient cars to be used in Guernsey, than any duty on fuel, which is a very blunt weapon, could possibly do. You can actually make sure that those cars that are going in that direction are the ones that are more favourably treated. Much, much better way of doing it.

1435 Behavioural change, I think have answered Deputy Yerby there.

Deputy Ferbrache does not want to do anything that will hit the poorest in our community. I think I have just explained, I completely agree with him. There is no reason why it should be £200 or £300 on every car, like spreading jam across a bit of toast evenly. If that is the best we can come up with, then we have not moved on from the days of outside toilets frankly. *(Laughter)*

1440 I could go on for ages, but actually, lots of us have a lot to say on the main Budget, including myself, so I will not.

I do have to pick up Deputy Leadbeater asking for an assurance. I can only give him my assurance that that is where I am coming from Deputy, through you, sir, that I can assure him that that is where I am coming from. Of course, I cannot give him an assurance on behalf of 40 people. 1445 This Assembly will decide what this Assembly has to do.

All I would say, though, is lots of us in this Assembly sit on spending Committees, that are seeing vital front line services really struggling to be maintained. Now, I know Deputy Ferbrache said you do not have to put up the duty on fuel if you do not do this, do not do either, just learn the discipline. Okay, that is the only other really logical approach. I give him that. I do not think we can carry on putting duty on fuel up indefinitely, way above inflation, to make it the most expensive fuel anywhere in Europe. Not deliverable as Deputy Fallaize said, not politically deliverable at all. But we could just tax motorists less. That is a real option. If that is what you want to do today, then by all means vote against this amendment, and do not get the way of looking at taxing motorists looked at in future. But then live with the consequences all of you, that are on Education; that are on Health & Social Care; that are on Home Department, that you are actually voting to reduce the income of this Assembly. 1455

We are in the financial soup, I do not care what was said in the opening debate, we are really in a struggling part of our history, and we are going to accept that a tax that has been used since the year dot, a tax on motoring, should go down in real terms. I do not think we can afford to do that. In may be the populist thing to do; it is absolutely irresponsible thing to do, and as Deputy Lester Queripel said, all we are asking for is for this to be looked and the options brought back. Maybe somebody said it could be combined – I think, his brother, probably, Deputy Laurie Queripel said – it could be combined with looking at alternative fuels being taxed. Yes, actually, I hope they are compared one against the other, because I have no doubt in my mind which one is the more desirable. 1465

So, if you are sanguine about our income from motoring going down, and the impact on your committees, fine. If you just want it looked at, if you have got an open mind, you are not going to get tied by some people's interpretation of semantics then for goodness' sakes do this!

1470 **The Bailiff:** Members, we vote ... Yes, Deputy Tindall.

Deputy Tindall: Sir, is it possible to have advice from the Law Officers on the nature of the wording of the amendment, and whether P&R would be restricted in the way that has been suggested to the Assembly?

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The Bailiff: Which one of you wishes to give some advice?

The Procureur: Sir, if I could ask just for some clarification on if there is a particular element of that wording that Deputy Tindall is unsure of?

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Deputy Tindall: We have had discussion as to whether or not P&R will be able to look wider than actually just reintroducing motor tax. I would like clarification if P&R would have to adhere strictly to the wording as has been suggested.

1485 **The Procureur:** Well, sir, my view of that would be this amendment is purely for reintroducing motor tax and nothing else at this stage. That would be my advice.

Deputy Roffey: Sir, could I ask for a clarification, because I never said it asked for anything other than a consideration of the reintroduction of motor tax? My point is, and if my semantics are incorrect I apologise, but that does not necessarily have to be an identical motor tax to the one that was scrapped.

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The Bailiff: That is one question, does it have to be the original model of motor tax, or it would be flexible enough to allow Policy & Resources to come back perhaps with their recommendation for a slightly different model? I think that is probably the question that is being asked.

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The Procureur: Sir, thank you for that.

There is a danger indeed, that we may be dancing on the head of interpretation here, but it is reintroducing motor tax, so if proposals came back which had the effect of introducing motor tax but maybe slightly different or a little more flexible, in my view, that would be covered, but if it was something entirely different then clearly it would not. I am not sure that necessarily assists, but this is the proposal to reintroduce motor tax. If there is something that is pretty much analogous and very, very close and has the same effect my view is that this would be sufficiently flexible to do that.

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The Bailiff: Thank you. I think that is very helpful.
Deputy Kuttelwascher, this is not a further speech is it?

1510 **Deputy Kuttelwascher:** No, it is just a further bit of advice. *(Laughter)* Having said that, not from me, but I am asking for it. There is nothing that would stop P&R doing what they want regarding other possibilities in the taxation of motorists as a result of this amendment. They would have to do this ...

1515 **The Bailiff:** I think this is a further speech. This is a further speech, Deputy Kuttelwascher.

Deputy Kuttelwascher: Not really.

The Bailiff: Yes, it is. Yes it is.

1520 **Deputy Kuttelwascher:** This amendment would not stop them looking at anything else, would it?

The Bailiff: It was a further speech.

1525 **Deputy Kuttelwascher:** It wouldn't, would it? No.

The Bailiff: it was a further speech.

There has been a request for a recorded vote. We will have a recorded vote on the amendment proposed by Deputy Roffey seconded by Deputy Kuttelwascher.

1530

The Deputy Greffier: The voting at this meeting begins with Castel district.

There was a recorded vote.

Not carried – Pour 17, Contre 22, Ne vote pas 0, Absent 1.

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

1535 **The Bailiff:** Well, Members the result of the voting on the amendment proposed by Deputy Roffey seconded by Deputy Kuttelwascher, was 17 in favour, 22 against. I declare the amendment lost.

There are no further amendments, so, we move into general debate.

Deputy De Lisle.

Deputy De Lisle: Thank you, sir.

1540 With respect to the situation with regard to the Budget, initiatives for spending restraint, I welcome.

I am very concerned about the inflation hike in TRP, which I consider is regressive and unfair, adding the 5% on commercial and 10% on residential commits Islanders to way above inflation increases.

1545 To broaden the tax base, I feel that the corporate tax policy needs to be reviewed, to avoid certainly GST in the future, and further hikes in TRP. The Zero-10 policy has increased taxes and charges on the individual and eroded benefits to pensioners, and young families, and it has placed our finances in deficit, and failed to produce economic growth.

1550 Treasury, the P&R now, must continue to work with other dependencies, Jersey, and the Isle of Man, all with deficits resulting from the implementation of Zero-10, to work with them to extend further the Zero-10 Corporate Tax Policy to broaden the tax base and to ensure all companies contribute to the tax take.

1555 Sir, under Zero-10 companies outside of the financial services sector do not pay corporate tax, except for the utilities who are charged at a rate of 20%. The Island is missing out on much needed revenue, and the fact that it means non-locally owned companies outside of the financial services sector are not contributing to the local income tax take, although their employees will be. This is where, I believe, P&R need to be looking to widen the net and ensure fairness across the board. I note that Jersey is making moves in this direction in its Budget proposals for 2017, which will be debated by the Jersey States in December. Senator Maclean wants to change the 2016
1560 corporate tax return to collect profit information from more companies. He will then use this to determine what opportunities might exist to raise additional revenue from businesses, without disturbing the framework of the Island's business tax regime.

In relation to the Bond, sir, there needs to be more transparency around the Bond, the terms of the Bond should be available in the public domain, for all to be able to understand more clearly.

1565 I note the intention to refinance other loans from the Bond, and under paragraph 9.29 to extend the range of entities to which Bond proceeds can be lent to, to include organisations outside the States, and the Committee is to come forward with recommendations to change the policy for on-lending of the Bond proceeds.

1570 Now, given that the public feel that far too high an amount was taken on in the first place, and there is nervousness in relation to revelations that proceeds of the Bond might be lent to organisations outside Government, some would like to reduce the borrowing commitment at the earliest time, and negotiate a return of monies unspent. Can I ask Deputy St Pier whether, in fact, the Bond can be repaid at certain stages, without penalty, and how is interest calculated on it going forward? Is it a fixed situation, or not?

1575 If I turn to Aurigny losses, sir, the position of Aurigny, as indicated in the Budget Report, is substantially worse than ever anticipated. Aurigny losses totalled £2.55 million in 2015, and for 2016 the estimated loss is £4.6 million. But then when you look at the Budget Aurigny has forecast losses of £4 to £5 million per annum for the years 2017, 2018 and 2019. Now, this, after recapitalisation of several million pounds, and a break-even target expected before allowing for
1580 the losses of the Alderney route. Surely this cannot be allowed to go on! The Budget is indicating a further recapitalisation or revenue grant requirement to fund future accumulative losses. There is an urgency here to resolve further haemorrhaging of precious financial resources, and I hope the P&R Committee will take that on board.

1585 In short, sir, the corporate tax policy needs to be reviewed to release some of the tax burden from the individual and broaden the tax base; the inflation hike in TRP is regressive and unfair; there needs to be more transparency around the Bond, the terms of the Bond should be available in the public domain; and something needs to be done urgently to stop the losses at Aurigny.

Thank you, sir.

1590 **The Bailiff:** Deputy Fallaize.

Deputy Fallaize: Thank you, sir.

I want to comment on three of four specific parts of the Budget, and then make a general comment about the States' financial position.

1595 First of all, the underinvestment in infrastructure, which has persisted for 10 years now continues. Infrastructure, capital projects, are funded in the main from transfers from General Revenue to the Capital Reserve, and the fiscal framework provides for, or requires, the States to spend 3% of Gross Domestic Product annually on capital investment. Well, for years now we are nowhere near 3% and we have not been anywhere near 3% in cash terms. What is now proposed
1600 is Proposition 23, which is the appropriation from General Revenue for 2017, which is less than the

3% States' policy, and Proposition 22, which may not seem very significant, because it proposes transferring out of the Capital Reserve only around £5 million. But it has the effect of reducing this year's appropriation to £12.9 million. Now, the States, even when they knew they were underinvesting in capital projects, six or seven or even eight years ago, were investing £20 to £25 million in real terms then, nominal terms then, which if you inflated it to real terms now, would be over £30 million a year. We are talking about capital appropriations in 2016 of £12.9 million. That is serious underinvestment in infrastructure, and I will vote against Proposition 22. I know Deputy St Pier will say, if that does not get approved, then we will just have to draw more out of reserves to cover the deficit. Well, so be it, but I am not going to continue to allow investment in capital projects as a way of papering over the cracks in our fiscal policy.

I applaud Policy & Resources for their proposals in respect of Document Duty. In fact, I think they may be the best feature of this entire Budget, because these are very progressive measures. In fact, I think they ought to be used as a blueprint for ways in which we could amend our approach to taxation in other areas. I do still think that Document Duty is a rather inefficient way of collecting tax, we still have relatively high property transaction costs, and relatively low property rates, and in an Island where land is so scarce, and property prices are so high, and the affordability index, although it has dropped very slightly in the last few years, it has grown enormously over a period of 20 or 30 years, I still think it is illogical to have high transaction costs and low property rates, and I still think we should shift some of the burden from Document Duty on to annual property rates, but I know that is not the majority view of the States.

A small point in respect of proposals relating to telcos which are included, I am not sure on which page now, I do not know what page number it is, but anyway there is mention in here somewhere, that the Policy & Resources Committee is going to look again at whether telecoms companies could pay for the improvement in infrastructure from which they are going to benefit most. Now, I do not have any problem with the principle – page 30 I think it is. I do not have any problem with the principle, but could Policy & Resources please bear in mind that there are telecoms companies and there are telecoms companies. They are not all the size of JT and Sure; there are telecoms companies which are considered telecoms providers, they are telecoms providers, but they are very small local companies. They are not going to benefit significantly from the improved infrastructure. So, I think a distinction needs to be drawn between the telecoms companies, which I assume P&R have in mind, and other types of telecoms companies.

Now the fourth and final of the specific points I wanted to make is in relation to page 33, paragraph 5.13 advises that in future years Policy & Resources will propose reductions in the cash limit of the Budget of the Committee for Health & Social Care. We have experimented with that in the past, typically it leads to a deterioration in services, and to Committees being kicked out of office, and new Committees coming in, saying we are going to drive efficiencies in health and social care and the whole cycle is repeated, again. I think we have been through it at least two or three times.

We have some stability now in the area of health and social care. It probably does not feel like that much to Deputy Soulsby who probably still wakes up with multitude of concerns every morning. But we clearly do have some stability. I fully support Deputy Soulsby and her Committee, but we do not have stability because we suddenly have the most perfect Committee and all of their predecessors were rubbish. We have stability because we have abandoned the experiment of trying to get blood out of a stone, and we have accepted that we are not going to make significant savings out of the provision of health and social care, at a time when all the demographic numbers are going in the wrong direction. I do not want to see us repeat that experiment. I am not saying that they ought to be absolved from the need to make efficiency savings, because I do not think they should be, but I really do think that we are being overly ambitious in believing that we can make significant savings from the provision of health and social care.

That leads me on to the general point which I want to make about the overall financial position, because the savings which we are expecting, or Policy & Resources appear to be

1655 expecting, at least, from health and social care, are making quite a significant contribution to the predicted surpluses, which are set out on page 56 in future years. Now we have had this same jam tomorrow argument for 10 years, that if we just try another year or two of the same sort of ingredients, we will get to a surplus, and it is here laid out again on page 56. We are told that by 2019 there will be an estimated surplus of £10 million, to become £12 million by 2020. Well, I do not believe it, because we have had the same message for years. I do not believe that if we continue to do the same things we will get results which are any different from the results we have had in recent years.

1660 We are led to believe ... well, actually, the risks are set out on page 56, underneath the jam tomorrow table. We are told that if there is the non-delivery of 5% per annum reductions in overall expenditure in each of the years 2018 and 2019 then surpluses are in jeopardy. In fact, if only £9 million of savings are recognised in those two years combined, rather than in each year then the projected surplus will be virtually eliminated.

1665 That is a very significant risk. In fact, I would say, based on past performance it is more likely to happen than not. There are other significant risks listed here, five or six of them, and if any of them come to fruition then the predicted surplus will just not materialise. Now, that is because there has been a significant reduction in our income.

1670 In one way I slightly regret that Deputy Ferbrache and Deputy Kuttelwascher withdrew their amendment, because although I do not think they perhaps had quite the right solution, they were at least asking the right question. (**Several Members:** Hear, hear.) I do not think that sufficient number of Members have asked the right question for some years.

1675 We do need to make efficiency savings, and there are some still to be made, but I do not believe that we are going to cut our way to growth, and I am not just talking about economic growth. I am talking about growing as a society, as a community. This needs to be an attractive place to live and work for people who are here today, for people who may be here, people coming in from outside who may do that in the future, but most importantly of all, for younger people, who need to see Guernsey as an attractive place, economically and socially, and I do not think that by having, what I consider to be really quite an insular minded approach, that we are going to deliver that sort of society. We are not going to cut our way to being an attractive society.

1680 I know that Jersey have budgetary problems. I do not think their underlying problems are particularly any greater than ours. But they do have a more expansive, optimistic, view of the future. If we have got it wrong we are going to be in serious trouble. I am not saying the Jersey have got it absolutely right, and we have got it absolutely wrong, but I do think that we need a more expansive approach. We need to grow as a community, and as a society, and we are not going to do that by ... we are not going to cut our way to growth.

1690 The reason I say the problem is in diminishing income is because that is what the statistics tell us. If we go back to 2007 and look at the overall income of the States, if you add inflation to that figure, today our revenue income would be around £450 million. Many tens of millions of pounds a year more than it actually is. This income that is being foregone, of course, accumulates, it is not just a problem in one year. If revenue income had grown in line with growth in GDP, and somebody in a speech just a moment ago, spoke about the economy contracting. Our economy is not contracted, and has not contracted. There has been real terms growth in Gross Domestic Product. If there had been real terms growth in income, along the lines of growth in GDP, we would now have an income of around £450 million per year. That is why we have a deficit. In fact, that would wipe out the deficit two or three times over if revenue income had grown in line either with inflation or growth in GDP. We have a deficit because we have deliberately reduced our income as a Government. It is not a problem of expenditure, it is a problem of income.

1700 We need to address expenditure, we need to constrain increases in expenditure, clearly, but we need to raise more revenue. We need to raise it from those with the broadest shoulders. (**Several Members:** Hear, hear.) Now, I am talking about individuals and companies. Deputy De Lisle is not quite right in his analysis of company tax. He neglects to mention that the higher rate of income

1705 tax is being charged on retail, and utilities, and he also pretends that the 10% band on the
financial services industry is not actually as broad as it is, because it is now very broad, to the
extent that I have wondered in recent years whether if the European Union did not have slightly
1710 bigger fish to fry, whether under scrutiny we could really demonstrate any longer that our
underlying rate of company tax is 0%, but – Deputy St Pier is looking at me a bit disapprovingly, I
do not know if we are meant to say that in public, but anyway – (*Laughter*) our company tax base
is not anywhere near as narrow as it was in 2008, thanks in large part to the changes which the
States made, as proposed by Deputy St Pier and his Treasury Committee, in the last States. But we
are not raising enough revenue from companies and individuals with the broadest shoulders.
1715 Unless we are going to see a decimation in public services, and I use that word advisedly, we are
going to have to raise more revenue from those with the broadest shoulders, and we are going to
have to get on with it quite quickly.

The withdrawal of personal allowances, which is proposed in this Budget, is to be welcomed, in
a sense. I am not terribly enthusiastic about all this sort of stuff, I would rather keep universal
allowances and universal benefits, and put up tax rates for those who can afford to pay the
1720 burden. But I am a pragmatist, and I know the States are not going to do that, so as a second best
option I accept the reduction in universal allowances and some universal benefits. But even what
is set out in this Budget is very, very, generous. There is going to be a reduction in the allowance
of less than £500 a year, right up until £150,000 a year of income

Now, I know that if I had proposed reducing the threshold further, then Deputy St Pier, and
1725 Deputy Trott, would have said, 'Oh, but you are going to have problems with marginal rates
because of the interplay between the social insurance upper earnings limit and the income tax
rates.' Well, yes, okay, but are you prepared to accept that for people who earn a £100,000 or
£120,000 or £140,000 a year. I do not think that we can just dismiss the raising of more income
from those with the broadest shoulders by saying, 'Well, you will have a problem with marginal
1730 tax rates if you do that, so we cannot do it.'

I know that P&R want to work with the Committee for Employment & Social Security, but I do
fear that if the upper earning limit is brought down, that we will not necessarily introduce
anything other than just compensating measures through the income tax system. So those people
will end up not paying any more than they are paying now, and they are going to need to make a
1735 more significant contribution. (**A Member:** Hear, hear.)

Our tax system, in fact, I think it is on the bit of the Budget that relates to Document Duty, says
that our Document Duty system at the moment is very harsh on people who are buying relatively
inexpensive homes, but is very generous for people who are buying expensive homes. Well, I am
sure that is true, and P&R is proposing a sensible response to that in relation to Document Duty,
1740 but that commentary could be made about our tax system generally. Our tax system now is not
favourable to people who are on low incomes, or in some cases fixed incomes, or even to some
lower middle income earners, but it is very generous to people who are higher earners. It is
generous to people – we do not like to use words like 'wealthy' and 'affluent' or 'rich' (**A Member:**
I do.) in the Assembly, but it is very generous to people in Guernsey who have the broadest
1745 shoulders. They do not face the kind of wealth taxes that they would in many other jurisdictions.
We do not have a proper '20 means 20' regime like they would face in Jersey. They are not paying
20% VAT like they would be paying in the Isle of Man. This is a generous tax regime for people
who could afford to make more significant contributions, and it is quite clear that that is the
problem with the imbalance in our Budget.

1750 I do not want to raise taxes on people who can ill afford it, we are already raising enough tax
from people who fall into that category. But I do not want to see a serious decline in public
services. I do not believe that there is the headroom to make cuts in expenditure that the Policy &
Resources Committee hopes there is. So, I think there is need for very significant reform of our
fiscal strategy, both on the corporate side, and on the individual side.

1755 Now, I could have laid amendments to the Budget, but I think this Budget is a holding Budget,
because of the General Election in 2016, but in two weeks' time we will debate the Policy &

1760 Resource Plan. I know Deputy Ferbrache says he might struggle to stay awake during the debate, and I understand what he means, because I, like him, want to see aspiration turned into pragmatic results, but in respect of the fiscal policy framework, part of it, I hope he does stay awake, and given the amendment which he was going to lay to the Budget, I hope that he will join with me in trying to make amendments to it, which would send the Policy & Resources Committee away with a clear direction of the States to raise more revenue from those people and companies with the broadest shoulders, because that is what is needed.

Thank you, sir. *(Applause)*

1765 **The Bailiff:** Deputy Roffey.

Deputy Roffey: Thank you, sir.

1770 I want to follow up those comments in a little while, but let me start by saying that I am pleased to see that the personal tax allowances are going to be increased for the first time in several years. I think that is a positive move.

1775 But of course, it is not happening for everybody, the allowances for those above 65 are to be frozen yet again, and I certainly do not blame P&R for that, they are following an instruction of this Assembly to say that those allowances should be phased out, but I think it is a profoundly wrong decision, and I think it is one that is based on a misconception. I think, when the last Assembly decided to do that they somehow felt it was because we gave higher allowances to older people because older people tended to be poorer than younger people and therefore needed a bit more help. That was never, ever the reason for giving higher allowances to elderly Islanders. Not at all, it was always accepted that some Islanders who were aged above 65 were wealthy, and probably did not need those allowances.

1780 I have to say there are plenty of people who are going to get £10,000 next year because they are under 65, who also earn very significant amounts, and therefore do not need those allowances, **(A Member:** Hear, hear.) but they are not going to be taken away, or at least not until they get to nearly £140,000.

1785 Sir, that is a misunderstanding, I remember when I first joined this Assembly it being explained to me by the Income Tax Authority of the time why they gave higher allowances to people when they went above a certain age. It was to recognise the fact that the actual cost of existence, not the frivolities in life, but the actual basic cost of living, was often very much higher for people once they became elderly. Heating is a classic one, in two ways, both because older people feel the cold far more, and because once they retire they tend to spend far more time at home, and therefore need to heat their homes for longer. Medical costs is another classic example. It is darned expensive in Guernsey to access primary care and a range of ... I know there are some services paid for through insurance, rather than point of delivery, but a whole of range of services have to be paid for.

1795 Then there is the simple thing like doing home maintenance, things that you do at the drop of a hat when you are 60, putting a coat of weather shield on your house, repairing a downpipe; when you are 80 suddenly become utterly impractical, and you have to pay for somebody to do it. That was why there were higher allowances for older people, not because older people tended to be poorer, although they do, and that is recognised by P&R themselves, by saying they are worried about too much reliance on income tax, because we have got an aging demographic and when people retire they do not tend to have so much income.

1800 Indeed, I have to say, when I first read through this Budget, my first thought was that it was a particularly harsh one, on one really quite large group of Islanders – that is, pensioners living in former family homes, be they individual, or pensioner couples, because what is going to happen to them. They are getting no increase in their personal allowances for, I cannot remember how many years, but quite a few years in a row, their TRP is going to go up by about 10%, and although it is not part of this debate, later in this sitting, we are going to approve a pension increase which, yes, is above the relevant RPI but which is 0.8%. Taken in the aggregate, what we

1810 are going to do to that group of people over the next couple of days is significantly worsen their financial situation. I am not at all comfortable with that. I know some will glibly say, 'Well, the answer is in their own hands, they should downsize, and then they will pay less TRP, and probably release some equity at the same time.' I think that attitude is rather callous, actually, and totally ignores the huge emotional investment and attachment that many Islanders have in the family home that they have lived in for decades, and they have raised their families in. Most of them, 1815 actually, will not sell up. It does not matter how much you put up TRP, and freeze their allowances, they will not sell up just because they are being prodded by States' policies; they will stay put and just get poorer.

1820 So, sir, I intend to vote against Proposition 2. If we do that, then I think it will free P&R from the instruction that they have received in the past, and it will allow them to look again at this whole area of extra allowances for the elderly. Now, I am not saying they should stay just as they are. I do not think that is probably affordable, a lot more people will be above the age of 65, and anyway 65-year-olds are not like the 65-year-olds of a generation or two back – maybe 70 is the new 65.

1825 In his opening, Deputy St Pier said if this did not go through, Proposition 2, they would have to revisit their projections for the next few years. Not necessarily so: they could come back in a few months' time and say, 'Actually, can we phase it out from 2019 ...' – not phase it out, but 'can we make it applicable only to the over 70 year olds.' If that happened it would protect the real vulnerable people who tend to have particular high bills because of their fragility, but actually, you would not get one new person qualifying for that allowance for a five-year period, and in costs, 1830 sadly, human mortality, you would actually get a reduction over that period in the number of people claiming, in total, because some of the people who claim it at the moment would obviously no longer be with us.

1835 So I would actually prefer not to be that harsh. I would prefer to say something like you only qualify for the extra elderly persons allowance if at the beginning of the relevant year in charge you are old enough to qualify for the State pension, because we know we are going to put that up over a period of time from 65 to 70, and we could do this at the same time. But what is being approached here, I simply cannot support. I just think it is harsh in the extreme.

1840 If I was P&R President I would probably be asking Deputy Roffey two questions at this point, or later on when he comes to sum up. One is how are you going to afford it, and secondly how are you going to stop the absurdity of very rich pensioners getting the extra help? Well, I will save him the bother by answering those questions now, and it brings me on to another part of the Budget, that is, to use slang, '20 means 20'. Like Deputy Fallaize, I am pleased that P&R is proposing phasing out personal allowances at the top of the income scale, but I really do think they could have started the claw back further down the income scale, and quite considerably further down. 1845 **(A Member:** Hear, hear.) I say that, not because I have it in for higher earners, I do not. I think very good luck to them, you must be doing something right to be earning that amount of money, great. But I cannot help feeling that in a community where 20% is the maximum rate of income tax, where we have almost uniquely no general sales tax, where there is no capital gains or inheritance taxes, that if something has to give to raise a bit more money, then the better off 1850 probably do not need a personal allowance. They want one, of course, we all want one, but they do not really need one.

1855 When we had money coming out of our ears, then giving the allowances to everyone was a nice thing to do, and it kept the income tax administration quite simple, which was another bonus. But now we are in the financial soup, and we are, I expect, to quote a phrase from somebody I do not often quote, for all of us to be in this together. Yet, here we have a Budget that is going to hit, I think, those elderly Islanders of a modest income quite hard, while only being hugely tentative in how you actually bring in a little bit extra from those at the top of the income scale. I think it is skewed wrongly, and I think it needs to be rebalanced.

1860 I had written 'I think those with the broadest shoulders should contribute *pro rata*', but that expression has rather been taken from me. But certainly if we are going to wallop poorer pensioners, then high earners need to step up to the plate too.

1865 Now, how would that help in retaining extra income tax allowances for the elderly? Well, in two ways, actually, starting '20 means 20' further down the income scale will obviously save money, or generate more money depending how you look at it. It would therefore make those allowances which cost £3 million more affordable. But it also takes away the allowances of the very wealthy pensioners at a lower point. There is really an irrationality here: at whatever point people no longer need their allowance, it should not be related to age. Older people get a slightly higher allowance because their cost of living is high. Now, at some point they are wealthy enough that they do not need that, in the same way some of us in here are under 65 at some point do not need the £10,000. But why are they different? They should surely be withdrawn at the same time. I really do not understand the logic at all. But it is far broader than that, actually. What would bringing '20 means 20' further down the income scale do? It would also help us to raise general income tax allowances for everyone of whatever age.

1870 Now, Deputy Fallaize pointed out that the low to middle income earners are actually probably paying more tax in Guernsey now than they would be in the UK. How to overcome that? The biggest problem by far, with putting up tax allowances, and I do not tell the President of P&R this, the biggest problem by far is that it is a darned expensive thing to do. Why? Because although we glibly talk, we often glibly hear it said that raising the tax threshold is of particular assistance to the lower paid, that is not true at all. It is simply a myth. Under our current system if we put the personal tax allowance up £500 then every single taxpayer across the income tax scale is £100 better off. It does not matter whether you are low paid, or higher paid, it is not targeted, it is £100 in everybody's pocket. That is hugely expensive and hard to do.

1875 By contrast if those allowances started to be withdrawn at say £60,000, I know that might start alarm bells going in some people here who may be impacted themselves, I am not sure, but if we could start it at 60 – that was not in my speech; I do not know why I said it (*Laughter*) – then what we could afford to do is put up the point at which people started to pay tax far more because you are not giving it to everybody. You are then going to withdraw that gift from people who do not need it. Then we could really start to tackle relative poverty.

1880 I do not want to fast forward to our policy plan, but yet again, relative poverty is mentioned in that. We keep hearing pledges to tackle it, so far it has been mainly words.

1885 Please, Members, vote against Proposition 2, not because I do not think anything should be done in this regard, but just to make P&R re-examine this whole area of social policy. It will not affect the balance of the Budget for next year, because the withdrawal was only due to take place from 2019, it gives them time to come back with alternative proposals, without impacting on our balance sheet whatsoever.

1890 Now, turning briefly to expenditure, I really do not want to be a Jonah, but I do doubt that the three year projections are achievable. Of course, we must try, of course, we must. I do not deny that for a minute. But at some point the cuts in services involved will become politically undeliverable, and rightly so, because they will be wrong things to do.

1900 I think that is true of the 12½% reduction in real terms spending across most Committees over the next three years. I also think it is true of the much heralded mega savings at Health & Social Care by transforming the way these services are delivered. I am quite sure there are many things that can be done more cost effectively, when it comes to delivering health and social care – not denying that for a minute – but do Members really believe that spending in this area is going in any direction other than north? If so they are living in a parallel reality, one created by consultants rather than the real world.

1905 Indeed, the cynical side of me wonders whether having tried to get buy in to the idea of GST in the last Assembly those behind the idea are saying something like this: 'Okay, you rejected that idea, it is not completely off the table, this is the alternative – pretty unpalatable isn't it? Probably undoable, but we will give it a go, and then if we fail, sorry, we will then have to have another look

at GST.' I hope not, because it really is not a binary choice. I accept that the options are limited, but there is a third way, and a fourth way, and a fifth way, but I am not sure the way being proposed here is doable at all.

1915 In finishing, I want to talk briefly about sweating our assets, and in particular the returns that we are going to expect from our trading entities. I accept that where we are, probably means that we have to go down this route. But I do not feel at all good about it, not at all happy. Why not? Because in a small community where the state-owned supplier of electricity, a state-owned supplier of water, a monopoly supplier, a state-owned monopoly supplier of milk, even, and so on and so on, expecting those entities to generate enough profit where they not only can look after their own capital requirements but pay dividends back to their owner, the Government, is just really hidden taxation. It is.

1920 Now, I know Deputy Gollop likes hidden taxation, but I do not, because it tends to be less fair, and that will be the same case here. Exactly the same group of people will be stumping up the cash as are paying all the other taxes that we levy. But they have got no alternative, no competitive situation, cannot go off to another energy supplier or another water company. They will have to buy from us. You will have to buy from us, we will put the prices up so that we get a dividend back, and then we do not tax you so much, aren't we so good? It really is smoke and mirrors, I think. I think, the only real difference from ordinary taxation is that these payments bear less relationship to the ability of individuals to pay than most other taxes do. So it may be necessary, but it really is quite regressive and unfortunate.

1930 To me, it is almost the equivalent of what Culture & Leisure did in the last Assembly, saying, 'Look, we have really made savings, we are selling a lot more scratch cards than we used to.' This is writ large, if you ask me.

1935 All that said, I think this Budget is actually less bad than I feared. I think it does have a lot of positives in it, and I think Deputy Fallaize highlighted, rightly, the one on Document Duty, and I think P&R were between a rock and a hard place, and did not have very many options.

1940 But I do think its worst feature is the treatment of the elderly, and once again, as it is gone 12.30 p.m. I will stop, and say can I urge Members, please, to vote against Proposition 2. You will not be rejecting doing something out of hand; you will just be forcing P&R to look at it again, and they do have the time to do that.

The Bailiff: Members, we will rise and resume at 2.30 p.m.

*The Assembly adjourned at 12.33 p.m.
and resumed it sitting at 2.30 p.m.*

States of Guernsey Annual Budget for 2017 – Debate continued

1945 **The Bailiff:** We resume general debate on the Budget, and I call next, Deputy Stephens.

Deputy Stephens: Thank you, sir.

Sir, I would like to comment on the issue of the threshold for tax relief on charitable donations, as referred to in the Budget Report on page 19, beginning at paragraph 4.26.

1950 One of my biggest priorities, as the Policy & Resources Committee lead on social policy, is to ensure that we deliver against the third sector compact that was agreed between the Association of Guernsey Charities and the States of Guernsey back in the autumn of 2014. We have made progress since May this year, but I do know there is a lot more to do. I want to push that forward, and I will rely on the positivity I have experienced in meetings with a number of charities, so far, to make that happen.

I know that the Executive of the Association of Guernsey Charities are disappointed about the decision not to increase the current threshold for tax relief on charitable donations in this year's Budget. I met with many individual charities, and what I have found is that there is uneven understanding of the concept, there is uneven take up, and there are differing views about what support from Government might develop into or might look like. So we have instituted a review to establish a shared way forward. Many of the charities I have met with have welcomed the review that we are committed to. A review which includes a consideration of an increase in the threshold for tax relief, along with other measures including payroll giving. Those charities have welcomed this opportunity to put their views forward.

The decision not to increase the threshold, although unanimous, was not an easy one, for the Policy & Resources Committee, and was taken in the context of our current financial constraints and the wider set of Budget proposals and recommendations. Our estimate was that it would cost around £1 million, but without more detail to underpin any proposal, I was certainly very uneasy about initiating action before the review is concluded. In making the decision we acknowledge that while there were strong arguments in favour of some form of additional tax relief on charitable donations in the future, the financial constraints, and reduction in tax revenue, in the overall Budget, meant it would not be possible to introduce a higher threshold of tax relief in charitable donations for 2017. So, in short, there will be no change to the current situation, and current levels of tax relief on charitable donations for 2017 will remain as now. We will look at what more can be done so support the sustainable funding of charities for 2018 as part of the review.

The Policy & Resources Committee fully understands that this falls short of what the Association of Guernsey Charities wanted to achieve for its members in 2017. However, on behalf of the Committee, I want to emphasise that we are absolutely committed to the principles that underpin the States of Guernsey and third sector compact, and strongly refute the notion that we do not want to work with, and support, the charitable and voluntary sector. We very much want to continue to work in partnership with the Association of Guernsey Charities, and all groups, in order to support them in the most effective and sustainable way that we can – including the provision of around £3 million of grant funding each year, in order to support the valuable work that these charities and volunteers do for our community.

Thank you, sir.

The Bailiff: Yes, Deputy Green.

Deputy Green: Sir, first of all, out of an abundance of caution, bearing in mind the content of 4.69 and 4.70 of the Budget, I declare an interest in that I am a practising advocate, with a firm of advocates which is recorded in my declaration of interest, which is on the Government website gov.gg.

Sir, Members, first of all may I start with the official statement on behalf of the Scrutiny Management Committee, prior to some of my own thoughts.

The Committee do wish to acknowledge and commend the significant work undertaken by Policy & Resources, and their senior officers, in order to present this Budget for consideration today.

Sir, given the Committee's new mandate, Scrutiny Management Committee's new mandate, it is for us to consider both issues of policy and finance considerations together, and therefore I think our responsibility is to look at things from differing perspectives. We are, of course, fully aware that there are a series of policy letters to be debated in November that essentially all have a golden thread running through them. There is that thread woven through this Budget, through the Policy & Resources' Plan, the Committee for Employment & Security's uprating report, as well as its report on the minimum wage, and indeed, also the report from Education, Sport & Culture on the future of secondary education. These reports are all asking the question, of what sort of Island do we want to live in, and what values must guide us?

2010 Central, of course, to that question in this Budget is the position of the fiscal framework. The Committee cannot fail to ignore how certain rules under the existing framework have been breached in the recent past. Clearly, the fact that the overall deficit has run for eight consecutive years, with this year set to become the ninth, if not for the measures outlined here, is on any analysis a whopping breach, which tends to suggest that the fiscal rules are perhaps more akin to guidance or guidelines, rather than hard or fast rules – a point which Deputy Soulsby made when she was Chair of the Public Accounts Committee last term.

2015 Indeed, the Policy & Resources Committee have opted again, at paragraph 5.35 of the Budget, to exclude the net additional expenditure for Health & Social Care, notwithstanding the fact that it clearly breaches the rule imposing a real terms freeze in aggregate States' Revenue Expenditure. Those are not the only breaches. The annual allocations to the Capital Reserve for 2016, 2017 and 2018 will, of course, be below the recommended 3% of GDP.

2020 So, sir, I believe, and the Committee believes, that there are major issues with the fiscal framework to date, and clearly this States will have an opportunity to debate new Propositions on the fiscal framework within the Policy & Resource Plan debate. It is important for Members to remember that the fiscal rules are our rules, and they can be amended as this Assembly sees fit. Moreover, I think, that if we have rules under a fiscal framework, we really ought to stick to them, or adopt some other model.

2025 Sir, for instance, the Committee notes that the approach to the deficit adopted in the recently released States of Jersey Budget is somewhat different to the Guernsey approach hitherto, as it includes an extension of their target for a fully balanced budget in light of Brexit, as well as other factors, and also an emphasis on significant capital investment in local infrastructure projects. That may not be right in itself, and I do not say one way or the other whether it is right or not, but it is the case that there are alternative approaches that are available for analysis.

2030 Therefore, perhaps, moreover, it is now an opportune time to reflect much more deeply on the fiscal framework that we have and to ask some basic questions in that regard. Are the rules still appropriate for Guernsey as we move forward into a changing economic landscape? Are they appropriate as we move forward with a new vision for the Island? Do they support, or do they hinder our wider social aims? Do they support Guernsey's economy of the future? Do they really support our capital needs properly?

2035 Now, sir, the President of the Policy & Resources Committee this morning highlighted the four key principles by which he and his Committee view this Budget. These principles were: that it is responsible, that it is fair, that it is progressive, and realistic. Taking these four principles in turn, we would suggest that in future a more responsible approach to overall fiscal policy planning would be for there to be much more extensive integration, and co-ordination, of fiscal planning and decision making, by way of a genuine time between this Budget and the uprating report from the Committee for Employment & Social Security, and I would imagine that Deputy St Pier would agree with me in saying that.

2040 Whilst we acknowledge that the personal income tax allowance will rise to £10,000, with an increase of £325, we wonder how fair or progressive this is when you factor in, for a local person, on a medium wage, this will actually equate to a benefit of £65 per annum. When you also then take into account the full range of other fiscal changes from this Budget, and other potential changes elsewhere, including increased Social Security contributions; increased waste charges; TRP up by a certain amount; increased Excise Duty; higher prescription charges; the phasing out of mortgage interest tax relief; and lower family allowances, we doubt that many medium earners will feel much of a boon from the increased personal income tax allowance.

2050 So, the use of the phrase progressive to describe the Budget does require some questioning, sir. The action taken to begin to phase out the tax allowances for several higher earners above the upper earnings limit is indeed a welcome development, and we look forward to understanding further in the second phase of that work, how the thresholds will evolve. But certainly the thresholds outlined in phase one in this Budget, are not as progressive as they might be, as other Members have already said.

2060 Whilst the Committee welcomes the comments at paragraphs 4.69 and 4.70 on looking at an increased business contribution, clearly, this Budget does nothing to add to the contribution from the corporate sector, and does not fundamentally look at the sphere of corporate taxation. Perhaps, a genuinely progressive budget might have had more to say on an increased business contribution or, indeed, would have done more to raise revenue in that area this year.

2065 Significantly, Mr Bailiff, we should all be aware of the risk associated with this Budget. We know that the scale of the endeavour that was needed for the FTP to realise some £28 million in savings, over five years. The proposed reductions on the cash limits of 3%, then 5%, and a further 5% for five of the principal Committees, excluding Health, is a further, *circa* £25 million within the next three years. We do welcome the President of P&R's clarification that the 5% in 2018, as well as in 2070 2019, will be progressed through cross-departmental working, and via transformational change, but the Committee looks forward to a more detailed understanding of the actual plan to deliver those very challenging targets, and a much greater degree of clarity, in terms of the thinking of each individual Committee on how those transformational changes will be achieved.

2075 However, we do note with caution, and with concern, that many areas are already under significant pressure to find the proposed savings for 2017, with an acknowledged £4.2 million being, as of yet, unidentified for next year. If the States fails to hit its targets over the next few years, the question will be asked is there any Plan B, and if so, what is it?

2080 Sir, whilst the Committee has focused its attention on the broader issues in this Budget, it would wish to highlight a few specific areas of concern, in the way that certain information is presented, and there are three concerns that I will outline here.

2085 First of all, of note is the alternative financing for Guernsey Water's sewage outfall project. It certainly could be argued that the public has already paid for this facility, and are now being asked to fund it again retrospectively, although, of course, the £19.9 million might well become available for other projects.

2090 Secondly, the non-transfer of £4.7 million to the Guernsey Health Fund, in other words, the removal of the grant from General Revenue, prior to the outcome of the work on reform of the Health Service funding, is in itself a big concern and is hopefully a one off, and I would be grateful if Deputy St Pier could address that issue in a bit more detail, when he comes to sum up at the end.

2095 Thirdly, also, the Committee notes the request for an increase in delegated authority powers within the Transformation and Transition Fund, of up to £500,000, generally, and for Health up to £1.5 million. The Scrutiny Management Committee is always reticent to reduce political oversight, and would agree to do so only on the basis of a compelling case for change in that regard.

2100 Now, sir, other Members, including Deputy De Lisle, talked about the Bond earlier. The Bond remains a concern to the Committee. Clearly, now we see from the Budget that only £132 million of £315 million, after fees, has been lent on. Whilst, we fully understand that the programme should rightly be seen as a 32-year venture, the comment within the report to widen the use of the remaining monies, which is not subject to a particular proposition, in our view, will require a compelling and convincing case.

2105 In addition, there are still a number of other unanswered questions regarding the Bond, and I can confirm that the Scrutiny Management Committee will be reporting on this matter within the first quarter of 2017.

2110 Now, sir, just a word about Aurigny. The Committee is again particularly concerned over the predicted £4.6 million loss, and that that will be a precedent for the next few years, and that on any analysis cannot be sustainable. Whilst the Committee acknowledges that the strategic review of Aurigny is absolutely critical in this regard, it would like to be assured that the company is being run as effectively, and as efficiently, as possible within the public sector, and would suggest that a forensic value for money exercise would be a useful undertaking. (**A Member:** Hear, hear.)

2115 So, in conclusion, in terms of the comments on behalf of the Scrutiny Management Committee, sir, the Committee is looking forward, in particular, to obtaining further clarity on a number of matters, perhaps, in particular, how the proposed savings will be made to the

Committee budgets for five of the six Principal Committees and, indeed, we look forward to welcoming Deputy St Pier to one of our public hearings on 22nd November, to seek further clarification in that regard.

2115 Now, sir, turning now to my own personal comments on the Budget. It was only a few short weeks ago, sir, that I was reading the Policy & Resources Plan, and it was difficult not to feel a surge of genuine optimism, and then I read the Budget, and I was somewhat struck by a slight change in emphasis, or perhaps it was a stark change in emphasis, in reality. Because this Budget, despite referencing the laudable sentiments of being fair, responsible, progressive and realistic, is
2120 very different in tone to the P&R Plan. Sadly, I believe that the ordinary Islander will find very little indeed to inspire their future happiness within this Budget.

Other than a small rise in the personal income tax allowance, and changes to Document Duty thresholds, there is little in this Budget that will provide comfort to many of those currently struggling on average, and lower than average, salaries in our community. It is reasonable to
2125 assume that many of the lower paid and hardworking Islanders in our community might begin to question the definition of fair and progressive used by our Policy & Resources Committee in this Budget. For example, those people who work hard but need the support of supplementary benefit to increase their incomes, may well be denied, for the time being at least, the fairer deal that was outlined by the proposals from the Social Welfare Benefits Investigation Committee, and indeed
2130 agreed by this Assembly. (**A Member:** Hear, hear.) They may even look on in disbelief at the position of Aurigny, as that public sector company staggers on losing money hand over fist, year on year. I believe it is simply not sustainable to load continually more and more on the backs of those ordinary working people, who are already struggling to bear the brunt of the additional costs. I think that P&R should be prepared to share more fairly the load across all sectors of the
2135 community, and match their fine words in the Policy & Resources Plan with real action. I agree with comments that were made earlier by Deputy Fallaize, Deputy Roffey and others.

Clearly, the deficit is now structural, and I say that we must have the courage to take decisive action on two things. To raise the additional income that we require, but also to improve the efficiency of the public sector, and if we are to achieve a truly balanced budget, both of those
2140 things need to be done.

We need to find new sources of income, and in a way, it is a shame that we are not debating Deputy Ferbrache's amendment, which he withdrew, for good reasons, before, because at least that gave us a platform (*Interjection*) to discuss the key issue ... Ah well, (*Laughter*) Deputy Trott is saying I would have opposed it, but actually, Deputy Fallaize made the point before, the
2145 fundamental point about that amendment, which we are not debating, is that Deputy Ferbrache was asking the right question. It may not have been the right solution, but he actually was focused on the right question, that is half way there. Perhaps, Deputy Trott does not agree with that analysis, but that is how I see it. But we should not over-emphasise the need to do that, because it is about doing two things. It is about raising additional income, but it is about improving
2150 efficiency at the same time, and you need to do both, I think, to truly balance the Budget.

So we do need to find those new sources of income, but I also believe that transformational change in the public sector does give us a once in a lifetime opportunity, not only to balance the books, but to reshape, to reorganise, and to run core services differently, but to shape them, expressly, around the Island consumer; around the patient; around the parent; around the child;
2155 around the victim of crime; around the benefit recipient; whoever. So, it is not a choice between controlling spending or raising income, it is both. We certainly have to do both. But in order to do both we have to have courage, and I am not sure that we, as an Assembly, collectively, have enough courage to do both. I think the proof of the pudding really will be in the eating.

Just one other matter, which is, clearly, there is need for the savings targets, but one question
2160 that I have got for Deputy St Pier is this: from an economic perspective, I wonder to what extent, if any, there has been any economic analysis of what deflationary effect there will be if you take almost 13% out of those budgets over three years. That is actually quite a lot of money to be reducing from, it is not just Government expenditure, it is also money that will be circulating in the

2165 local economy. So, to what extent has there been any economic analysis of that deflationary impact and to what extent has it been looked at?

2170 So, in closing, sir, I believe it was Abraham Lincoln who one said you cannot escape the responsibility of tomorrow by evading it today. I do not want this Government to evade its responsibilities now, or in the future, but I am not sure that we are being decisive enough, and I am not sure that we are courageous enough to take the action which is needed to balance the Budget in the long term.

The Bailiff: Alderney Representative Jean.

Alderney Representative Jean: Thank you, sir.

2175 Sir, Members, of course, I want to support this Budget. I, and my colleague, want to assist in playing our parts in reducing the deficit, and both Alderney and Guernsey need to assist each other through this prolonged and difficult financial situation, brought about by recession and the change to the Zero-10 tax regime.

2180 Although, there are those Deputies who believe that by adopting Zero-10, viewed as a more progressive tax regime, that this regime has been fraught with difficult, and has needed continual adjustment, year after year after year. Guernsey residents are not happy with the continual rise to their cost of living, and neither are the Alderney residents. In Alderney these measures are not without effect.

2185 The black hole mentioned all those years ago and not a phrase so much used in this States today, is still with us, and we must continue to patch and repair a system which has not been as successful as first thoughts and comments would have led us to believe.

2190 At our own Budget debate in Alderney, I made the following points as our Budget was passed. Alderney's Government raised rates, domestic rates and water rates, and I expressed concern that the Guernsey Government was coming with a separate set of proposals, to raise some of their charges. I told the States of Alderney there must be better communication between both Governments. Particularly, with reference to raising charges, as Alderney is now facing a double whammy situation, with both Governments wanting their share of raised charges. I said I was in the process of placing amendments, and started the process. At our last P&F meeting, just over a week ago, I was told that there was no point in placing any amendments against the proposals to raise domestic and commercial TRP, or against a proposed rise in fuel tax. There were views expressed, saying if I was successful Alderney's capital allocation would be reduced further later on, rather cynical, I thought, but I have to say, like it or not, there may be some truth in that kind of thinking.

2200 So, I stopped the drafting process, for which I apologise to the Law Officers, for the time wasted, as they were well underway with the process. It is a question on how can Alderney fit the 2:1 ratio? Zero-10 does not fit either. Calculations on property taxes designed for Guernsey TRP, but not designed for Alderney, where the income is less, and increasingly, earnings are restricted, as travel costs continue to rise. £121 now a rise of £11 this year for there and back to Guernsey, and £260 or thereabouts, possibly more, I have not actually checked, to get to Jersey. Passenger numbers have dropped again for the year 2016. The latest threat to Alderney's wellbeing is the withdrawal from the mail contract. We are told that this is due to increased freight charges from our only airline Aurigny. We will have to make alternative arrangements for our newspapers, as well, so I am told.

2210 After this year, next year I believe we will face more increased charges for fuel and TRP. I would like Deputy St Pier to explain to me how this all fits into the Financial Transformation Plan, in terms of the relations between these proposals in the Budget and the FTP.

2215 Whilst I am on the subject, the price of a litre of fuel in Guernsey, the tax on it is 40p a litre, in Alderney, I would like to tell you, it is actually 64p a litre, and 30p for the retailer. Here in Guernsey many retailers sell petrol as a loss leader attracting customers to their premises to buy other products. In Alderney that is not the case, and therefore the 30p is directly put on as well, so we

are looking at 94p before they actually buy their fuel. I really do not know what to say about that, or what to do about it, but it is a massive charge, and that is why I am trying to show you that here.

2220 Many of the Deputies visit Alderney, you see a place which is engaged in welcoming tourists and there are green shoots of progress, as Alderney, resilient as we are, keeps on coming up with the new ideas for progress in our tourism sector. Yet, again, I say, passenger numbers have fallen because of resistance, and also because of the inability to get flights when they want them.

2225 I speak with concern for our old age pensioners, and I am very interested in Deputy Roffey's remarks earlier on, and particularly on section 2, and I am grateful to him for highlighting that. The rise in the pension of £84 per year is something, at least, for them, but is it enough in an Island where fuel, electricity, food and freight, are so much more expensive.

2230 Then there is the unfortunate question mark over our gambling funds, which Alderney must deal with firmly, stating that this is Alderney money, and we do need it as part of the Financial Transformation, Package. Some say this was an error in drafting of the 2016 Budget, and I would ask Deputy St Pier to be less obscure than his letter was, and in his summing up, explain whether this was a drafting error or not.

2235 The withdrawal of age related allowance will have a serious affect in Alderney, for the very reasons I have already explained, and any increase in Document Duty will act as a retardant on the sale of properties in Alderney, as we still pay the old *Congé* tax, Alderney actually kept that, so here is another situation where we are actually paying a double tax. There are several instances where this occurs in Alderney.

I congratulate Guernsey on the efforts towards priority budgeting, and for the efforts we must all continue to make in savings. These ideas keep coming and we need to look at them in detail.

Thank you, sir.

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The Bailiff: Deputy Oliver.

Deputy Oliver: Sir I would just like to say there are some good aspects within the Budget, and some that I am yet to be convinced about.

2245 Why, when all our Departments, with the exception of HSC, are having to reduce their budgets by 3%, is Overseas Aid and Development Commission exempt from this? I understand the thinking behind it, that we as Guernsey are top players within the finance industry, and therefore need to play our part in the world. It also feels good to help those that cannot afford. But let's take a closer look at our Island. There are people who need our help. There are pensioners who cannot afford fuel in the winter. Each individual Department is having to cut down their budgets and, potentially, cut front-line services. It just does not feel right to be sending money overseas when the average Guernseyman and woman need us. When our Island is financially able then let's look to give more, but until then, I believe overseas aid should be reduced from the £2.9 million it currently is, and let's help our Guernsey people.

2255 I do feel the Budget, as I said, has some positives, and as Deputy Fallaize did say, the Document Duty being reduced for transactions under £800 is brilliant. I think that it will help first time buyers, and also make people think of moving. It becomes a little but more accessible.

2260 Where I am disappointed is with our financial climate. Yes, our bus fleet are not suited to our Island, but replacing 12 buses, that are not much different in size, this seems quite extravagant and not a necessity. I feel that as this new States that we need to start looking at the bigger issues and really start looking at our costs, saying, 'Is this a necessity or just a nicety?'

Thank you.

The Bailiff: Deputy Soulsby.

2265

Deputy Soulsby: Sir, before I start on the speech I was going to make, which I will do in a minute, I just to have to make a comment on the comment Deputy Oliver just made about

2270 overseas aid. I totally support the amount we are giving here, in fact, I think it should be more, (**A Member:** Hear, here.) in line with international guidelines. So, it is one thing I have to completely disagree with Deputy Oliver about.

2275 Sir, there are nine pages devoted entirely to Health & Social Care in this Budget, and a good chunk of Deputy St Pier's speech was taken up with it. So, it would be remiss of me not to say a few words. However, rather than seeing this as a symptom of a service being a problem child to the States of Guernsey, I believe that Members should be heartened that it actually demonstrates a desire for States' Committees to work together to address what is increasingly becoming an unsustainable service.

2280 Since it was published I have been asked by the media and the public, unsurprisingly, 'Do you think you will meet this budget, after all as was made clear in the most recent independent fiscal monetary report the service has only met its budget in two out of the last nine years.

2285 I have to say, here and now, it will be a challenge. It includes known unknowns, such as the income likely to be generated from the emergency department, and unknown unknowns, arising from off-Island acute care. However, the Committee has worked closely with P&R to get to the figure of £121.1 million. Clearly, it is a compromise, but the Committee is aware, at the same time, of the pressures on other Committees to make savings next year.

2290 However, I have to make it clear now that if we are to meet that budget, and have any hope of making anything approaching the savings of £2 million, that we are expected to make in 2018, we will need to think differently, and work differently. Yesterday, I, together with the Chief Executive, Chief Secretary and others, gave a series of presentations to staff on this very subject. We made it clear that this is not something that the Committee can, or should, do alone, and that management consultants do not have the answers, but that we need to work as a team, along with our partners, to make change happen.

2295 It has become clear to me that the structure and culture of Health & Social Care has been a barrier to change, and staff must feel empowered. But change has begun to happen. Now, whilst I am still nervous and fingers/toes crossed, of the financial reporting forecasting within Health & Social Care, as the President of Policy & Resources has said, the trend line has gone down, and it is hoped that we can reduce it below the forecast given in the Budget. Thanks for this, in particular, go to the Chief Secretary and Senior Operating Officer, who have worked together to get what we call 'system grip' on spending since May. We now have improved controls over off-Island acute care, but this is an area where we are very much demand led, and I therefore welcome P&R's acknowledgement of this fact, and to increase the Committee's authorised budget where it looks like there will be cost pressures.

2300 Now, I would like to refer Members to paragraph 5.21, now there it states that the Committee intends to bring a plan for system transformation to the States in 2017. I think it is important to make it clear that this does not mean nothing will be done before that policy letter. Rather, it will set out what has been done to date, and what is proposed for the future, over all high level operating model. This is not, and could never be, a big bang, but at the risk of sounding evangelical a journey. Neither should we get the idea that there is a perfect system out there, or that even if there is one it will never change.

2310 What we are looking to do is to deliver a sustainable system that meets the needs of the people of Guernsey, and Alderney, that is flexible, and can adapt to those needs. At the same time I do not want the first time Members to hear what we are doing to be via a policy letter published a few weeks before a States' debate. I do think it is important that Members are aware of the progress being made by the Committee leading up to that policy letter, and with that in mind, intend to provide regular briefings to Members about the work being done, and the direction which we are going.

2315 It has become evident to me over the last two years, since I have been involved in HSSD, and now HSC, the very real problem when it comes to managing budgets is the current funding structure. Not only does it mean that we do not have a full picture of what is happening in the service, but is also inefficient in terms of time and resources. This is something I mentioned in my

2320 June statement, and has been reinforced by the independent fiscal monitoring report, I am therefore pleased that P&R and ESS are willing to work with us over the next year to develop a more appropriate funding model.

Now, moving away from the Committee's direct spend, I would like to focus on a couple of health and social care issues connected to the Budget, namely obesity and alcohol abuse. 2325 Paragraph 4.48 to 4.51 refer to the position with regard to sugar tax as set out in the Healthy Weight Strategy, agreed by the last States. The evidence for a sugar tax is mixed, at the same time there is uncertainty over the introduction of such a tax in the UK. What is clear, however, if that the public health messages around obesity, the devastating effect it can have on people's lives through diabetes and heart disease, have had limited effect to date. That is why the Strategy 2330 included the proposal to set up a separate body responsible for promoting healthy weight, and an active lifestyle, and work has already commenced on this, and an update will be provided next year.

Now, in relation to alcohol abuse, in paragraph 4.43 it sets out the relevant extract of the Drug and Alcohol Strategy, and the aim to reduce the availability of cheap and heavily discounted 2335 alcohol, and irresponsible promotions. Now, it has become very apparent to me, since being involved in health and social care, the immense impact alcohol abuse has on our society, from physical and mental health problems, to domestic abuse and violence. It costs the Island around £20 million a year to deal with issues arising out of the effects of alcohol. More than the £12 million revenue we raise through duty. Whilst duty is clearly a favoured option from a revenue 2340 generating perspective, it is not a targeted approach, and we need to do more.

Last week Scotland's Court of Session ruled that Scottish Government's landmark policy to introduce a minimum 50p unit price on alcohol did not break EU law, after a legal challenge of the Scotch Whisky Association. The Committee is keeping a close eye on developments in Scotland, and whether there will be a further appeal, and will consider whether similar legislation should be 2345 proposed here in accordance with the Drug and Alcohol Strategy.

So, just to finish, I should like to reiterate that the budget for Health & Social Care is a challenging one. There is nothing new there. The last decade has demonstrated that developing a Health & Social Care budget is just a method of worrying before you spend the money, as well as after it. However, if, and only if, we think differently and work differently, we have a chance, and 2350 we need to make that a reality, not just within the States, but by all those who provide health and social care.

The Bailiff: Deputy Laurie Queripel.

2355 **Deputy Laurie Queripel:** Thank you, sir.

Sir, I would like to spend a few minutes on the shaken but not stirred Bond, just to comfort you and Members, to some extent, other areas I wanted to cover have been very ably covered by Deputy Fallaize and Deputy Roffey and Deputy Green, so I just might need to make a passing reference to those.

2360 Also, sir, I want to make it clear, these are my own views. I know the Scrutiny Management Committee is going to launch a review, and investigation, into the Bond. This is nothing to do with that, these are just my own views.

I will not pretend to be an expert on the subject of Bonds, I am a layman, and I could not explain the finer technical details regarding bond issues, but I have taken a very keen interest in 2365 the matter of the Bond since the States, at the last Assembly, passed the Bond. I have done the best research I can, I have made my view known in the past, and I would just like to convey a few more observations now.

Now, however, they are dressed up, bonds are, to some extent, a form of speculation, sort of playing the market. That is very clearly demonstrated by the investment performance up until 2370 now, and if Members want, if they turn to page 64, paragraph 9.25. It says this, it is about just over half way down, actually it is the end of the third line, it says:

The investment return received in 2015 was not sufficient to meet the full cost of the annual Bond coupon ...

So that is the interest paid on the Bond.

... resulting in a £5.7 million deficit on the Bond Reserve.

Now, to be fair, I have to go on and read the next bit.

'However, during the first half of 2016, this position was reversed and the investment return outperformed the target return and comfortably exceeded the amount necessary to pay the coupon, eliminating the 2015 shortfall.'

2375

But actually, that only goes to show, that the taking out a bond is a form of speculation, and is a form of playing the market, because that position could very easily be reversed in the next year or two, and we could find again that the Bond Reserve falls short, so there is definitely a measure, an aspect of playing the market there.

2380

In paragraph 9.27 on page 65, it says this, just from the top down to the end of the first paragraph:

'Notwithstanding that it would inevitably take a period of time to lend on the proceeds of the States of Guernsey bond issue, the amount currently approved is lower than was anticipated at the time of issue.'

2385

Now, sir, I would say that is an understatement, that is underplaying the current situation, and it raises three issues, in particular, as far as I am concerned. The great pressure or great liability on the States, on the public purse, as long as the majority of the proceeds of the Bond remain unallocated. Now, sir, despite the soothing words in the Bond section of this Budget Report, that was never meant to be the intention, and that is confirmed by the quotes from the 2015 Budget Report reproduced in this Report, and that is on page 63, paragraph 9.20, once again it is about half way down, after all these different dates have been quoted, 2004, 2006, so after 2014, this is the important bit:

2390

to direct the Treasury & Resources Department to report to the States as expeditiously as possible, but in any event by no later than the 2016 Budget Report, to demonstrate how all such [additional] borrowing[s] [have] been or soon will be allocated ...

Further down from that, in the next paragraph, once again about half way down it tells us again after the years 2004 to 2014 once again to direct – sorry, I have read the second one first, but the first one says after those year the important bit again is:

to demonstrate how all such borrowing has been or soon will be allocated ...

2395

Sir, it was always envisaged that the proceeds of the Bond would be allocated sooner rather than later to, in effect, shift the liability away from the States and on to the various trading bodies, or whoever was going to borrow the money. So, that raises issue number two. The basic error that was made in not checking with the trading bodies, in regard to the current status and conditions of their borrowings and their credit arrangements, and when, and if, they would be able to make use of, or access, funds from the Bond. Now, that should have been done before the Bond was even considered or proposed. It was not, as confirmed, once again on page 64, in paragraph 9.26, where it says:

2400

There are some entities which currently have external borrowings, guaranteed by the States of Guernsey, where breaking the existing arrangements and replacing with a loan from the bond proceeds is not considered to be cost effective.. .

2405

In the brackets it goes on to explain why that is the case. Now, that represents very poor planning, and very poor preparation in regard to the Bond. So there is now a pressure – I will give way to Deputy Trott –

Deputy Trott: I am grateful to my friend Deputy Queripel for doing so.

2410 The question is, he has got some strong views, I will seek to mitigate many of them later, but how can he, as a Member of the Scrutiny Committee, participate in an objective process, with such albeit strongly held and erroneous views thus far, sir –

2415 **Deputy Laurie Queripel:** To put it simply, sir, I am not going to take part in that process. There is a Panel that it going to be set up to look at that, and I will not be taking part in that process.

Deputy Trott: Right.

2420 **Deputy Laurie Queripel:** Is that okay?

Deputy Trott: Well, that is good! (*Laughter*)

The Bailiff: Can we not have chat between the Deputies.

2425 **Deputy Laurie Queripel:** Sorry, sir, sorry.

The Bailiff: Can it all be through the Chair, please.

2430 **Deputy Trott:** Well, through you, sir, I am –

The Bailiff: Are you giving way again?

Deputy Laurie Queripel: I am quite happy to give way.

2435 **The Bailiff:** Deputy Trott, then, if it is another point of giving way, then fine. (*Interjection*) Deputy Queripel.

2440 **Deputy Laurie Queripel:** The point is, sir, I am not going to be sitting on the Panel that will be a Panel that will not be occupied by me, of course, I will be privy to the results of the investigation, but I will not be taking part in the investigation. So, I am sure, Deputy Trott is comforted by that. But I am sure he would also agree with me, sir, that as Member of the States, it is my job to scrutinise every aspect of the States, and the work that they do, (*interjections*) and the things that they undertake, (**Several Members:** Hear, hear.) that is my job. I would be negligent in my duties if I did not take an interest in these things, regardless of what Committee I sit on. (**Several**

2445 **Members:** Hear, hear.)

2450 So, sir, there is now pressure to allocate the balance of the Bond proceeds, and something is being suggested, that a number of us warned against, when the Bond issue was first debated in the States during the last term. Changing the rules, the policy, in regard to who can access the funds, and once again I go to page 65, and in paragraph 9.29 it says, I will not read it all, but I will just read a few bits of it. At the start:

The Policy & Resources Committee intends to investigate whether, in limited and specific circumstances...

Now I am going to jump down a few lines:

... it would be desirable to extend the range of entities to which the bond proceeds can be lent to include organisations which are not part of, or wholly owned by, the States.

and, it goes on to say:

The Committee will report back to the States with recommendations, if appropriate, to change the policy for the on-lending of the bond proceeds.

It did not take too long, did it, before the idea of changing the rules was put forward? That is probably because there is still about £200 million left in the Bond that is not allocated.

2455 Now, that raises issue number three, for me. Whoever is targeted to receive funds from the Bond, whether it is a States' trading body, or a third party organisation, what about if they can access funds from the commercial market at a better rate, so a better rate than the 3.265% rate? Bearing in mind, of course, that commercial providers will be aware of the Bond, and this particular figure. Will States' trading bodies be pressured to go for a Bond loan just to make the
2460 Bond look good? What sort of deal would that represent for the consumer and/or the taxpayer?

I am saying that, sir, because we sometimes people try and make this distinction between the consumer and the taxpayer, but by and large, the majority of the time, the consumer and the taxpayer are the same person. So, there are lots of questions, lots of uncertainty, surrounding the Bond. If a few answers could be given to that it would be great, but as I say, we have got the
2465 Scrutiny Management Committee investigation upcoming.

Just, one more point, in regard to the Bond, before I move on, and it is relation to the contents of page 49, and Deputy Green has referred to this to some extent. This talks about Guernsey Water and the Belle Greve Wastewater Outfalls Project, and that was initially funded from the Capital Reserve of approximately £20 million. So, as Deputy Green said, the taxpayer has already
2470 paid for that project, and we read in paragraphs 7.17 and 7.18, once again about half way down of 7.17:

... funding from taxation revenues is not considered to be in line with the user-pays principle for funding expenditure by trading assets.

Then half way along the second line of 7.18:

... changing from the existing 'save to spend' policy to one based on current consumers paying for the capital investment in the assets from which they benefit (through debt financing).

Now, how convenient, sir, that that is now something that P&R believed to be the right thing to do, believed to be in vogue. How convenient is that. So, the taxpayer, and as I say, the taxpayer
2475 us the consumer in reality, has already paid for the project once, and now they are going to pay the interest on a loan from the Bond. Once again, what about if Guernsey Water could access, if they wanted to, debt finance, what about if they could access a cheaper loan from the commercial market, at a cheaper rate, why have they got to use the Bond if they want to do that? It all looks rather contrived, and does not necessarily represent the best deal for the taxpayer or the
2480 consumer.

Now, sir, moving swiftly on from that. I just wanted to quickly make mention of something that Deputy Fallaize raised in regard to the contents of page 30, paragraphs 4.69 and 4.70. Once again, in effect, this is raising the idea again really of a spectrum charge, this is something that was brought to the States in the last Assembly by Commerce & Employment, at that time it was
2485 rejected, and I understand why Policy & Resources are saying that we should have some contribution from the businesses that will benefit from improvements in digital connectivity, in infrastructure investment, in transport links, but I give the same warning as Deputy Fallaize, and I know Deputy St Pier is aware of this, that not all the telecommunications businesses are big businesses. There are some very small businesses that operate within telecommunications, and they are already subject to rises in TRP, they are already subject to paying for regulation, some of
2490 these companies have to use vehicles, so they are subject to the fuel rises. So, as Deputy Fallaize has said, I would just ask P&R to bear that in mind when they look at this spectrum charge sort of idea.

Also, I do congratulate P&R for two things in particular, the graduated Document Duty idea, that is a really welcome addition. Also, even though they have not gone far enough, in my view,
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the sort of mildly progressive approach towards taxation in regard to personal tax allowances. It is in a small step, that is the operative term that I would use, and I do not think it is the kind of thing that Deputy Green had in mind when he had his amendment approved during the tax and benefits debate. I think the people that supported that amendment, I think, were looking for a graduated system in regard to personal tax allowances, but it is a step in the right direction, but I think we need to move quickly towards a more progressive approach. Because, I was just thinking the comparatively small amount to be raised by increasing TRP, so that it is domestic and commercial TRP, the extra amount that will be raised is £1.3 million. Now, I imagine it would have been relatively easy to raise that amount if a slightly more ambitious approach had been taken when it comes to personal tax allowances, and therefore not to further hit the pockets of those on modest incomes, who happen to own their own properties, and small businesses. Because, if the vision, and the idea, and we know that this is the plank, the main principle behind the Policy & Resources Plan, if the vision and the idea is to better share the wealth and make Guernsey a more equitable, inclusive, happier and healthier society, I would suggest we need to get better access to the wealth, and take the burden off the low to middle income Islanders.

I just wanted to refer to some of the rises that are being proposed. I will not be voting for the TRP rise. I do not think that is a tax, or a charge, that is based on people's ability to pay. I said during the Deputy Roffey amendment I would be voting for the fuel duty rise, because I now that revenue from the fuel duty goes towards, at least part, funding very important and essential services. So I will be voting for the fuel duty rise, with a but, because I agree with many of the comments made this morning, in the long run I do not think that is sustainable, just to keep banging it up. We do need to find other ways, more progressive ways, to raise revenue.

Yes, tobacco and the alcohol duties, yes I can go along with that.

I just wanted to go to, near to the end, page 46, when it talks about the capital projects. At bullet point six we are told about the Income tax Electronic Data Management System. There is not ... I could not find it anyway, there is not a great deal of detail about this system. I wonder if Deputy St Pier in his response, when he responds to the debate, could tell us what benefits that system would bring, and what value for money it would provide, what the cost benefit analysis is, in regard to do that, how will we save money, and how that will make our system more efficient.

The seventh bullet point below it, Electronic Health and Social Care Record, that is a project that seems to be going on for a along long time. Same thing with that, sir. There is not enough detail for me: can we have some detail in regard to the cost benefit analysis, what value for money will that bring to the States, and to the public?

I just wanted to mention something about the Transformation Fund on page 62. There is a table here of the amounts that have been approved, and prioritised, and as far as I can see there are 17, I think the fund started off with £25 million in it, there is a balance of £17 million. That is great deal of money, and a lot of it, it seems to me, will be going to the centre to fund the development of yet more policy, process, administration, reviews, research, etc. I do not quite understand why change, and rationalisation, has to be so costly, and so complex. I know I have said before we are all responsible for providing oversight, as politicians, but I do hope that those tasked with direct political oversight of this Fund, and the way it is used. I do hope that they are going to make sure that it is used appropriately, and proportionately, and effectively. Because it seems to me there should be a lot of knowns when it comes to change and transformation.

Now, I heard Deputy Soulsby on the radio this morning, she was telling us just now about the meeting she had yesterday with employees and staff at Health & Social Care, and she gave some examples of some very simple things that are going to be done to help to transform or change the service provided that will make the service more effective, and just work in a simpler more cost effective way. The States is a big organisation, but regardless of that, I cannot believe that there are not some quick wins, some very simple, easy, cost effective ways to bring about change that can be very quickly and easily evidenced, and quickly demonstrated, sir. I just think we are danger of chucking a lot of money at a Transformation Programme, when, in fact, we already know some of the issues, and actually, perhaps we should put a bit of money towards solving

2550 those issues, rather than putting it towards what I would call the centre roundabout, where it just goes towards, as I say, reviews, and looking at process, and things like that. I think there are some quick wins that we could have and some of that money could go directly towards providing solutions, rather than talking about solutions, or constructing solutions.

Thank you, sir.

2555 **The Bailiff:** Deputy Brouard, I know has been waiting for a while.
Deputy Brouard.

Deputy Brouard: Thank you, sir.

2560 I would just like to comment on Alderney, which is a bit of a shame, really, because the two reps are not here, so would you like someone else to go?

The Bailiff: I saw Deputy Yerby was standing up, so if you would like – (*Interjections*)
Deputy Yerby then.

2565 **Deputy Yerby:** Sir, the progressive intention of this Budget is welcome, although its progressive credentials hang entirely on a few measures. Document Duty which is being reorganised in a way which should reduce the cost of buying housing at the lower and mid-range of the market, and the withdrawal of personal allowance – sorry, I have got tech problems again – which will touch only three in 100 Islanders with six figure incomes. It is a good start, but there is more to be done. Perhaps the time for a proper debate on that would be in a fortnight, when we
2570 come to debate the fiscal framework within the Policy & Resources Plan.

It is disappointing that Deputy Oliver thinks the way to solve this is to kick down, to people whose daily experience is of hardship, conflict, poverty or disease, which is unimaginably in this Island. However, I understand, and respect, the need to question everything the States spends. I would extend a warm invitation to Deputy Oliver, and to other States' Members, to join my
2575 Overseas Aid Commission, and me, for one of our grand evaluation sessions in the spring, where we consider the hundreds of projects which the States are being asked to support. We could give much more than we do, and we would still barely scratch the surface. Members should not feel alienated from that and my challenge, throughout this term, is to make the work that we do through overseas aid and development, and the positive impact that Guernsey has around the
2580 world, more visible to everyone here.

Nevertheless, to pre-empt what the President will say in summing up, the only reason why Overseas Aid has not been touched this year is because there was a five year funding formula, agreed by the States in 2011, and P&R have honoured that. In 2017 the funding will be up for review, and we will no doubt come back to this question thoroughly then.

2585 In general terms the need to do more, however, is undeniable. In that respect, as others have done, I commend Deputy Ferbrache for drafting the amendment he did, although I would not have supported it, and I believe I understand why it was not laid, it would clearly have opened up the question of what needs to be done, and how we might dare to think differently.

2590 The first way in which we might think differently is in terms of our language. We have already talked about the need to broaden our tax base, we talk about it a lot in fact, it has the status of an almost theological truth, and it leads us, I would argue, into some counterproductive positions. Let's be honest, there are 63,000 people living here, they are all subject to income tax, provided of course that their income is high enough. The people who buy houses and pay Document Duty, the people who own houses and pay TRP, they are the same income tax paying people. The
2595 people who smoke and pay tobacco duty, who drink and pay alcohol duties, who drive their car and pay fuel duty, are the same income tax paying people. They also include, of course, some of the people who are incomes which are modest enough, low enough, not to be subject even to income tax.

2600 As for excise duties it is okay to tax harmful behaviours, it works, we have already discussed
that this morning. I am not saying – at least I do not think I am, not right now – that we should
have no behavioural taxes. I am simply saying that when we talk about taxing behaviours, or
taxing consumption we are talking about taxing the same people in a different way. We have to
be honest about that. The only way of broadening the income tax base is to look at the corporate
tax differently. We know that is off the table for now, and we understand why. So let's not talk
2605 about broadening, it is nonsense, and it will not help us find a way out of this deficit. Let's talk
about strengthening instead, let's make sure we place the burden of tax on the shoulders which
can bear it. Perhaps we need to start 20 means 20 at a more reasonable threshold, as Deputy
Roffey has said. Perhaps we need to look towards higher rates of income tax for those with higher
incomes. Despite Deputy Trott's retorts to Deputy Fallaize, earlier, I believe we will have popular
2610 support in doing so, including, I believe, from many of those who would stand to pay such rates.
(A Member: Hear, hear.)

As a variation on the same theme, some of the minor Propositions in this Budget lead me to
ask if we have our priorities right. Proposition 4 is a sop to high net worth individuals. I
understand why it is there. I am given to understand it is a bit of tidying up, removing a
2615 bureaucratic annoyance, rather than a source of revenue, and I will probably vote for it. But
fixation on high net worth individuals stops us asking, what we can do with our tax and social
insurance system to make life in our Bailiwick more attractive to people in the middle income
brackets – people with household income say of £30,000 to £50,000 a year – including many of
the nurses and other front-line professionals, who we struggle to recruit and retain, because living
2620 in Guernsey comes with such a cost. It stops us thinking about the power of capital investment as
a form of economic stimulus. Despite the fact that construction is the third biggest employer in
Guernsey, and most workers in the sector earn between £20,000 and £40,000 a year, squarely in
the lower to middle income brackets. We skimp on capital investment, and lose sight of the
opportunity to create, through work, a boost for our construction and industrial sectors **(Several**
2625 **Members: Hear, hear.)** I will be voting with Deputy Fallaize against Proposition 22.

It stops us thinking, too, about the one in five households who live in homes with combined
incomes of less than £17,500 – £17,500, I am not sure we can even understand that. *(Interjection)*
Each of our salaries alone are double that, before we even take into account the wealth we enjoy
from our partner's incomes, or from pensions, or from our investments. Whatever our
2630 backgrounds, we must not forget how insulated we are here from the hardest side of Island life.

There is no progress on implementing a fairer welfare system this year. In fact, there is a threat
that funding for such changes will not be available until at least 2019. We have an ambition to do
better for Islanders, but we are not yet putting our money where our mouth is.

Deputy Roffey, in summing up his amendment, laid out a provocative challenge, if you are
2635 happy for your Committees to be squeezed then by all means let States' revenue fall. He is not
wrong, but, whenever we take income from a household, in the form of tax, or contributions, we
remove some part of their ability to use their own resources to solve their own problems. We do
that because as a society we have a duty to look after each other, and we do that most effectively
by pooling our resources. But we have to be as aware of the impact of taxation, and social
2640 insurance, on the lives of households, as we are aware of the benefits our services provide to
those same households. If we are interested in protecting Islanders then we must do so in what
and how we take, as well as in what and how we give. So, considering the fairness of the tax we
raise, when we talk about strengthening the tax base, is fundamental,

I make a couple of minor points in closing, unless I can be persuaded otherwise, I will not
2645 support Proposition 29, which directs 50% of evidence tangible fiscal receipts from new economic
developments to be reinvested in the Economic Development Fund, or the Future Guernsey
Economic Fund as it will become. We will just waste time, trying to prove an evidential link
between certain projects and certain revenues. Let's just make sure that the Economic Fund has
the resources it needs, on an annual basis, to deliver the results we want within the constraints
2650 common to all the States' spending.

I would echo the concerns raised by fellow States' Members about the proposals to invest the Bond in companies outside the public sector. The Bond was approved with very strict criteria about how it would be used, and I do fear, as others have said, that as soon as we start to allow slippage we move into a very dangerous place.

2655 Finally, let's be honest about our limitations. The fact that we have got a better Budget than planned is a happy accident of economic, and operational, good fortune, not an inspirational achievement. Not inspirational, but good nonetheless, and my criticisms for what they are, are relatively small. It is a decent start, and I will support the vast bulk of the Propositions.

2660 But to reinforce the points well made by Deputy Fallaize, and others since, we are going to have to take a much more resolute, and realistic, approach to removing the Government deficit. We are going to have to think differently, and as Deputy Green has said, we will have to act on the courage of our convictions.

The Bailiff: Deputy Brouard, do you wish to speak now? (*Applause*)

2665 Deputy Brouard.

Deputy Brouard: Thank you, I was hoping that was applause for me standing up, but obviously not, (*Laughter and interjections*) but it is a second speech, anyway.

Thank you very much, Mr Bailiff.

2670 I would just like to make a few comments with my P&R hat on with regard to Alderney, and just pick up some of the points that Alderney Rep Louis Jean mentioned.

I am very pleased to report that significant headway has been made in developing proposals for the modification of the financial relationship between Guernsey and Alderney. This has been an area, clearly, indicated as a priority by the political representatives from Alderney in the meetings of the Alderney Liaison Group.

2675 The intention is that with effect from 2018, the States of Alderney will have authority to set certain tax and duty rates, and retain the income raised. This is entirely progressive, as it recognises, and supports, the natural desire of the States of Alderney to be responsible for the manner in which it raises income to fund the services that it is responsible for providing. It is also considered to be fair that there will be a commensurate reduction in the cash limit allocated to the States of Alderney. This is in line with reductions that are being made to the Committees cash limits in Guernsey.

2685 I would just like to take this opportunity to mention two points. Firstly, that there are currently no changes proposed to the funding of the transfer services, those services provided by the States of Guernsey Committees, including health, education, law and order, social security and Alderney Airport, which are funded from general taxation and mainly from income tax.

2690 Just picking up on a point that Alderney Rep Jean made about the treatment of the Alderney Gambling Control Committee surpluses. These surpluses are due to General Revenue, but for a number of years an arrangement has been in place that allows them to be used as a source of funding for Alderney's capital investment. This has been used, in particular, to address the backlog of infrastructure investment required in Alderney. In addition, for the last three years a portion has been made available to fund the initiatives through the Alderney Economic Development Fund. The proposal within this Budget is to extend this arrangement for a further three years, until the end of 2020, in line with the ongoing work of the review of the financial relationship. It is intended that a permanent fair arrangement for the treatment of the Alderney Gambling Control surpluses are determined within that period. So, I hope that gives some reassurance that there is some work to do and that result has not, or that particular piece has not been crystallised yet.

2700 Just talking generally on the Budget. The Budget is to be taken in the round, it is not exactly as how I would like it, again the starting position is not where we like it but, or necessarily where we would like to be. Both the Committee and the staff have worked hard, in a consensus way, to come to the best compromise. Because that is what it ends up being, it is a compromise. It is

trading one item, against another, and trying to get that best fit, and I just would commend it to you and hope everybody will support all the arrangements, rather than just pick at some pieces.

Thank you very much indeed, sir.

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The Bailiff: Deputy Ferbrache.

Deputy Ferbrache: Sir, let me say this at the beginning, that Guernsey's financial ... the Bailiwick's financial position, generally, is something that most places in the world would envy. Even in its present circumstance, even in relation to this particular Budget, and the facts and figures that it provides.

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Although some speakers have referred to the facts and figures, nobody has referred to them enough to date in my view. In relation to that I would also like to say that this Government has said, this Assembly in the six months that it has now had in its life, has said it is open for business it is a new proactive States of Guernsey. I believe that, because I accept the integrity of each and every person in this room. But we have now got to start putting meat on that bone. We have got to start taking some action. Words are very easy but it starts with action, so they have got to be as somebody said, I think it was Deputy Green, they have got to be decisive and they have got to be proactive, because we have not been very proactive in the first six months. We have had our apprenticeship, we have now got to start being proper tradesmen.

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But let me just say two things. There were many, many good speeches, and two of them that I will draw upon, are from Deputy Fallaize and Deputy Roffey. Now Deputy Roffey referred to Red Yan, he reminded me a bit, did Deputy Roffey of Blue Peter, and I would not be saying, because I am too polite to say it, that perhaps his political philosophy sometimes is stuck together with sellotape and tacky, but that is for others to say, and not for me. (*Interjections*) In connection with this particular matter, he and Deputy Fallaize raised many good points, because what we have got to be doing, is actually putting some pure theories away, and bringing in some practical aspects. We have got to be doing that now.

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I am very encouraged, both from the able Deputy Yerby and others, people saying, other States' Members, both inside this room and outside this room, 'We wish you had put forward your amendment', but I think Deputy Kuttelwascher and I would have felt very alone, when it came to the votes, because hardly anybody was going to vote for it. But never mind that does not matter. You do what is right even if sometimes you are told that it is wrong. In connection with that amendment, we brought it forward because we were frustrated when we saw the Budget at the lack of provision and detail in that Budget.

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Deputy St Pier called it an inspiring achievement. Well, Deputy Yerby has already in her speech, just a few minutes ago, said it was not an inspiring achievement; it was pretty good or whatever the exact word she used was. Deputy Trott reminded me, and it was ever thus in the first six years that I was in the States that when the President of A&F, in those days, made his Budget speech everybody applauded. We forgot, and I apologise, I apologise to Deputy St Pier, but I have to say my applause would have been somewhat tepid, because the Budget does not say enough.

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We are in the ninth year of deficit, but we may not be according to Deputy St Pier's statement, that we may actually be able to balance the Budget at the end of this year. But if we do it will be a close run thing, and again, if I have understood these remarks correctly, it is really prefaced on the fact that Health & Social Care spending may be less than it otherwise would. Now, I think it was Deputy Fallaize – if not I apologise to Deputy Roffey, it was one of those two gentlemen – who said, if you think that you can control spending – it was Deputy Roffey – you should get value for money from Health & Social Care, we all accept that, we should get value for money from every States' Department when it spends a penny of public money, but he is absolutely right. I am sure they can squeeze certain parts of their budget better, and get better value, and they are trying their best, and no doubt they will try even better. But the only way that health spending is going to go in the next five to ten years is northwards. It is going to increase, and if you think otherwise, if you sit here and get the comfort of this nice autumn afternoon, in this nice room, with all its

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2755 exotic decorations etc., and think that the world is going to be right, and that we are not going to increase our health spending, well really, Christmas has come a bit too early, and you should be reading some fairy tales now rather than later on, because that is not going to happen. The health budget will be bigger in five years' time than it is now, in real terms, and it will be bigger five years after that, in real terms. That is the way it is: people live longer and we are a benevolent society.

2760 I think that Deputy Oliver is one of the young stars of the new Assembly. But she did say something that I disagree with. We must not forget that in 1940, 23,000 of our citizens, or 22,000 citizens from Guernsey and nearly all the good people of Alderney, left and went to the UK, and they were generally well looked after in the UK by people of England, Wales and Scotland. After the War, we are now in a very good financial position, but we have not always been. The British government gave Guernsey and the Bailiwick of Guernsey a lot of money post the Second World War. We should be thankful for that. That is not all that long ago.

2765 So, I would not like to see the £2.9 million reduced. I wish we were beneficent enough and had an economy that was overflowing with money that we could give £29 million. Because when I see, when I see a seven-year-old kid in Syria, covered in dust because the Russian thugs, the Assad hooligans, and the ISIS fanatics have blown up his parents, and blown up his house, and killed his siblings, and he is shaking with fear, I wish I could take all of them, put them in a hole, and blow them up, (**A Member:** Hear, hear.) so that he and these other children and the children of the world could have a childhood that most of us have had, that most of our children have had, and hopefully, that most of grandchildren will have. So I wish that figure could be much more, but frankly, it cannot be, but I would not like to see it reduced.

2770 I have made my image as a man of the people, because I think I am a man of the people, because I am a person who has known what it is like to have nothing, and now know what it is like to have plenty. I benefited from Guernsey as an economy, I benefited from Guernsey as a society, but you are fortunate where you are born in the world. I am very fortunate I was born in the Princess Elizabeth Hospital on the 19th July 1951. I mention that – I should declare an interest – because if Proposition 2 is passed, I am going to vote with Deputy Roffey on that one, not because I need the extra income, or need the extra allowance, although every penny is gratefully received. It is not because of that at all, but it is because it is not fair. There are some pensioners who, clearly, it would make not a jot of difference to, but probably two thirds, I would guess – and I have not done the Fallaize referendum on that – but for two thirds, I would guess, it will make a big difference to. Every penny to them makes a big difference.

2775 Where I am disappointed ... and to Deputy Kuttelwascher, I am very grateful for the wisdom that he has imparted to me over the last six months, and I have taken on board some of it. I am very, very grateful because we sat down and we really did angst over this amendment over a long period of time, and when I get from Deputy Trott, who I think is a good States' Member, and is a sensible chap, comments in the media saying, 'Oh well, they should come and see us', I would say this. Firstly, he is not my head master, and neither are Policy & Resources. Secondly, the Budget should have done more about it: rather than just talk about something at Proposition 13, they should have actually done something, and put some meat on that particular bone. Thirdly, we do not get the Budget that much before we are able to consider it. And fourthly, I think it is one of Deputy Fallaize's Rule 24(2), if you are going to put an amendment to the Budget it has got to be seven clear days, excluding weekends, before the thing. So we did not have a lot of time.

2790 Why we withdrew it, and I think you are all entitled to know that, is we were approached, and we went to a meeting yesterday afternoon, by sensible business people, who sat down with us and had a sensible conversation, and told us the pros and cons. We told them what we thought, the pros and cons of where we could go. Now, they have agreed, and I accept it, because they are sensible decent people, that they will sit down with Policy & Resources, they will sit down with Economic Development, and they will help to put ideas to broaden the tax base on a periodic basis over the next 12 months. I accept their goodwill, and I expect them to fulfil that goodwill.

2800 Now, again, going back to Deputies Roffey and Fallaize, they reminded a bit of Louis Walsh, when I heard them speak, because Louis Walsh is the *X-Factor* judge the Irishman, and we know

there are many witty and intelligent Irishmen, (*Laughter*) but we heard the phrases the high earners have got to come up to the plate, and we need to raise revenue from those with the broadest shoulders. That was a bit like Louis Walsh who said, 'you have made that song your own'. We have heard those comments before, I agree with them, what are you going to do about it, Members of the States? Sorry, sir. What are the Members of the States going to do about it? Because they have all talked about decisive action, they have all talked about us needing to broaden the tax revenues. How are we going to do it?

Now if you look, I think it is page 56, I cannot remember the page – I am not going to do a Deputy Laurie Queripel. I commend him for his knowledge of the pages he was flicking through them with great adroitness just a few minutes ago, but in connection with that, it is the page which shows the revenues for the next three or four years, and if I am right, I think the income revenue over the next three or four years will only go up from £403 to £406 million. That is probably going to cover inflation, or thereabouts, I would have thought, over the next three or four years. Where is the radical revolution, or the radical evolution, or the positive development that we are going to see? Because we need to see it.

When we had to consider in June, I think it was, the 2015 accounts, we had a statement from Deputy St Pier, and I am very grateful to see and I know that he is a man who is open to persuasion, and argument, because after all, we have only had one amendment brought to the Budget that he has put forward, and he voted in favour of that amendment. So he is a man who hopefully can be persuaded, and will listen to reason, and it must not just simply be on environmental issues. It must be on practical issues; it must be on issues that tell us, as we heard in relation to, when I looked at the foreword to the 2015 accounts, which was published, as I say, in 2015, and his letter in support of it. It was predicted last year that the books would be balanced. In fact, there was a £24½ million deficit. Now, bearing in mind we are talking about a tax take of £380 million to £390 million: that is a pretty wide error of margin, and that was because income tax receipts were £17½ million less than they were expected to be, and Document Duty was £2 million less and the other figures made it up.

I think the comment was made, 'It is likely that there is a structural element highlighting the inevitable vulnerability of relying on a narrow base which is in structural decline as a result of our aging population.' Well, hang on! Don't we have a fiscal review, or consideration, or whatever it is, objective view from Professor Wood and his colleague every year? Did he not say last October/November, 2015, that we had a structural problem? So, why did it take Policy & Resources, and the President of Policy & Resources, and previous Treasury Minister, until June of this year to realise it. You cannot move at that pace in the 21st century. Our reserves were down to £538 million. They had fallen by £29 million. That is a big fall. That is nothing to do with the Bond issue that Deputy Laurie Queripel dealt with.

Again, we talk about Civil Service, or yes Civil Service reform, when is that actually going to start? When are we going to see any action from it? When is it going to take place? We have some brilliant, excellent, first rate civil servants, but I do not want to see the fireman; I do not want to see the police officer; I do not want to see the nurse; I do not want to see the catering assistant have their numbers cut, unless that is justified.

What I am concerned about, and again in the 2015 figures, the people earning £70,000 plus, and that includes your pension contributions and the like, went up from 398 to 406 people. That may not seem a lot, from figures given to me by my able colleague Deputy Mooney a few weeks ago. Over the last seven years I think that has gone up from 250 to 400 people. Now, where else where income has been static over those years would you increase your wage bill of your higher earners by that amount over that period of time? You would not do it. You could not do it in the real world. You could only do it in government where you can push off the reality. You can kick the can down the road. We are at the end of the road now. A marathon is 26 miles 385 yards: we are into that final 385 yards, and we have got to do something about it.

Deputy – it should be 'Deputy' really! – but, Alderney Representative Jean made a good point about Alderney. I appreciate that Aurigny has got to do its job and it has lost £4.6 million; when I

2860 hear that they are now going to be, if I have understood Deputy Jean correctly, that they are not going to get their newspapers, shortly, delivered by Aurigny, I think, hang on, we are the *Bailiwick of Guernsey*! Shouldn't we be looking to Alderney? There are a few thousand folk just a few miles away from us, haven't we got to... ? They have got to do more for themselves, I have to say, but equally, we have got to help them. We are the Bailiwick of Guernsey. We are 65,000 souls, almost against the world. We have got to *do* things, and we are not doing enough together.

2865 So, when I hear parsimonious, pathetic and puerile things like that, they cannot have their newspapers, I just think, is that the best we can do? How is that going to turn a stagnant economy into a vibrant economy?

I would like Deputy St Pier, when he stands up in due course, to tell us what they are going to do over the next 12 months. How are they going to broaden the tax economy? How are they going to broaden our tax base?

2870 Just pausing there, because I have offered him my time as a lawyer, I have stood up before a judge or a magistrate and said 'so and so, and can I do this?' Those who know when I am perhaps ... well, it does not happen very often but it does happen occasionally – say to me, 'You are not starting with a blank piece of paper, Mr Ferbrache, you must have an idea.' I am saying to Deputy Trott, Deputy St Pier, and their three colleagues, you cannot be sitting there with a blank piece of paper! You must be sitting there, you must have ideas bubbling up at the surface, and you have got to tell us, and you have got to tell the public of Guernsey what they are.

2875 There are many other points that I could make, but I think I have made enough. Benefits in kind, I do not know why that is not taxed more. We have got to be saying to the lawyers and the accountants ... and I heard somebody tell me recently, our lawyers think they are paying too much tax. It caused me to spit – figuratively, not literally – because not every lawyer in Guernsey earns a fortune, but there are a number that do, and they are in a very, very, very, beneficial position, they are in a complete monopoly, as they should be, because we should have a good and a healthy Bar, but they should realise that they should get down on their knees and pray every day for the benefits that they have been given by our society. (**Several Members:** Hear, hear.)

2885 When I came back to the Guernsey Bar there were 20 or 21 practicing advocates, there was no legal aid, we did it, and there was a very distinguished lawyer, by the name of Collis, who had done it for 25 or 30 years, who represented people for free. I do not know if he ever got paid because he represented so many people for free without legal aid. When I first came back to the Guernsey Bar, because I did seven or eight years as a lawyer in England, there was a system in the Royal Court, we had a Royal Court criminal trial, they could pick any advocate they wanted, for every 10 times they picked somebody, I got picked seven. That was my duty, and I did not mind doing it, and it has not done me any harm. Now we have got a legal aid bill, which the taxpayer of Guernsey pays of just under £2.2 million per annum. I know it was down, actually, on the previous year. Jersey do it for free. They moan like anything in Jersey that they have to do it for free. What are they going to do about it? I do not really care about them. I care about this society, we have got to look to the people that can afford more. We have got to be proactive, and we have got to actually come back in 12 months' time and say we have done something. (*Applause*)

2900 **The Bailiff:** Deputy Lester Queripel.

Deputy Lester Queripel: Thank you, sir.

2905 Following on from Deputy Ferbrache's request, I will start by asking the President, please, to give us his views on how we can broaden the tax base? Also how often do local organisations, associations and businesses contact him, requesting meetings with him, and his Committee, in relation to that? The reason I ask that, sir, is because there seems to be very little point in us, as Deputies, coming up with any ideas, because history shows that nimbyism will always rear its ugly head. The cry always goes up, yes we understand we need to broaden our tax base, but not in our back yard.

2910 The most recent example of that, of course, is the local advocates very clearly saying, not in our
back yard, thank you very much, at the moment, anyway. So Deputy Ferbrache and Deputy
Kuttelwascher did not lay their amendment. I understand the need to be pragmatic, sir, but I wish
they had laid it. I applaud them for considering it. I would have voted for it, because as far as I am
concerned, no stone should be left unturned regarding looking at ways in which we can broaden
our tax base.

2915 But also the Chamber of Commerce say that they appreciate we need to broaden our tax base,
and yet they often criticise us when we do put ideas forward, but they never seem to come up
with any ideas of their own. I hope I am wrong in that, I hope they do come up with ideas of their
own which they relay to P&R, and I would like the President, please, to tell us if they have relayed
ideas to P&R. Because to once again state the obvious, we all know the problems, it is the
2920 solutions to those problems that we need, and not criticism and hysteria, every time a Deputy
comes up with an idea, or merely asking for it to be debated, or a simply report to be written, and
presented. We had the opportunity this morning to explore one of those, and we did not take it
because although 17 of us supported the Deputies Roffey/Kuttelwascher amendment, 22 of us
voted against it. So, if the majority of us do not even want reports written and debated, where on
2925 earth do we go from here?

You cannot expect to keep on hammering the lower to middle income earners. That is not only
immoral, but once we have taken every penny they have, there is nowhere else for this
Government to go. So, we do need to start making some tough decisions, and this Assembly has
not been asked to make any tough decisions yet, but we are going to have to make some fairly
2930 soon, for the sake of the community or else there will be nothing left in the pot.

Some of my colleagues may think I am being pessimistic there, but I can assure them I am not.
I believe I am an optimistic realist, and I think the reality is we need to be allowed to govern, and
not allow ourselves to be dictated to by so called experts and nimbyism. That is irresponsible
Government, in my view, when you allow yourself to be dictated to, because if we do not take the
2935 bull by the horns, and at least debate every single possibility, then next year's Budget will also be
a stand still Budget. The Budget after that will be a stand still Budget, and the Budget after that
will be a stand still Budget, and then we will have a General Election, and this Assembly will have
made very little progress at all regards the annual Budget.

I think it was Margaret Thatcher, sir, said when she was Prime Minister, the medicine may be
2940 bitter, but it is for the good of the patient.

Now when he spoke Deputy Roffey urged us to vote against Proposition 2, and I certainly
intend doing that, and I resonate with everything that he said about why we should vote against
it. We all know that not every pensioner struggles in Guernsey financially, thankfully, they have
managed to provide for themselves, but many of our pensioners do struggle financially, and many
2945 of the pensioners of the future will struggle to survive financially, because their whole lives have
been a financial struggle. That struggle will not stop as soon as they reach pension age, because
the reality is the States cannot afford, and will never be able to afford, to pay out any more money
in pension benefits, and that will not change in the future. So let's be real about that. Let's just put
some figures on that, sir, if I may. There are currently 17,624 pensioners drawing pensions in the
2950 Island, the overall cost to the States in 2015 for pensions stood at £115.2 million, so that breaks
down to £2.22 a week. So, to give every pensioner another pound a week would mean an
additional £916,448 a year would need to be found by the States. To give every pensioner another
£5 a week, which I think the ones who are really struggling should get, but I did not lay an
amendment to it, because I could not identify where this money is going to come from. To give
2955 every pensioner another £5 a week would mean the States would have to find another £4,582,240
a year.

So, what I am saying, sir, is we need to give our future pensioners a break, and in the case of
Proposition 2 literally a tax break. It is ironic that the previous Assembly raised the pension age to
70 – a motion, I hasten to add, I voted against. This Assembly are being asked to agree to close
2960 the higher personal tax allowance to Islanders who turn 65 after 1st January 2019. So, surely, we

need to be realistic and do all we can to help our future pensioners, because Islanders who currently struggle to survive financially, will not find themselves suddenly on easy street when they reach pension age. Life for them will still be a financial struggle. Just to add to the figures, there are current 735 pensioners who claim supplementary benefit. Those are the most needy, but
2965 of course we have demographic challenges before us, it is going to increase that number dramatically over the coming years. That is a point I would like my colleagues to bear in mind, when they come to vote on Proposition 2.

In closing, sir, there was a pensioner on the recent *Sunday Phone In* who said about the Budget before us today that 'it just goes to show that this Government does not care about the people of
2970 Guernsey, especially pensioners.' Those were his exact words, and Deputy Ferbrache can verify that, because he took the call alongside me in the studio. I am sure we have all spoken to many Islanders out in the community who feel the same way. Their morale is low, they do not feel valued, and they are of the opinion that once they reach pension age they are considered by Government to be a burden on States' finances. Their view is that pensioners are an easy target, and a soft touch. Now I know sir, after four and a half years as a States' Deputy that that is not the
2975 case, but that is the perception of many of our fellow Islanders out in the community. So let's prove to that pensioner on the *Sunday Phone In*, and every other pensioner, and future pensioner, that they are valued, and that the States of Guernsey do care, and we have the perfect opportunity to do just that by voting against Proposition 2, and also against Proposition 9.

2980 Thank you, sir.

The Bailiff: Deputy Trott.

Deputy Trott: Thank you, sir.

2985 Sir, I will start if I may, with Deputy Ferbrache. He referred to me as a good States' Member, he is, sir, the master of understatement. (*Laughter*) Don't worry, I don't take myself seriously, I don't expect you to either. (*Laughter*) He said, we have not been proactive so far. Well, sir, this Budget is currently unamended, you cannot get better confirmation from this Assembly, that you have captured this Assembly's view, pretty much on the mark than that. That is not to say that all the
2990 proposals will be voted through. Time will tell. But it is now too late for any significant amendments, and therefore it will go through unamended from that context.

Now, in fairness, Deputy Ferbrache did consider an amendment. He realised the error of his ways, and he promptly ... well, he did not promptly withdraw it, but he realised the error of his ways, and then he withdrew it. What use is that? All this did, potentially, was cause damage. I think
2995 we have corrected that. I do not think any long term damage has been done, but I think there is a lesson to be learnt.

He also said, sir, and this was particularly interesting, 'how is P&R going to aid a stagnant economy?' That is the primary job of the Economic Development Committee that is what you are there to do. So, I look forward to the plethora of good proposals to come

3000 **Deputy Kuttelwascher:** Sir, point of order, sir.

Deputy Trott: On a point of order, sir.

3005 **Deputy Kuttelwascher:** I think what Deputy Trott just said is not strictly correct, because most of our mandate is doing nothing more than making recommendations, how things should happen. It is not directing that they should happen. If one keeps making recommendations which are rejected, well, what can you do?

3010 **Deputy Trott:** I do not know what recommendations the Deputy Minister of Economic Development Committee is referring to, but we look forward to considering some in due course.

Now, sir, my good friend Deputy Brehaut said, 'why are you always so happy? Why are you so optimistic?' Well, I could say it is because Tottenham Hotspur are unbeaten, the only unbeaten side in the Premiere League. I could say it is because I have a beautiful wife, and both of those things are true. But the main reason I am so happy, sir, is (**A Member:** Prozac.) the words of the President of P&R this morning, the current deficit is around £5 million or lower, and by the end of the year we will probably be without a deficit, and we have budgeted to reduce revenue expenditure at a rate of twice that which we have budgeted to raise taxes. That is fantastic news.

There is more good news to come, sir, when I deal with the Bond, shortly. But before I get there let me address some comments made by Deputy Green, another advocate, and able man. He said clearly the deficit is now structural. Well, clearly it is not, because it is about to go. Those were the words again of yesteryear. If he had said those words two or three years ago he would have been correct. He is not correct today –

Deputy Fallaize: Sir, point of correction.

Deputy Trott: I give way.

Deputy Fallaize: Deputy Trott's own policy letter says that there is a structural element in the deficit. It is not being made up by other Members. The policy letter which his Committee has submitted says it in black and white.

Deputy Trott: If the proposals that are contained within this States' Report are adhered to, the deficit will be eliminated. You cannot have a structural deficit that does not exist. It is simply nonsense.

Sir, Deputy Green also said that the last States violated the fiscal rules. He is correct, I remember when I was sat down there taking the then Treasury & Resources Committee to task on that. But when push came to shove, and we were asked whether we wanted to vote down the additional funding to the Health & Social Services Department, as it was then, which would have ensured that we remained within the fiscal rules, not a single Member of this Assembly did so, including Deputy Green and myself, because we knew that, at that time, we had no choice but to make that commitment to HSSD, and in doing so we understood the ramifications of our actions.

Now, sir, we were asked by someone, I forget who, my apologies, with regards Aurigny, I think it may well have been Deputy Green, as well. Aurigny, he wanted an assurance that the company is being run as well as it should be. Well, I am not in a position to give him that assurance, because I am not a director of Aurigny, but more importantly, of course, that is a matter for the States' Trading Supervisory Board, and that question would have been better addressed to a member of that Board.

Sir, Deputy Laurie Queripel made a number of comments regarding the Bond, many of them were inaccurate, and I hope that what I say now will be of help. When the former Treasury & Resources Committee, which I was not a member of, brought proposals to the States with regards the Bond, they made it clear that the amount borrowed was greater than that that was of immediate need, and that as of consequence, they would be actively managing, or more accurately their professional advisors would be actively managing the excess funds. They would be professionally, and appropriately, managed. Certainly, sir, that management has paid dividends, because I am pleased to report that the investment return on the un-lent portion of the Bond proceeds continues to comfortably exceed the return necessary to pay the coupon. At the end of quarter three, so that is up until 30th September this year, the investment return for the first nine months of 2016 has averaged over 8%, meaning an outperformance of over £8 million, in excess of that required to pay the coupon, which has more than reversed the £5 million shortfall experienced in 2015. Now, sir, I expressed caution, because investment performance could change, substantially, during the remainder of the year, and reduce these gains, but as things stand at the moment, that gain, albeit unrealised, is in excess of our current revenue

3065 spending deficit. That is the quantum of those gains, and it represents £125 for every man, woman, and child, resident in the Bailiwick. Another reason, sir, to be happy.

3070 Now, the total of agreed on-lending from the Bond is £132 million. Which is lower than was expected, but there are a number of further loans anticipated in the near future, and these include the refinancing of the Belle Greve Wastewater Outfalls Project, funding the infrastructure associated with delivery of the solid waste Strategy, and the continued financing of the development of affordable housing by the Guernsey Housing Association. In the slightly longer term, there are also anticipated to be a loan funding requirements for funding infrastructure investment by Guernsey Water, and Guernsey Electricity, and possibly aircraft replacements by Aurigny.

3075 Now, sir, all recipients of loans from the Bond will benefit from the certainty of a fixed interest rate for the entire period of their borrowing, allowing them to plan with confidence. Members of P&R are often asked, did the States of Guernsey issue a Bond at the right time, and would the interest rate be lower if it was issued now. Of course, that is an almost impossible question to answer, as the interest rate is determined by market forces at the time. At what coupon would investors be willing to buy the quantity of bond you wished to issue? This is influenced by a large number of factors, including the credit rating of the issuer; the value at which UK Government gilts are trading at the time; current interest rates in the wholesale money markets; overall market conditions; the demand by investors for bonds versus other types of investment. All of those things are ever changing, but what remains true, is that States of Guernsey secured an issue at a rate which represented the lowest ever coupon for a long term fixed rate sterling bond, from any issuer without a UK Government guarantee. That is how impressive the actions of the former Treasury & Resources Department are. Stop criticising some of these things, and recognise the brilliant decision that was made by them in recommending those proposals to the Assembly at the time.

3090 Now, sir, Deputy Queripel also raised a number of other questions, which probably need to be addressed, with regard to the disparity between the amount that is being lent today and what expectations were. This was not done on the back of a fag packet. The Treasury & Resources Department of the day commissioned a piece of work from Ernst & Young, who got plans from all entities for their capex requirements, and the details of their existing borrowing, and they advised that it would be cost effective to break the current borrowing deals, but of course, that was dependent on the boards of the companies making the final decisions, not for us to insist, the boards have to be comfortable. Now, the main reason for money still being in the bank is because there have been delays to capital projects, particularly those pertaining to electricity infrastructure investment, and waste infrastructure. Importantly, though, they would be lucky, in fact lucky is probably the wrong word, but they would not be able to get long term money at a better rate, assuming, of course, that they could get the banks to lend to them for that duration at all.

3100 It is about time a few more Members of this Assembly took a leaf out of, dare I say it, my book, and walked around with a smile on their face. We have got off to a stellar start in this Assembly, and that is evidenced by the fiscal performance of the States so far, pat yourselves on the back –

3105 **Deputy Ferbrache:** Sir, just before... can I have a point of correction, because I appreciate that Deputy Trott has already said he does not read every page of every syllable, but the fiscal policy in economic affairs, when I read the little booklet that we have all got, is the responsibly, not of the Committee for Economic Development, but of the Committee for Policy & Resources, of which Deputy Trott is the Vice-President. So does he accept that I have read the words accurately, and therefore fiscal policy and economic affairs are really down to him, and not down to Economic Development, and perhaps would he confirm that he will bear that in mind in future?

3115 **Deputy Trott:** That I am willing to do, sir, and I think he is right, that is what the words say. But we all realise that politics is a collegiate approach, and it is about working together. When Deputy Ferbrache criticised me for suggesting that if he had come to P&R with his amendment we might

have been able to work something out together, that is precisely the point I am making. We are all in this together, we work better as a team, let's ensure that we do.

Thank you, sir.

3120 **The Bailiff:** Deputy Smithies.

Deputy Smithies: Thank you, sir.

I am going to restrict my comments to Propositions 24 and 26. Proposition 24:

To set the States' Trading Supervisory Board a target minimum contribution to General Revenue of £5million of capital returns (in addition to any dividend paid in accordance with existing policy) from the States' trading assets in 2017.

3125 My view on this is that there is scope for sufficient savings, and economies, across the trading assets, to enable this contribution to be made without undue impact on operations, or any need to introduce any direct changes to charges. I hope this goes some way towards addressing Deputy Roffey's fears, although unfortunately, he is not here to hear me, in the short term. However, this does require a *caveat* and this can only be seen in the context of this year's Budget. Whilst, it is the Board's intention to continue to implement policies which will lead to future savings, these will become increasingly difficult to find as efficiencies begin to bite.

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Moving to Proposition 26 which is:

To direct Guernsey Water to transfer a maximum of £19.9million to the Capital Reserve to reimburse the total cost of Belle Greve Wastewater Outfalls Project.

3135 In January 2015 the States approved a maximum spend on the Belle Greve Outfalls Replacement Project of £19.9 million. So far the expenditure, and the grant received, is a lower amount of £18.6 million. I will only consider that £18.6 million replacement of the Sea Outfalls that has been expended.

Deputy Green and Deputy Queripel have suggested that the Guernsey public have already funded this, which is true. However, it is possible that a better way to fund the project has presented itself, and it is of that that we hope now to avail ourselves, allowing us to return a significant amount to the Capital Reserves.

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Guernsey Water has operated under a 'save to spend' policy for many years, and has been able to build up significant cash reserves, in order to fund those much needed improvements in wastewater infrastructure. The current business plan outlines further significant capital expenditure, including a large investment in wastewater handling over the next 10 years. This Proposition will change the way in which the financial strategy of Guernsey Water is formulated.

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This gives rise to several key issues, not least the potential impact on customer pricing. In order to achieve the repayment required under Proposition 26 it will be necessary to arrange things differently in future. Guernsey Water will need to enter into loan arrangements in order to continue to fund its capital programme. Section 7.19 of the Budget Report states P&R's agreement to make available a loan from the Bond issue of up to £19.9 million over up to 30 years at an interest rate of £3.625%.

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Proposition 26 does not specify the source of funding for repayment. Several assumptions have been made in considering different ways of complying with the Proposition. The main assumptions include, one, Guernsey Water can achieve sustainable operating costs savings of 5% in 2018 and in 2019 as well, either through reduced operating expenditure, or reduced capital expenditure, more of which later. That the annual numbers of customers moving from unmetered to metered supplies remains the same, and thirdly that Guernsey Water has access to all its borrowing needs when required. Provided that these, and some other, assumptions prove correct then Guernsey Water should be able to deliver Proposition 26 without detriment, either to customer pricing, or to its capital investment programme. The financial model has shown that all

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things being equal Guernsey Water should be able to return to a post depreciation surplus by 2019. Then maintain an annual surplus thereafter. If, however, the key assumptions prove over

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3165 optimistic then there remains a limited range of actions that could be taken, including further
borrowing, reduction in capital investment, and increased pricing. It is worth saying that moving
Guernsey Water from a 'save to spend' approach to one of using a moderate level of debt, could
3170 have positive results for the customers, as well as for the States of Guernsey. Customers' charges
would reflect the value to them of debt funded assets, utilised over the lifetime of those assets. If
we use debt to pay for a large asset, then the cash cost is more aligned with the utility of that
asset. If we do not borrow, then the capital cost comes out of current cash derived from prior
customers' receipts. If we do borrow, then the cash cost is spread over the lifetime of the asset,
3175 and therefore paid for by customer receipts from those customers who actually benefit from
having the asset in place. (**A Member:** Hear, hear.) The States would benefit from seeing a return
on its investment, because we would not need to build up a capital sum to enable the 'save to
spend' policy, but would be repaying a loan, plus interest, after the capital expenditure has begun.
There are two main options for borrowing, both of which enable Guernsey Water to meet the
proposed refund requirement, deliver the capital investment in its business plan, and constrain
price increases to RPI.

Firstly to borrow the whole amount at the outset, or secondly to draw down on the loan as and
when required. The latter is seen to be the preferable model, but only if the additional borrowing
is sure to be available when required.

3180 I mentioned earlier the key assumption that Guernsey Water is able to deliver 5% efficiency
savings across revenue and capital in 2018, and 2019. This target is in line with that set for cash
limits across the States, and goes beyond the savings assumed within the modelling of Guernsey
Water's future business plan delivery. If these efficiencies cannot be delivered, there may be a
need to adjust supplementary borrowing, or further reduce capital spends. However, the efficiency
3185 challenges are realistic, and in line with those expected elsewhere. The fact that there is forecast to
be a post depreciation deficit in the short term, up to 2019, may prevent Guernsey Water from
contributing to returns required by the States from the STSB, the £5 million proposed for 2017.
This will place an additional burden on the other trading assets. It does not mean that STSB will
not make that contribution.

3190 If the option to borrow as the need arises, rather than taking the whole loan up front, is
adopted, then it may be necessary to consider facilitating commercial borrowing if a more
competitive interest rate can be found. This relates to the point raised by Deputy Queripel. This
would reduce the upward pressure on bills, and the downward pressure on capital investment, as
well as increasing the potential to pay a return to General Revenue.

3195 Thank you, sir.

The Bailiff: Alderney Representative McKinley.

Alderney Representative McKinley: Thank you, sir.

3200 I have to say that I agree totally with Deputy Fallaize, and others, regarding the fiscal rules, and
I approve the list, sir, and in support of any way of eliminating the deficit, but I do find it
interesting that we are to be discussing this at the P&R debate in two weeks' time and it seems to
me rather strange that this debate on the Budget precedes the P&R debate. It would have made
much more sense, for me, to have had the P&R debate and to decide our priorities then, on what
3205 should come first and what should come last, and then debate the Budget debate to cover those
costs.

Regarding age related allowances, although I would guess that there is little chance of
changing this proposals, such are the demographics in Alderney, that the greater section of the
population will be affected, but, perhaps we will be able to review this ourselves when we take
3210 greater control of our own finances in 2018.

I fully understand the comments made by Deputy Stephens, and Deputy Ferbrache, on the
charities. Having spent 18 years working for the United Nations in some pretty unpleasant places
in Africa, Congo, Sudan, Somalia and in the Middle East and Pakistan, I have been in refugee

3215 camps, and seen the total miseries in those camps. I understand that gift aid is a very topical issue in Guernsey, at the present time, and it is a technical, and complex, area, but in my view, I am afraid, voluntary aid should not be a role for the Government, especially at a time when the Government is finding it hard to make ends meet.

3220 With regard to fuel duty and TRP my colleague Mr Jean and I tried to put in amendments last year and we failed, so I am not going to break the record again, or break into record mode again, you will be glad to hear. This is something else that we shall have to review in 2018, but a couple of statistics. Our fuel actually costs £1.60 a litre, although, as many will say, we do not have far to drive in Alderney, so we do not use our vehicles very much, that is probably quite true, I fill my car about once a month.

3225 With regard to TRP, the footfall in Alderney is such, in the commercial properties, that a raise in TRP is having a very significant affect, people are not making enough money to pay their TRP, and a number of the commercial enterprises are closing.

3230 With regard to the health care review, I thank Deputy Soulsby, and her Committee, for initiating the report by Professor Wilson. We have experienced some well publicised problems with health care in Alderney, over the past year or so, and we continue to have difficulties. I would also like to thank publicly, Dr Peter Raby for the work that he has done, and continues to do, to help us. We very much look forward to seeing the full report at the end of the year.

3235 Regarding priority budgets, budgeting proposals, I welcome these proposals with which we in Alderney are in full support, and regarding Trading Boards the continued search for efficiency must surely be a good thing. I would hope that Aurigny would have an opportunity to make an appropriate contribution.

It is good to read that Guernsey is considering setting up an Economic Development Fund, as a matter of interest, we established such a fund in Alderney in 2014, and the effects and benefits are beginning to look quite positive.

3240 You would not expect me to avoid Aurigny in this debate, and I will not, hopefully, spend too long on it, but several Deputies have aired their concerns. At the time that Aurigny changed hands, a few years ago, the privately owned airbase was not making a loss but it was not making a massive profit. It was then transferred to Guernsey States. At that time it only had one type of aircraft, now it has four, and there are various different models of each aircraft as well, so it is not just four types, but different models as well.

3245 Now, I understand the problems that they are having, but, we in Alderney have major concerns about the transition programme from Trislanders to Dorniers. In May 2014 this Chamber committed £18 million to purchase Dorniers for the Alderney routes, they also proposed to use those Dorniers on the London City route, in spite of prohibitive landing fees of £2,500, which made it commercially untenable for the Dorniers. Since 2014 Aurigny has spent £11 million on two 3250 30 year old, and one new, Dornier. Two old Dorniers are now out of service, or on and off service, but not at all reliable. The new one has weight restrictions limiting passenger loads to 16 passengers only. The one that is coming in May, I believe, has a passenger load of 19. That second Dornier which we hope will come in May next year, is costing an estimated £7 million, I believe, and I am told that it has no auto-pilot, so we are not actually sure whether it will be accepted by 3255 the Civil Aviation Authority to fly on those routes. So, by the end of November, providing that second Dornier is accepted, we will have spent, the States will have spent £18 million.

3260 Neither of the new Dorniers is suitably equipped for stretcher medevac. Aurigny claims that only two Dorniers are needed for the Alderney route. This is just not credible. When we had ... well, we still do have Trislanders operating, we needed at least three to do and guarantee the Alderney route. Those three Trislanders were actually not making a loss, the estimate is that the Dorniers will make a loss on that route, will make a loss of about £1.4 million to £1.5 million a year. That is no fault of Alderney. The Dornier programme has cost approximately £32 million, so we have four aircraft, with estimated annual losses of £1.4 million, when the Dornier fleet is operational. The Trislander fleet used to break even, even a small profit, actually, with a return 3265 ticket price of £75 to Guernsey from Alderney, and £175 for Southampton. The five Trislanders

were designed for Alderney's needs as versatile, and they cost about £2 million each. We fear a major problem during the coming high season of 2017, and probably 2018. We do not know how to suggest addressing that problem with just two Dorniers. We would suggest perhaps that the three Trislanders, which are due to go out of service at the end of December, the end of May and I believe the end of February, end of May next year, perhaps they could be inspected at a cost of £300,000 each, admittedly, but that would extend their life for another three years – another two years, sorry. That would at least guarantee that we would have a reliable service during the high season. Whatever the solution, we are seeking a reliable service, one which can deliver passengers and baggage on the same flight, and at an affordable cost. The £280 return to Southampton, at the moment, is just too high and £126 return between Guernsey and Alderney is also high. We also would like those to be flights at no loss to the States of Guernsey.

As a matter of interest, my first flight to Alderney was just over 50 years ago, in a Rapide, and it cost £5 return to Southampton. Yes, it was £5. I am not sure that would match inflation since then, 52 years ago.

Before I leave Aurigny, I should just highlight one other issue. Last year we incurred an additional cost of £800,000 for the running of our Airport. These costs were in no way the fault of Alderney. They were costs incurred by late arrivals and departures, some of which were due to weather, and others to technical problems.

Finally, on Aurigny, Deputy St Pier is there any chance of finding out just exactly how the Alderney routes incurred a loss of £1.4 million? Our air links are essential. We are very worried that we may have some serious problems next year, I have mentioned that. We are currently looking at alternative means of travel to and from Alderney, which includes alternate air links and we are looking at an inter-island ferry link, and a sea link to UK. So, enough on Aurigny, and we will say thank goodness.

On Alderney general matters, I apologise if I appear to be whinging and ungrateful to Guernsey, and to this Assembly, for all that you do for us in Alderney. Believe me when I say that we are truly and sincerely grateful and over the last year His Excellency the Lieutenant Governor and his wife, and the Bailiff, have visited us on several occasions, as have Deputy Mary Lowe and her Committee, Deputy Soulsby and her Committee, Deputy Paul Le Pelley and his Committee, the Infrastructure & Environment Committee, less their boss, I am afraid, who was not too well at the time, but we have had those four Committees visit us. We have also had ... sorry, Deputy Le Clerc is due to visit us, I think, in about 10 days' time, and Deputy Tindall visited us, at her own expense, with two of her colleagues, to try to encourage more ladies to stand in our coming elections. Of course, Deputy Gollop, Deputy Parkinson, and others have visited us, and I hope that I have not missed anyone out.

We look forward to visits by other Committees, and of course, the invitation still stands for newly elected Deputies to visit us at any time, preferably in a group, as was the case last year. Such a visit would give new Deputies a better understanding of our concerns, and our weaknesses. But it would also highlight our strengths, and the difference between our two Islands.

Deputy Brouard has answered one of the questions partly, but I would say to Deputy St Pier we would be grateful for your clarification on the reference in paragraph 9.51 to the Alderney Gambling Control Commission surplus. I believe Alderney established the e-gambling service some years ago. It moved to Guernsey because we did not have the broadband connection, basically, and I think at the moment we make about £2 million a year out of it, and Guernsey make about £50 million, roughly speaking. Perhaps Deputy St Pier you could clarify our situation, not just for Mr Jean and myself, but also for the Deputies here present.

I thank you, sir.

Deputy Trott: Sir, on a point of correction.

I did not want to interrupt my good friend from Alderney. But as part of the review into Alderney, the question has been asked, 'have the Alderney routes ever made money?', to which the answer is no. So they have been loss making throughout the entirety of the routes, sir.

Thank you.

3320 **Alderney Representative McKinley:** I am not sure that was necessarily the case before the Guernsey States took them over, but I was not in the States at that time.

The Bailiff: Deputy Brehaut.

3325 **Deputy Brehaut:** Thank you very much, sir.

An interesting debate. To keep it short I concur with the sentiments expressed by Deputy Yerby, Deputy Roffey, Deputy Green and Deputy Fallaize.

3330 An interesting debate, we have had Red Yan, we have had Peter Pan ... sorry, Peter Pan, I beg your pardon. We have had Blue Peter, although Peter Pan excites me here, I have to say, or should it be Peter the Great? A Peter the Great fan from 1950's, when you could live on 10 bob a week and the only open skies policy was in relation to toilets. *(Laughter)*

3335 What I found interesting in the exchange between ... and quite rightly, because we all feel it, there is a degree of inertia, we all want to get things done, we are all impatient, we all want to deliver for the community. But the disconnect between Policy & Resources and Economic Development, because the mandate for the Committee for Economic Development says the following:

'The purpose: to secure prosperity through the generation of wealth and the creation of the greatest number and widest range of employment opportunities possible, by promoting and developing business, commerce and industry, in all sectors of the economy.'

So, there is collective ownership. It would be easy to lean on one Department in particular, but as Deputy Trott himself said, there is a more collegiate approach for something as significant that may be more useful in the future. **(Several Members:** Hear, hear.)

3340 With regard to my Committee and the relatively small spend of our Committee at £12 million. The 3% reduction is, I would say, as a one-off, is doable, because actually you get the sense that 3% is set for that reason, because, obviously, it is a realistic target for a Committee to meet and aspire to. I am more concerned about the 5; 5, bit. I take on board what the President of Policy & Resources said with regard to salami slicing, but what I do not want to happen, from where I sit, is a downward pressure towards, ironically, the smallest spending Committees, because as I understand it the Education Department have yet to deliver on FTP initiatives, as well as deliver 3%, as well as looking to deliver, potentially, 5%. Now, you do wonder how doable that is, and again, is it that blunt downward pressure that then falls on the Committees that spend, but spend a little less.

3350 For example, if we just look at some of what we do, and this is just as it is on the spread sheet I have in front of me, randomly, Coast and Town Park and Gardens, SLA, Sausmarez Park maintenance programme, traffic signals and maintenance contract, recycling and collection contract, grounds and maintenance contract, scheduled bus service contract, road cleaning. We could look, and we will look, because that is part of the list, to find money in there somewhere, and we will do that. But of course, a lot of that spend is with another States' Department. Some of what we contract out is to STSB, so we are looking to save money, and STSB will be looking in the future to be delivering a dividend. So there is a certain tension, I am sure, that is going to play out in that direction.

3360 So, 3% this time is realistic, but anything beyond 3% needs a thorough States' debate, in my view, an extremely thorough States' debate.

3365 Deputy Oliver, respectfully, I think there is an often misused phrase, a corrupted phrase, that I think had its origins in something like 'charity and love begin at home', meaning amongst the family, then to the greater community. Unfortunately, over the years, it has been corrupted to mean charity begins at home, it ends at international borders, and that is your lot, you are not getting a penny more. So, I too want to distance myself from any comments that have Guernsey

being rather inward looking, rather than not looking to assist. The Deputy is looking like she might want me to give way, and I am willing to do so.

3370 **Deputy Oliver:** I am not saying that we should not give foreign aid at all. I am just saying while finances are as they are, we should be looking to try to just make sure that we have got everything in Guernsey sorted out. I welcome giving more foreign aid, but at moment while finances are tough, that is what I was saying.

3375 **Deputy Brehaut:** Thank you, Deputy Oliver.
My finances are so good that I can afford to drive a vehicle, pick my children up from school, feed them, clothe them, and while I am doing that, I am aware that somewhere in the world, there is a child living on a rubbish dump, collecting plastic and actually sleeping there, and picking food off waste tips. So there is a certain relativity to this argument, isn't there?

3380 But particularly, with regard to the bus service, because during debates, and particularly, budget debates, there are always security blankets that politicians need. It used to be, actually, some years ago the security blanket that everybody went to during the Budget debate was the 'how much do the rent arrears within States' Housing stand at the moment? because the figure was actually quite large, and people wanted ... it was States' Members way of getting a Committee to divulge that figure.

3385 More recently, I think the bus contract has become that security blanket. How much does the bus contract cost, what are the passenger numbers, etc? But with regard to the £1.62 million spent on new buses, it is a necessity. The bus fleet is very old, you can only replace so many gear boxes, you can only replace so many engines, but you cannot replace chassis and the environment that the buses are being used in, and we do have to invest in new buses. £1.6 million buys you 12
3390 buses. I could be flippant and say I do not know how many old land rovers that buys you, I do not know how many fire engines it buys you, but I am sure at some point the Home Department will have to be looking to replace those too.

3395 Maybe it was my mistake, I expected to find it in the Budget, but I was looking for the report on the carbon based tax, and environmental taxes – I think it is available online, it is not in the Budget. But I think when that amendment was placed to get, I believe the then T&R to examine carbon based taxes and environmental taxes, we expected to see something, perhaps, more solid than again just alluding to it.

3400 Again, when we had the original presentation from the President of Policy & Resources, I was concerned about the reticence with regard to marine duty, and I hope that we can address that at some point, and share transfer was something else that I alluded to at that meeting.

3405 I have immense sympathy for my colleagues at Health & Social Care, and wish them well. I think the challenge we face, in more ways than one, is delivering on transformation, as well as talking about it, because transformation does always feel just a little bit like jam tomorrow. I know it is a real difficult issue that they are grappling with, but transformation, and bearing in mind the process with regard to HSSD, then Health & Social Care, has really been a process that has been moving forward for some considerable time, so I wish them well, but I very much hope in the future we can get some tangible signs of real transformation.

Thank you, sir.

3410 **The Bailiff:** Deputy Dorey.

Deputy Dorey: Thank you, Mr Bailiff.

Deputy Trott referred to about a structural deficit, well when you see this situation for 2016 and you read page 7, I think we do have a deficit in 2016. It says:

the 2016 transfer to the Capital Reserve (excluding capital income) from General Revenue was reduced to £18.3million (instead of £36.8million which would have been transferred in line with the agreed policy). Therefore, the deterioration

in the 2016 position means that it is recommended that the 2016 transfer to the Capital Reserve is reduced by a further £5.4million to £12.9 million ...

3415 That makes it £24 million short of the agreed policy. That is a deficit. In previous years we have used General Revenue Account Reserve, but we have used all that up, so we are now raiding the Capital Reserve. That to me is a deficit. (**Several Members:** Hear, hear.) We have got a fiscal policy for a reason, to follow it, and we are not.

3420 Members have spoken about broadening the tax base, I think Deputy Yerby said strengthening the tax base. Well, there are some things which are encouraging, and I think on page 30, it refers to the ... which in some ways was why I was slightly surprised with Deputy Ferbrache's amendment because it talks about:

'This investigation will include, but not be limited to, consideration of the appropriate level and scope of General Revenue income generated from telecommunications and nonregulated professional services businesses and partnerships, such as accountants and advocates.'

3425 So, although we have not voted, or debated, his amendment, there is in the Budget a clear policy of P&R to look at those areas. So, I am encouraged that there is an indication that we are going to look at broadening, or strengthening, our tax base, in terms of that.

3430 But I am disappointed in other areas, on page 19 it refers to environmental taxes, that came out of the debate on tax and benefits. That was what T&R and now P&R were ... the Resolution of that debate was to investigate it. They say there are significant challenges and they are regressive. But you can take measures to counter the regressive effect. That is what they did when they proposed GST, but the environment taxes will not only raise money, but they will influence behaviour that is of beneficial to the environment, and the whole community. I am very disappointed that they are not taking that forward. The whole point is that we have a balance in terms of social, financial and environmental policies. This is key to trying to influence behaviour. That is what we should be using taxes for, is to try and influence behaviour to the benefit of our community. So, I am disappointed they are not taking that forward.

3435 I go on to talk about the sugar tax, again Deputy Soulsby referred to that. I thought part of the transformation is to encourage people to take some responsibility and behavioural change. We can encourage Islanders to live a healthier lifestyle, which is not so expensive to our health system, by using things like sugar tax, try to influence behaviour, try to influence choices of products, when they purchase things. So, I am disappointed that that has not been taken forward. I am disappointed there has been no progress, and you are just monitoring the soft drinks levy, which is being introduced in the UK in April 2018. We should be leading. We know we have got considerable problems, considerable costs, we have got an opportunity to raise money, and also influence behaviour, which will help to save money in the long term. That is what we should be using taxes form, that is why we should be broadening our tax base.

3440 Deputy Soulsby referred to alcohol, and I completely agree with her, there is that report which was done, I think we were some of the very few Deputies who attended the presentation, which said that alcohol is costing our community over £20 million a year. We are only raising £12 million. I think there is a basis for a step change in the duties. We have put petrol up to UK levels of duty, and the community has accepted it. Okay, people have complained, but they have accepted it. I think if we can make the case to our community, that actually alcohol is costing considerably more than the money we raise, I think there is a basis to make a step change in both alcohol, and tobacco duties, to bring them up to UK levels. We can increase our tax base, which would increase our income, and also on the most important thing try to change behaviour.

3455 I also, I think Deputy Brehaut just referred to it, was Share Transfer Duty, it is something that I have brought up at a previous debate last year, and I will again, and I apologise, I will not speak at such length as I did then, but I will refer to what, firstly, is in the Budget this year, 2017, it says, it

'...is intending to submit a Policy Letter for consideration shortly.'

I go back to 2014 Budget, which was debated late in 2013. It says:

It is anticipated that a States' Report containing the detailed policy together with draft Law will be submitted during early 2014 ...

I go to the 2015 Budget, it says:

It is anticipated that a States' Report containing the detailed policy together with draft Law will be submitted early 2015 ...

3460 I go to the 2016 Budget:

It is intended to submit a policy letter for consideration early 2016 ...

Now is that a commitment to broaden our tax base, particularly, when this is...

Share Transfer Duty is a regime in Guernsey which would tax sales of interests in entities that own either commercial or domestic real property in Guernsey at the same rate as applied on Document Duty Law.

3465 It basically means, that if a commercial property is changing hands or high value domestic properties it is possible to do it by a change in shares, such ownership of that entity, of that piece of property, does not change, it is just the shareholders that change, which means they avoid Document Duty. I listed a lot of transactions which happened which we could have collected duty on, which we did not. When I mentioned it in last year's Budget Deputy St Pier said, and I have got *Hansard* here,

I am hoping it will come back before the States with a policy letter in January.

3470 That is what he said last October. Here we are one year later, and it will be coming shortly. Words which we have heard repeatedly. It is not acceptable for this to continue. It is blatant avoiding of a tax, which will broaden our tax base, but it is fairness. It is commercial and high value individuals, the precise people that we have talked about, we should be taxing, who are avoiding it. It just continues year after year. I could go back to 2014, when they said it was the highest priority in terms of legislation, resources allocated to it. It has got to stop, if we cannot be fair, we should seriously look at ending Document Duty, I do not think it is fair that we have such
3475 blatant loopholes which are there, which we know about, and which we seem incapable of closing.
(Several Members: Hear, hear.)

3480 Hidden taxes – I agree with what Deputy Roffey said, I will not go into repeating all the details, but the Belle Greve Waste has been mentioned. I could go back to the original report, that introduced waste water charges, which I think were then called in *The Press* Trott's Toilet Tax, if I recall. *(Laughter)* That was specifically not to include capital, and that was what was in the report, when it came to the States. The States agreed to fund it from Capital Reserve, I do not think it is right. I have listened to what Deputy Smithies has said, in terms of the effect, the possible effect on charges. I think before we vote for that, we need a proper report to understand the effects. To me it is a bit like saying we are going to raise, say, £1.4 million on petrol, but we do not give any
3485 details of the number of litres that are sold, or the actual increase in the duty – we just have a number, and we do not know the actual effects of it. We should know the effect of it. We should understand it. If Guernsey Water can take on that debt, and make the payment of the debt, without affecting the charges by making it more efficient, they should be making those efficiencies and reducing their charges. We know our electricity and water are more expensive
3490 than many other places. So we should be reducing our charges, so that the consumer benefits. We know that the cost of living in Guernsey is high compared to other places. If we have got an opportunity to put these efficiencies in, we should do it. But I do not think we should make a decision to suddenly move that debt, which the States had agreed, which would be funded from Capital Reserve, to the utility, without understanding the effects. So, I will vote against that

3495 Proposition, that money could be delayed for a year. We could have a proper report and understand the effects.

I go on to say that on page 65 it talks about Guernsey Water's business plan, where there is £55 million of infrastructure investment over 10 years, and it is saying all that £55 million can be borrowed. It is also talking about getting an in year payment from Guernsey Water of £1 million on page 5. It is also talking about Guernsey Electricity share buyback of £4 million but then using the Bond to finance £80 million. I think we need to understand the effect on the utilities of our changes in policy in relation to borrowing.

This Assembly has been reluctant to borrow in the past, we have taken out this Bond, but I think it is not the right policy just to raid these utilities, and some would say, it almost seems like we are raiding utilities, sucking all the existing capital they have got out of them, forcing them to then borrow, and use some of the Bond money. I wonder what is driving it, is it the use of the Bond money, or is it to get the capital out of those utilities and dividends. I think we should properly understand the effects of those, before we embark on it. I understand it is a bit like the Bond Propositions in the Budget, there is no details, and we need to have proper details and make an informed decision. We are not making an informed decision from what is in the Billet.

Some other matters – I agree with the points being made about Aurigny. I think they have a structural deficit. As we have, they have been making a loss since, we have taken them over in 2004, the figures that were in the Billet. There are only two years they have made a small profit and the rest of the years since 2004 they have made losses. There is no point us having strict financial procedures on the rest of the States, so that we are controlling the spending of money, where we just have it leaking out in another place, and we keep on having to use our capital to refinance and recapitalise them. We know that 55% of people who are flying are locals, and 42% of people who are flying are locals travelling for leisure. I just cannot see why we, as a taxpayer, are subsidising peoples holidays, while we embark on a policy which will probably increase their water and electricity bills. To me that is not a progressive set of policies.

Another matter – on page 53 it talks about the moving of people from different offices. It talks about Education at Grange Road House and income tax at Cornet Street. In a previous Assembly we had an asset management plan, which went through the details of what we were going to do with our assets. Now I notice that Deputy Parkinson, when we were debating the IDP spoke about, that they were working on an asset management plan. My concern is that one of the plans is to use part of King Edward Hospital for the movement. Now, I understood that that was going to be used, to be redeveloped into hub for community services. I am just concerned that we are moving people from one building to another, without having a proper long-term plan, which we then might have to move them out again. It is not like moving them into an office, moving into a hospital presumably will need considerable work to make it fit for them. I am just concerned, I understand the interest in getting out of those buildings, but there are many other buildings which we are using, particularly, some of the ones which Health use which are in not good condition, and I just think we should have a proper plan, and make some informed long-term decisions, rather than just doing short-term moves, which might not be consistent with that long-term plan.

Moving on again, the Economic Development Fund, I understand the need to change the name, now we have an Economic Development Committee. But I refer to the 2015 Budget where we spoke about developing a clear criteria for use of this Fund in relation to this Fund, how applications will be prioritised and assessed, and how benefit delivery will be monitored and reported. We have got no details of the reporting of the benefit, and I think that we need to have. We have spent quite a bit of money on economic development, and we need to know whether they are yielding what was put in their business cases. So, I would urge that at some point, and probably the Budget debate is not the right place, but we have a report back to tell us what has happened to our investments.

I will also oppose the move of the £4.7 million to ... sorry, not paying the £4.7 million grant to the Health Fund. I think our Social Security contributions and our grants to the Fund are important

parts which give people confidence in the financial structures of those Funds. The fact that the money is hypothecated for specific purposes, and there is a policy that there is a grant, and basically the grant is there to cover people on low incomes, who are not making the full payments into this fund. Now, I know that this situation is less clear since Zero-10, but if we are going to change the grant, we should be changing the contribution rate to balance. I think they go together. I think just raiding the grant without affecting the contribution rate is not fair. If we want people to have confidence in those Funds, I think the States is embarking on a dangerous policy, which means that people will view those Funds in a different way. The argument is that if the Fund does not need that money they should be equally reduced, or you could use some of that money to transfer to Guernsey Insurance Fund where we know there is need for money to fund our pensions.

On page 12 it quotes a part of the previous Budget, which talks about integrating the social security and the Budget. Again I do not agree with that. I think, there is a fundamental difference in that the contributions are buying a specific benefit like old age pension, long-term care, access to MSG, and subsidised pharmaceuticals. People want to buy those benefits – they would make those contributions – to have the value of the benefit when they retire, or when they need MSG etc. If that principle is lost, and they are seen to be integrated, like you have in the UK where it all seems to go into one pot, and you will not have that ownership of that money which there currently is, and people want to make those contributions in order to have the benefit when they retire. It will be far more difficult in the future to justify increasing contributions. I think it is important that they are kept separate, and it is done by two separate Committees. That is what we have had for many years, and it is there for a good reason.

I think there has been enough said about the 5% cut, and I think, as Deputy Brehaut said, there needs to be debate, or workshops, or presentations, so that we have a full understanding of the implications of those 5% cuts, and what services they are going to effect. Because no doubt they are going to affect services ahead of any Budget being published. There is too little time for Members to fully understand, digest, and come up with amendments, if they do not agree with it, from the time a Budget is published to the debate. Obviously, like during this period, we have had other debates in the meantime. So, I would encourage, and I notice you have said you are going to work on it from the beginning of the year, to be open and to explain to States' Members what the effects will be. So, I think that is your best chance of us being able to support them or not, but we need to understand them, and we need to understand them sufficiently early.

So, I will just, finally, sum up saying that I will vote against Proposition 2, for reasons that have been made by others. I will vote against Proposition 14, which is stopping the transfer to the Guernsey Health Service Fund of the grant. I will vote against 21, 24 and 26, on the basis that we need to know the effects of those changes to the utilities, and understand how they will affect consumers and the prices that consumers pay.

Thank you.

The Bailiff: Deputy de Sausmarez, and then Deputy Graham.

Deputy de Sausmarez: Thank you, sir.

I am not going to respond to the very many points that have been raised in today's debate, although I have found the debate very helpful. I will just quickly endorse the comments made by many, not least Deputy Roffey, and Deputy Lester Queripel, about the effect that Proposition 2 could have on the older members of our community. I too will be voting against that amongst others.

I would just like to pick up on a point, if I may, which was raised by Deputies Brehaut and Dorey. Paragraph 4.30 on page 19 of the Budget Report tells us that and I quote:

a detailed review has been undertaken ...

and it goes on to say:

that the introduction of further environmental taxes in Guernsey presents significant challenges, including substantial evidence that they can be regressive and fall disproportionately on low-income households.'

Members might therefore be forgiven for thinking that a detailed review has, indeed, been undertaken, when in fact this is clearly, and explicitly, not the case. The review in question is the Environmental Taxes Feasibility Investigation, which the Budget Report tells us is on the website. It is, if you are prepared to dig around for it. It was not in fact uploaded on time, but I found it eventually and read it, and was somewhat surprised to read in its opening line, in its own words:

This research report is intended to be a first step in progressing this Resolution ...

The Resolution refers to consultation, as appropriate, with four Departments, as were, but that consultation has not happened – certainly, with Environment & Infrastructure. P&R staff in fact describe the document as a desk top study. So categorically not the detailed review that the Budget Report tells us it is.

So to the report, or the investigation, or study, or whatever it is, itself. My first impression was that this has been hastily thrown together by someone who has not had quite enough time or resources to do it justice. It is littered with small errors, which does not inspire much confidence from the off. My confidence weakened further when I actually read the report in full. From an academic point of view I have serious concerns with the methodology it uses, and the quality of its analysis. I do not profess to be an expert in environmental taxes myself, but from my own limited research the list of references struck me as a little scatter gun.

For me, one of the fundamental problems with this report is that it misses the whole point of environmental taxes in the first place – namely, why we might want to introduce them. So, why should we? Because it is somehow morally right? Because it makes us feel a little better when we think about polar bears and orang-u-tans; or more pragmatically from a political point of view, because it keeps the tree huggers quiet? No. We should consider further environmental taxes because it makes economic sense to do so.

As a general rule, things that damage the environment also damage the economy. This is a little counterintuitive to some. Received wisdom likes to present environmental benefit and economic benefit as mutually exclusive i.e. a binary choice, or an either/or. This is quite simply not the case. I know Deputy Ferbrache agrees with me, in general, that the economy and the environment can pull together in the same direction, for the benefit of both. They are, on the whole, mutually inclusive. This makes sense when you think about it in terms of, say, energy efficiency measures. But I admit it is a little harder to process on some other environmental issues. A week or two ago there was a letter in *The Press* that explained to me, in what I fondly imagined was a sympathetic tone of voice, that I had clearly overlooked the fact that fuel duty generates around £20 million for the public coffers, when I stated in the last sitting of this Assembly that Guernsey subsidises car use. Well of course, I had not overlooked that economic benefit, and I will send a response to *The Press* that will explain my thinking.

But it all comes down to looking at the bigger picture, and understanding the difference between internal and external costs, which is fundamental to the concept of environmental taxes as a whole. Internal costs are market costs, in other words the costs paid for directly by the user; external costs are those that are caused by a particular use, but not paid for directly by the user of that use.

To use one example, the external costs of air pollution include the cost of the health care for people who are made ill by pollution. To put this in perspective, 40,000 people in the UK died last year prematurely thanks to air pollution, and it is thought to have cost the UK economy £53 billion, and that is in a country that does not have a particularly bad air pollution problem, by international standards. So it does help to flesh out the context.

The important thing to remember is that these costs are paid, one way or another, by society as a whole. The fundamental premise of environmental taxes is to provide a mechanism to internalise some of those external costs that environmentally damaging activities generate. It is

3645 both right and wrong to describe environmental taxes as working on a law of diminishing returns. While structured environmental taxes will reduce the environmentally damaging activity, and that will reduce the direct revenue that the tax generates, they will also reduce the broader and usually far higher external costs, caused by that environmental damage in the first place.

3650 Deputy Yerby, among others, has raised concerns about the regressive nature of some taxes and, indeed, this is one of the conclusions that this Feasibility Investigation reaches. It is also one of the conclusions, with which I resolutely disagree, echoed by Deputy Dorey. There are plenty of excellent examples of environmental taxes that are not only highly effective, but are actively progressive, not regressive, having a disproportionately positive effect on those with lowest incomes. This reflects one of my frustrations about this report. It does not choose case studies that are necessarily good examples of best practice, or even necessarily those that are most relevant.

3655 I could go into plenty more detail, but now is not the time. It does not have any direct bearing on the Propositions we will be voting on. I am simply concerned that if left unchallenged, the Environmental Taxes Feasibility Investigation might be assumed to have been endorsed by this Assembly, as it has been written in the Budget Report, and subsequently abandoned. I will therefore simply ask Deputy St Pier to agree with me that the wording in the Budget Report is misleading and ask him to confirm that this is not a detailed review, it has not yet been carried out in full, in accordance with the Resolution, and that therefore its conclusions should not bind or shape too narrowly the next steps of this important investigation. I hope he will also give us his clear and firm commitment that this Resolution is still live, will continue to move forward, and that we are not, in approving this Budget, closing the door on it.

3665 Thank you.

The Bailiff: Deputy Graham are you wanting to ... ?

3670 **Deputy Graham:** I will be brief, sir.

I much enjoyed the upbeat speech from Deputy Trott, it reminded me of one of those wonderful tales of Brer Rabbit. Do you remember Brer Rabbit? He used to bounce from field to field, full of optimism, full of the joys of the morning, but we all knew, didn't we, that around the corner somewhere was Brer Fox! (*Laughter and interjection*) Now, I am not going to play Brer Fox but I think there is a Brer Fox in waiting, and I think it is called 2018 and 2019. It is stating the obvious, isn't it? We cannot assess this Budget other than in the context of these three years.

3675 I think there is a reasonable prospect that this year's Budget will achieve its aims. But if there is a worry, it is that from start to finish, from the beginning of this year through to the end of 2019, we are looking at something like a compounded reduction of 18%, I think is the figure generally accepted as the compounded effect of 3, 5 and 5. Now, of course the problem there, is not just one of magnitude, in my view, I think it is also the timescale. Of course, we are setting quite a lot of store by the fact that we are going to learn how to do a whole lot of things differently, how to provide a lot of services differently. Indeed, I know, in Home Affairs, we have identified some of those already, but one has to be honest, and say that the return, the dividend from those, is likely to be more medium and long term than it is very short term. If I have got a personal worry, it is quite how we match up right across the States, allowing for the fact that it might vary from one Committee to another, how we are going to match up to this compounded figure of 18% by the end of 2019.

3680 But coming back to the Budget, that we in front of us now, I am reluctant to try to use descriptive words to sum it up in just a couple of words. But for me it is a Budget that is difficult in places, and certain of its Propositions are more difficult to approve of than others, that almost goes without saying, some are particularly hard to bite on, in my view. I have Propositions 2 and 22 in mind. I am going to swallow them. I wish I really did not have to. The reason I am not going to vote against them, is because I think really it is probably a sensible thing to approach these possible amendments, or deletions, with a view that you have a duty to come up with a

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compensatory measure somewhere along the line that will cancel it out straight away. Otherwise, and this is the second reservation, I think budgets are inherently rather like pullovers: if you take a stitch out somewhere, they tend to unravel elsewhere.

3700 For that reason I did not place two amendments, which I came quite close to placing. One concerned gift aid and payroll giving, the absence of which is a disappointment. The reason I did not place an amendment, really, was I did take the time to consult with Deputy Jane Stephens beforehand, and I understood that it was not simply a matter of there not being enough money to pay for it, that may well be a factor, and that I think is how it was explained in shorthand, which
3705 may have been unfortunate, because I think there are other sort of review considerations which made it not the right year to do it. But the fact remains it is a disappointing omission, and if I can formally put Deputy St Pier and his team on formal watch that I, for one, will certainly be watching out for this one for next year.

Almost in the same category, I would put SWBIC. I am reluctant, really, to say too much about that prior to Deputy Le Clerc having her say, but, sir, you can always rely on me for a little bit of warm nostalgia now and again, I am just going to give you a little bit of it. I remember when I first started coming to this brilliant Island back in the early 1960's, in pursuit of my future wife, and staying at my future mother-in-law's house, and in her kitchen, in the cupboard, she had about seven or eight tins, and into each tin went so much for the electricity, so much for the gas, so
3715 much for this and so much for that, right down almost to the last shilling, and even the last threepenny bit, and that dates us, doesn't it? Of course, you go away, and then you come back sort of 30 or 40 years later, and you think it has all changed. I might add that this was going on in my own home in Kent at the same time, but when I came back, and I assumed everything had changed, I lived in that ignorance for quite a while until we started doing the canvassing around our various parishes. In the Castel, at the back of the Villocq Estate, is the Clos de Queritier which
3720 is a States of Guernsey development, quite an old one by now, where a lot of Guernsey's grandmothers and grandfathers live, and it was wonderful to be reminded of how little has changed, in some ways. Because I can remember almost countless conversations round kitchen tables, where the grandfather and the grandmother of Guernsey were sitting there with their tins, with the future expenditure accounted for, okay, not down to the last shilling this time but down
3725 to the last 50 pence. Now the point was, they were not so concerned that the arrangements were going to change; what really concerned them was how it was going to affect them. Were they going to be better off, were they not? Their anxiety was palpable at the time, and I think it is very disappointing that that anxiety is bound to persist, certainly for another two years, unless we can somehow afford to bring that initiative forward.

3730 If there is good news sir, it is that Brer Rabbit always got away in the end to fight another day, (**Deputy Trott:** Precisely.) albeit with plenty of scrapes along the way. (*Laughter*)

The Bailiff: It is getting very close to 5.30 p.m. Can I just have an indication of how many people, who have not yet spoken, intend to speak in this debate? Deputy Gollop, and Deputy Le
3735 Clerc, are standing, so there are two speeches, and Deputy Lowe, three speeches, and then the summing up, and then the voting. How long do you think you might be in summing up?

Deputy St Pier: There is a reasonable amount to cover, maybe 10 minutes, 15 minutes.

3740 **The Bailiff:** There is a possibility, therefore, we could finish this evening. I will put it to you that we continue beyond 5.30 p.m. to see if we can finish this evening. Those in favour; those against.

Some Members voted Pour; others voted Contre.

The Bailiff: Oh, yes, the *Contres* have it. So we will rise and resume tomorrow at 9.30 a.m.

The Assembly adjourned at 5.30 p.m.