



OFFICIAL REPORT

OF THE

STATES OF DELIBERATION

OF THE

ISLAND OF GUERNSEY

HANSARD

Remote Meeting, Guernsey, Wednesday, 29th April 2020

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Present:

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

Law Officers

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

People's Deputies

St Peter Port South

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

St Peter Port North

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

St Sampson

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

The Vale

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

The Castel

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

The West

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

The South-East

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

Representatives of the Island of Alderney

Alderney Representatives S. Roberts and A. Snowdon

The Clerk to the States of Deliberation

S. Ross, esq. (H.M. States' Greffier)

Absent at the Evocation

Deputy M. M. Lowe (*relevée à 9h 35*)

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States of Deliberation

The States met virtually at 9.30 a.m.

[THE BAILIFF *in the Chair*]

PRAYERS

The States' Greffier

EVOCATION

CONVOCATION

The States' Greffier: Billet d'État XI of 2020.

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 via Microsoft Teams Live on Wednesday, 29th April 2020 at 9.30 a.m. to consider the item listed in this Billet d'État which has been submitted for debate.

Procedural

5 **The States' Greffier:** Article I – Policy & Resource Committee – COVID-19 Pandemic – Funding of Financial Response.

The Bailiff: States' Greffier, I thought we were first going to take the CCA Rule 18 Proposition first. Let me just check with Deputy St Pier.

10 Deputy St Pier, is that what you would wish, to deal with the CCA Regulations first?

Deputy St Pier: I think so, sir. They are relatively straightforward, so hopefully we can deal with them quickly.

15 **The Bailiff:** I know they have been added since the Billet was issued.

The States' Greffier: Yes, I was reading from the Billet, rather than the Agenda – my apologies.

20 **Deputy Lowe:** Sir, could I be *relevée*, please?

The Bailiff: Yes, Deputy Lowe may be *relevée*. I knew you were there somewhere – you have emerged out of the ether!

25 **Deputy Lowe:** It just crashed on me! Thank you.

The Bailiff: Thank you.

Urgent Propositions in pursuance of Rule 18

CIVIL CONTINGENCIES AUTHORITY

Emergency Powers (Coronavirus) (General Provisions) (Bailiwick of Guernsey) (Amendment) Regulations, 2020 – Approved

The States are asked to decide whether they are of the opinion to approve the Emergency Powers (Coronavirus) (General Provisions) (Bailiwick of Guernsey) (Amendment) Regulations, 2020.

The States' Greffier: So Proposition 2020/92 – the Civil Contingencies Authority – the Emergency Powers (Coronavirus) (General Provisions) (Bailiwick of Guernsey) (Amendment) Regulations, 2020.

The Bailiff: Thank you very much. Debate will be opened by the Chairman of the Authority, Deputy St Pier.

Deputy St Pier: Thank you, sir, and thank you for allowing these to be submitted for debate this morning. These were made last week after the States started its meeting on Wednesday and obviously, it is our intention to bring them to the States as quickly as we can, so we are grateful for that this morning. They are a relatively straight forward set of regulations in this case, sir.

Regulation 1 is consequential to the decision of the States to postpone the election for a year and make some necessary amendments to the Reform Law. In due course, a *projet* will be required to amend the Reform Law but this is the immediate step that is required to reflect the decision of the States.

Regulation 2 is really making provision for the States of Alderney to meet remotely and at the same time it picked up and re-enacted the provisions in relation to remote meetings of the Committees of the States of Alderney.

Regulation 3 is picking up a number of minor errors in previous regulations which have been identified by the Law Officers and also, I believe, by Deputy Tindall. So thanks to her, sir, for identifying a number of those.

So with that, sir, I will obviously respond to any questions or concerns that Members have in debate.

The Bailiff: Thank you very much. I will call first Deputy Tindall.

Deputy Tindall: Thank you, sir. I am not speaking just because I had a name check but I am very grateful for that.

It is actually just curious because in the new 55E in respect of the proxy voting at meetings of the States in respect of Alderney, there is a particular sub-section which is 55E(3) which talks about Authorised Absence for part of meetings and I just observe that we do not have, I believe, a similar one in our Rules. I wonder if SACC would consider that in case it is necessary.

Thank you, sir.

The Bailiff: I call next Deputy Gollop. Deputy Gollop?

Deputy Gollop: Thank you, sir, there was a second's delay when I pressed my button.

65 I support very much the work of the Civil Contingencies Authority and the nature of the Executive Government that we need at the present time. I think too, as far as possible, all States' Members should be united behind decisions that we have recently reached.

I have to say, though, there has been a significant amount of comment from people, both publicly on social media and privately perhaps behind the scenes, about the decision of ourselves collectively to vote for an election next June. Although I think we do need now to stick to that timeline in almost all foreseeable circumstances and plan our workload accordingly to ensure that we have an efficient handover, as well as managing the health and economic aspects of the crisis as effectively as possible, I think it should be noted that there has been a degree of discomfort about perhaps a democratic deficit and that we should do everything possible over the next year to ensure that the next Assembly can make some meaningful decisions as well and that there is an opportunity for SACC and everybody else to encourage as many candidates as possible to stand and be well informed about both the nature of our Government and the evolving situation we are in. So my plea is just supporting the new election debate today should not be seen in any sense as undermining our democratic traditions.

Although of course it is not unique that we have had more than four years between elections, because we saw a situation of six years during World War II, but it should be regarded as exceptional rather than in any way desirable.

Thank you.

The Bailiff: Does anyone else? Deputy Oliver.

Deputy Oliver: Thank you, sir.

I just wanted to say regarding the election that I will agree it now, but I would like to think that if there is a safe time to do the election any earlier, so if we come out of this pandemic by December and everything is back to normal including borders, then I would like to think that we would actually say to ourselves that we need to do the election earlier. But at this moment in time it seems sensible to do it in June when we have agreed to do it, so we should agree it and then look at it if the time lets us.

Thank you.

The Bailiff: Deputy de Lisle.

Deputy de Lisle: Thank you, sir.

Just with respect to the point of Deputy Gollop, I have also received comments of a similar nature from the public as to what constitutional framework or authority the President has in terms of appropriating 14 months of additional power; and also wanting to be advised as to the States' right to do this and who actually is responsible. Was it the Procureur or Privy Council with respect to approving this?

Thank you, sir.

The Bailiff: Does anyone else wish to speak? I see nobody asking to do so. Deputy St Pier therefore will reply.

Deputy Dudley-Owen: Sir, I think that there is a point of correction that was raised, but it was raised in the wrong chat room by Deputy Le Pelley.

The Bailiff: Deputy Le Pelley, do you have a point in correction?

Deputy Le Pelley: Yes, sir. It is just to point out that when Deputy de Lisle was talking, we are not talking about an extension of 14 months; it is an extension of 12 months because the two months between now and the end of June are already a part of our elected time.

The Bailiff: Thank you. Deputy Inder and then ... Yes Deputy Inder to speak next.

120 **Deputy Inder:** Yes, sir, just briefly, just to add to the point Deputy Gollop raised, and possibly Deputy Victoria Oliver. Just speaking briefly to Members of SACC since the last debate there is not any will, as far as I can work out, to revisit an earlier date. It was a fairly fundamental decision by the States to adopt the Le Tocq and Al Brouard amendment and next year is when we are having the election, unless we are directed otherwise beforehand, which I suspect will not happen.

125 **The Bailiff:** Anyone else? No. Deputy St Pier, you may reply.

Deputy St Pier: Sir, I do not really think there is much to reply to. I think the only observation I would make in response to Deputy de Lisle is of course the decision was one of the States of Deliberation and that is probably the response that he needs to give to those who seek to understand how the decision was made.

130 With that, sir, I ask Members to support the Proposition.

The Bailiff: Well, Members, please now vote using the chat function on the Proposition to approve these further Coronavirus Regulations.

135 **Deputy Trott:** Sir, I have still no chat function, and I suspect I am not alone.

The Bailiff: Well, plenty of people do, Deputy Trott. Should we take yours *aux voix* then? Are you in favour or not?

140 **Deputy Trott:** Well, thank you for asking, sir – *Pour*.

The Bailiff: You are *Pour*. Deputy Gollop has just confirmed in an email that he is *Pour*. Maybe one or two people are having difficulty with the chat function today. There is one *Je ne vote pas* – two perhaps. But plenty of votes in favour. I therefore declare the Regulations carried.
145 Greffier.

POLICY & RESOURCES COMMITTEE

COVID-19 Pandemic – Funding of Financial Response – Debate commenced

The States are asked to decide:

Whether, after consideration of the policy letter entitled 'Covid-19 Pandemic - Funding of Financial Response' of the Policy & Resources Committee, they are of the opinion:

1. To delegate authority to the Policy & Resources Committee to approve financial support measures for businesses as a result of the Covid-19 pandemic, of up to £100million, to be funded from the Core Investment Reserve.

That, notwithstanding –

*2. i. the Resolution of the States of the 16th January, 2020 on Article V (Proposition 1) of Billet d'État no. 1 of 2020, to adopt the Fiscal Policy Framework and its Principles as outlined in Section 5 of the Policy Letter entitled 'Review of the Fiscal Policy Framework and Fiscal Pressures'; and
ii. Principle 7 of those Principles (States' total debt should not exceed 15% of GDP) and the first two items thereof (that Gross debt can be deployed only to finance the investment in infrastructure or assets and that Any project or acquisition supported with recourse to government debt must be able to generate sufficient revenue to meet the repayment of that debt), the Policy & Resources*

Committee shall be authorised to enter into external borrowing facilities of an amount not exceeding £500,000,000, on such terms and conditions as the said Committee shall deem appropriate.

The above Propositions have been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications in accordance with Rule 4 (1) of the Rules of Procedure of the States of Deliberation and their Committees.

The States' Greffier: Yes. Article 1 – The Covid-19 Pandemic – Funding of Financial Response.

The Bailiff: This is a Policy letter of the Policy & Resources Committee. Is it the President or the Vice President of the Policy & Resources who wishes to open debate?

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Deputy St Pier: It is the Vice-President, sir.

The Bailiff: Vice-President. Deputy Trott.

155

Deputy Trott: Thank you, sir.

Sir, economic wellbeing is integral to our community's wellbeing – to every community's wellbeing. Our economic recovery is essential to driving our community's recovery. We are dependent on that economic recovery to help us fund public services – health, education, policing, transport, roads. Our economic recovery will in large part be driven by our fiscal response to the Covid-19 pandemic.

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So on 6th April this year, the International Monetary Fund stated that:

... fiscal policies are at the forefront of responding to the COVID-19 pandemic. Fiscal measures can save lives, protect the most-affected people and firms from the economic impact of the pandemic, and prevent the health crisis from turning into a deep long-lasting slump.

[...]

As the shutdowns end, broad-based, coordinated fiscal stimulus – where financing conditions permit – will become more effective in fostering the recovery.

In short, we need to invest in our future and that investment will be on a scale we could not have imagined just three months ago. We need to have the financial firepower to start the investment now.

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Sir, at this stage the full effect on the States' financial position of Covid-19 is not known and it is not known by anyone. It will be dependent on a number of factors, not least the timescale over which the public health measures are lifted. We have an exit strategy, we have a destination but we do not yet, for good reason, have a time of arrival at that destination. Therefore, the duration and magnitude of the economic shock as a result of this unprecedented situation is highly uncertain.

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We know that the economic shock will be bad; it is a matter of how bad.

Now, our modelling indicates that at this stage the States of Guernsey have an immediate requirement of up to £250 million in order to fund the short-term implications of Covid-19. This includes £122 million to £132 million in respect of General Revenue, comprising financial support for support schemes for businesses, reduction in States' revenues, increase in States' expenditure and reduction in States' operating income. This could increase very rapidly and very materially if an extension of sole business support measures is necessary – and they are, sir – or the impact on taxation and other income is even greater than currently forecast.

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This also includes Aurigny requirements of £23 million to £27 million, together with the provision of overdraft facilities for trading assets to finance losses and cash flow and financing cash flow as payments that the States have deferred, including to the Social Security Fund. Undoubtedly, there will also continue to be an impact on the States financial position for *many years to come* as the global and local economic climate recovers and receipts are restored.

180

There will be a need for the States to play a decisive and active role in facilitating the economic recovery. Our advisers believe that provision of up to a further £250 million should be made in order

185 to fund the longer-term implications of Covid-19 on States' finances and to facilitate economic recovery.

Sir, the scale and particularly the speed of this downturn is unprecedented. Narrative has gone from 'Will there be an impact on global growth resulting from the disruption to the manufacturing supply chain?' to 'Will there be a global recession this year?' to 'How deep will the recession be?' to
190 'This is the worst economic downturn since the depression of the 1930s.' And all that, sir, in just three months. China's economy shrank by almost 7% in the first quarter of 2020; the worst published numbers since these records began.

We have all seen the reports of a potential 35% contraction in UK GDP in the second quarter. But, sir, the *really* scary numbers are coming from the United States where over 25 million workers
195 have lost their jobs in just the last five weeks and with the wave yet to peak that is almost certainly far from the final count. Sir, the unemployment rate in the United States is now over 20% – the largest economy on earth. Policy makers have understandably been playing catch up and we are no exception.

As recently as the beginning of March, the Deputy Governor of the Bank of England, Sir Jon Cunliffe, suggested that the crisis ought to be considered to be a 'supply side shock' that monetary and fiscal policy action could do little to cushion. Yet within weeks, the Bank of England's immediate monetary policy action met and surpassed that of the 2008-09 global financial crisis – a time I remember well, sir, but not fondly.

Now, just four weeks ago, the Governor of the Bank of England, Sir Andrew Bailey, spent a Sunday afternoon arguing against the monetary financing of the government deficit because he
205 feared the hyper-inflationary of perils of this path. And yet, by the following Thursday the government had given itself an unlimited facility and a week later Sir Andrew was arguing in favour of 100% loan guarantees for firms by the state. As the world has shown, there is no alternative to government financing of the economy and the community during this period of enforced economic inactivity, and Guernsey is no exception.

So what will this mean for us? Well, at this stage, with some firms and individuals already experiencing extreme economic hardship the projected overall impacts include: a fall in employment as firms seek to cut costs to mitigate the fall in demand or are forced to close; there are likely to be inflationary pressures, although this may be balanced by reduced demand in some
215 areas; a fall in average earnings due to a combination of lower demand for labour and lower inflation; lower interest rates following the Bank of England's decision to cut rates to a record low of 10 basis points; a fall in profits in the financial services industry partly driven by lower interest rates but other factors as well; and a much sharper fall in non-finance sectors due to a combination of reduced demand and supply chain disruption; a sharp decline in the housing market locally, with
220 hopefully the ability to bounce back will be determined by the length of the disruption; and a longer term impact on sectors that rely on visitors through any permanent reduction in travel. In short, a series of interconnected economic problems that we will need to try to solve or to mitigate against.

The overall problem is this: we face a loss of government revenues at the same time as a requirement and obligation to fund our economic recovery.

225 Funding of our economic recovery is likely to require funding of structural changes to the economy, funding we use to increase competitiveness and deploying funds to economic development that hitherto would have shocked or even been laughed at by this Assembly. All this whilst funding higher social spending from lower revenues.

Now, sir, raising taxes in such conditions is economically counter-productive and would certainly hinder our competitiveness. We are going to need the option of planning the deficit financing well
230 into the 2020s to mitigate this imbalance. In short, we are going to need flexibility of financing that can only come through borrowing, both short term and long term.

What is important right now is to get the scale of the right order. We need to ensure that we have the financial firepower to enable our economy and our community to recover.

235 Now, sir, we have few of the levers available to large economies. We are part of the sterling zone but we have no central bank, we cannot print money to the extent required, so we must borrow.

But one golden rule still applies: we can only borrow what we can afford. That means we can only borrow what we can afford to service.

240 Now, sir, when interest rates are fractions of what they were more than a decade ago, the level of debt that is sustainable is obviously high. So I offer a stark thought to the Assembly. The question is not whether we can afford to borrow £500 million to fund our route through this crisis, although the answer to that is 'yes, we can'. The real question is: can we afford not to do this?

245 I ask Members to think of the hardworking families in our community who work hard and pay their taxes. Think of the small businesses, the self-employed, the entrepreneurs of today and tomorrow. Think of the significant employers who provide jobs and who invest in our community. Think of the future of our workforce and our children, in a world where the economic rules have changed for the long term, possibly forever. Can we afford not to do this? No, we cannot.

250 We are elected to make difficult decisions – this is one such decision. In fact, I think this is probably the most difficult decision that I have had to make politically during my career. I like it no more than any of you, but do not bury your heads in the sand, Members of the States. This is a crisis unlike any other. We have to make the bold decision so that we can invest in our economic and community wellbeing. The alternatives are unthinkable.

Thank you, sir.

255 **The Bailiff:** Thank you.

Now, we have had three amendments circulated, including one this morning, Amendment 3 that has been signed by two Members of the Policy & Resources Committee. I have not had an opportunity to discuss with the proposers of the different amendments the order in which they might be taken, but given that this amendment is signed, proposed and seconded by two Members of P&R, I assume that it is their wish that it be taken first. Is that the case, Deputy Le Tocq?

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Deputy Le Tocq: Yes please, sir, it is.

265 **The Bailiff:** Okay, well in that case I will call you then to propose your amendment.

Deputy Trott: If I may just make a comment before Deputy Le Tocq starts. The Policy & Resources Committee is of the view that both amendments would benefit from being in play simultaneously: both the McSwiggan and the Le Tocq amendments in play simultaneously.

270 **The Bailiff:** Right, in which case we always have the difficulty then as to what order they are voted on at the end. But in terms of opening, would it be the wish that Deputy Le Tocq opens first and then Deputy McSwiggan lays her amendment?

275 **Deputy Le Tocq:** I am happy for that, sir.

The Bailiff: Is it Deputy McSwiggan?

280 **Deputy Dudley-Owen:** No, Deputy Dudley-Owen, who is named, myself, and Deputy McSwiggan seconding.

The Bailiff: Yes, Deputy Dudley-Owen. So are you happy that Deputy Le Tocq opens and then you lay your amendment afterwards and we debate the two of them together, Deputy Dudley-Owen?

285 **Deputy Dudley-Owen:** It is going to be a complicated debate. I do not envy your position in having to decide. Can you hear me? (**The Bailiff:** Yes, we can.) Yes. It could be cleaner in separate debate, to be honest. I think it probably would be. I am not sure how, I think Members are going to get quite confused if the two run concurrently, to be honest, sir.

290 **The Bailiff:** Yes. Because I have only just seen the P&R one, I have not had a chance to consider them both and see which one goes further, or really what the differences are between them; there are a lot of similarities. I have not spotted the differences.

295 **Deputy Dudley-Owen:** There are a lot of similarities. The main point of difference is in the Proposition 2 and really how far theirs goes. In one way ours goes further and in another way theirs goes further in terms of value; but ours goes further in terms of requiring them to come back to the States.

It just would be cleaner, I think, separately but obviously, it is a decision for you to make. People are asking for them to be debated together.

300 **The Bailiff:** Yes. Deputy Meerveld suggests we break for five minutes. Deputy Le Tocq, do you wish to say anything further as to the order in which we debate these?

305 **Deputy Le Tocq:** Well, sir, I did speak to both Deputy McSwiggan and Deputy Dudley-Owen last night and I agree; I sympathise that the complexity of this could mean that the debate is confused. At the same time, there are a lot of overlaps which I think I and other Members will have to refer to in that basis, but I leave it to your judgement, sir.

I do not think P&R feel so strongly that if you chose to take it separately that would be the case, but because so many Members feel that is the way forward, maybe for expeditious reasons it should be done.

315 **The Bailiff:** There is so much similarity between them that it seems to me it does make a lot of sense to run the two together. What I have not been able to think through is the order in which they should be voted on at the end and that is often where these things get difficult. But maybe if we run the debate together, we can give some thought during the course of the debate as to what the order of voting will be.

Does that make sense, Deputy Dudley-Owen?

320 **Deputy Dudley-Owen:** Yes, I am happy for that to happen. I am not going to become entrenched in opposition about it. I think we are all so pleased to see Members join in the debate ...

325 **The Bailiff:** You are breaking up a little bit. So perhaps if you just keep your camera off for the moment. I understand you are not strongly opposed to the idea of running the two debates together. Is that correct?

330 **Deputy Dudley-Owen:** No, I have not had a chance to have a proper discussion with Deputy McSwiggan about that yet, but we did have a little bit of a conversation before but felt that you would be making the decision. It is a complicated choice to make. We will need clarity of voting at the end, sir, that is my only point.

The Bailiff: Yes. I see that Deputy Le Tocq is agreeing with Deputy Fallaize that it makes sense for the Le Tocq/St Pier amendment to be voted on first and therefore logically yours should be laid first – Deputy Dudley-Owen.

335 **Deputy Dudley-Owen:** May I ask for five minutes to be able to discuss this with my seconder please?

340 **The Bailiff:** I think, yes. I think that is not unreasonable in the circumstances and that will also give me a chance to compare the two, and just see what the similarities and differences are. So it is now 10.03 a.m. Let us resume at 10.10. We rise and resume at 10.10.

*The Assembly adjourned at 10.03 a.m.
and resumed its sitting at 10.10 a.m.*

**COVID-19 Pandemic – Funding of Financial Response –
Debate continued**

The Bailiff: It is now 10.10 a.m. Is everybody ready to resume? Deputy Dudley-Owen, have you had an opportunity to speak with Deputy McSwiggan?

345 **Deputy Dudley-Owen:** Yes, sir, we have and we are happy to resume debate with both amendments in play.

The Bailiff: Thank you. And with yours to be laid first?

350 **Deputy Dudley-Owen:** Well no, you asked Deputy Le Tocq to open, didn't you? To lay his first. I think that if the Le Tocq amendment can be laid first, that would be preferable, please.

The Bailiff: And then when we come to voting it seems to be that, as I understand it ... well, I will not say what I understand the amendments to be saying. Let's go to Deputy Le Tocq.

355 **Deputy Dudley-Owen:** Deputy Le Tocq goes first. (**The Bailiff:** Sorry?) I am afraid I have no chat. My chat has just disappeared.

The Bailiff: Mine has been silent for eight minutes as well. I cannot believe there has been no chat in the last eight minutes.

360 **Deputy Dudley-Owen:** Okay, so we are both in the same position then. I believe that Deputy Le Tocq's amendment would be voted on first.

The Bailiff: I agree that –

365 **Deputy Dudley-Owen:** And ours after and therefore, if Deputy Le Tocq can lay his amendment and then if I may open on ours, that would be the way to go.

The Bailiff: Yes, Deputy Le Tocq, are you content with that?

370 **Deputy Le Tocq:** I am, sir, and I would like to ask the Greffier to read it for good order.

The Bailiff: Yes, thank you. States' Greffier, can you please read the amendment proposed by Deputy Le Tocq and seconded by Deputy St Pier.

The States' Greffier read out the amendment:

[Amendment 3](#)

"To substitute, for Propositions 1 and 2, the following Propositions –

1. To delegate authority to the Policy & Resources Committee to approve financial support measures for businesses as a result of the Covid-19 pandemic, of up to £100 million, to be funded from the Core Investment Reserve, and to direct the Policy & Resources Committee to report, on a quarterly basis, on how such funding has been spent.

2. That, notwithstanding –

i. the Resolution of the States of the 16th January, 2020 on Article V (Proposition 1) of Billet d'État no. I of 2020, to adopt the Fiscal Policy Framework and its Principles as outlined in Section 5 of the Policy Letter entitled "Review of the Fiscal Policy Framework and Fiscal Pressures", and

ii. Principle 7 of those Principles (States' total debt should not exceed 15% of GDP) and the first two items thereof (that gross debt can be deployed only to finance the investment in infrastructure or assets and that any project or acquisition supported with recourse to government debt must be able to generate sufficient revenue to meet the repayment of that debt),

(a) In principle, the Policy & Resources Committee shall be authorised to enter into additional external borrowing facilities of an amount not exceeding £500,000,000 in order to fund the financial response to the Covid-19 Pandemic;

(b) The Policy & Resources Committee shall be authorised to enter into a maximum of £250,000,000 of the additional external borrowing facilities referred to in Proposition 2(a), on such terms and conditions as the said Committee shall deem appropriate;

(c) Authorisation for the Policy & Resources Committee to enter into the final tranche of a maximum of £250,000,000 of the additional external borrowing facilities referred to in Proposition 2(a) shall be contingent on the States approving a Recovery Strategy to the Covid-19 Pandemic which will be developed by the Policy & Resources Committee, working in consultation with States' committees; and

(d) The Policy & Resources Committee may by resolution authorise the President of that Committee, or a delegate nominated by him for the specific purpose, to sign any document necessary for the purposes of entering into or otherwise in connection with the additional external borrowing facilities referred to in Proposition 2(b).

3. To note that the Policy & Resources Committee will commission the Independent Fiscal Policy Review Panel to undertake regular reviews of, and provide assurance on, the economic and fiscal recovery plan and its delivery.

4. To direct the Policy & Resources Committee to amend the Terms of Reference and methodology for the fiscal review agreed by the States on 16th January 2020 (Article V, Proposition 3, of Billet d'État I, 2020) to incorporate the financial implications of the Covid-19 pandemic.

375 **Deputy Le Tocq:** Sir, your microphone is not on.

The Bailiff: Sorry, my microphone was muted.

I was just going to say, it seems to me to make sense for Deputy Le Tocq to open first, even though we will be voting on your amendment first, because then Deputy Dudley-Owen can concentrate on the differences between her amendment and this one that is being laid by two
380 Members of P&R. That may not be the way we normally do things, Deputy Fallaize, but I think in this particular debate that makes sense.

Deputy Le Tocq.

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

This amendment is being laid and has been drafted by P&R largely because of the feedback that we have received from several States' Members and in consultation, particularly with Deputy Dudley-Owen and Deputy McSwiggan, in an attempt to address genuinely their concerns that they have raised. I want if a possible just to stick to the amendment that we are laying, so I will try and
390 go through it Proposition by Proposition.

So Proposition 1, the only change in this particular Proposition to the Propositions in the policy letter is to add that we will issue quarterly reports on business support expenditure. We are seeking States' support for expenditure up to £100 million on business support measures. There has been no agreed budget for these measures and therefore specific States' approval is sought to cover all
395 such payments.

The other specific spending in response to the pandemic, for example the hardship payments have funding already agreed, which is why this authority is for business support measures only. The majority of the other impacts are on revenues, Income Tax for example, Fuel Duty, Document Duty, etc. and expenditure on increased income support payments and operating income, private patients' fees for example at the hospital, schools playing fields income etc. not resulting from specific financial decisions made by the States or the Policy & Resources Committee.

The States will have an opportunity to decide how to fund these impacts at a later stage when specific details are available. The £100 million being sought is to give flexibility to respond to changing circumstances and recognising that some sectors may need support for a prolonged period of time. I wish to underline that this is the only authority to spend that P&R is seeking today.

Now, sir, in Proposition 2 we are responding to feedback from a number of States' Members that the resolution should seek to separate out the stages of borrowing that are referred to in the policy letter and confirm that there will be a further States' debate on the recovery strategy before that tranche of borrowing is entered into. In 2(a), P&R believe that it is critical to know the States have a willingness to borrow in order to facilitate the recovery strategy which is currently in development, as well as to meet the short-term requirements.

Guernsey's recovery would look very different if the ability to borrow was not one of the key tools in the box. This would inevitably see the States limiting ourselves to having to increase taxes very substantially and introducing service cuts and austerity measures at a time when investment will be in the best interests of the Island's economy.

The scale of the challenges means that balancing the budget is unlikely to be achievable in the short term and austerity, where it may help balance the books, will not help deliver recovery.

Moving onto Proposition 2(b): this is the borrowing that is required right now. This is about liquidity. We need the money to pay the bills as we have less income coming in and our expenditure is increasing, primarily business support measures but also support to individuals. We also need to provide liquidity to our trading entities, primarily Aurigny and the Ports where passenger numbers obviously have reduced to virtually zero. This will also provide liquidity to Social Security funds where there are cash flow pressures due to a deferral of a large percentage of contribution income. Importantly, this will avoid the need to sell the fund assets at an important time.

I want to reiterate here that this is about providing cash flow, not about spending money. There is no authority for P&R or anybody else to spend this money on other things. In terms of General Revenue the specific decision on how this is allocated will be for another time, once the impacts are better understood and it is clear what can be funded through existing reserves and funds.

In Proposition 2(c), sir, this is to confirm that any longer term borrowing will only be entered into following a States' debate on the recovery strategy and its specific resolution of the States' Assembly.

In Proposition 2(d), this effectively is a belt-and-braces decision as advised by the Law Officers to ensure that we can demonstrate to banks and lawyers that there are the necessary and appropriate approvals in place when signing any paper work for the short-term borrowing.

Proposition 3: the States considered a policy letter in January of this year entitled 'The Review of Fiscal Policy Framework and Fiscal Pressures' and agreed that a periodic external review of performance against that framework should be undertaken every four years. It was proposed that the first review in the new format should take place in 2020 and that it should be timed so that it might help inform the debate on the next Medium Term Financial Plan. That report also said and I quote:

Should an economic or fiscal shock make a significant impact on the States' ability to operate within the principles of the Framework outside of this timetable, provision could be made for an ad-hoc review.

The Policy & Resources Committee believes that the current conditions warrant such reviews to be commissioned, with the initial one considering the approach to borrowing in the context of the recovery strategy, followed by regular reviews thereafter. Such an approach will ensure strong

governance and provide the States with independent assurance of the approach to recovery and borrowing.

I thank Deputy Dudley-Owen for highlighting the importance of this. We believe it is helpful to have a specific commitment to external challenge and strong governance.

Proposition 4: in January, the States agreed the terms of reference and methodology for a review to ensure that Guernsey's tax base is capable of raising sufficient revenues to meet long-term Government expenditure in a sustainable manner within the boundaries of the Fiscal Policy Framework. This amendment is simply to formally incorporate the financial implications of the Covid-19 pandemic within the scope of this review. This will be a critical element of our recovery and the result of this review will import the new fiscal reality following the pandemic.

I think, sir, that is all I need to say in laying this amendment. Thank you.

The Bailiff: Thank you very much.

Deputy St Pier, do you formally second the amendment?

Deputy St Pier: I do, sir, and reserve my right to speak.

The Bailiff: Thank you. I will now call Deputy Dudley-Owen to lay her amendment. Deputy Dudley-Owen.

[Amendment 2](#)

1. To substitute, for Proposition 1, the following:

"1. To delegate authority to the Policy & Resources Committee to approve financial support measures for businesses and individuals as a result of the Covid-19 pandemic, of up to £100million, to be funded from the Core Investment Reserve, and to direct the Policy & Resources Committee to report, on a quarterly basis, on how such funding has been spent."

2. To substitute, for Proposition 2, the following:

"2. That, notwithstanding –

i. the Resolution of the States of the 16th January, 2020 on Article V (Proposition 1) of Billet d'État no. I of 2020, to adopt the Fiscal Policy Framework and its Principles as outlined in Section 5 of the Policy Letter entitled "Review of the Fiscal Policy Framework and Fiscal Pressures", and

ii. Principle 7 of those Principles (States' total debt should not exceed 15% of GDP) and the first two items thereof (that Gross debt can be deployed only to finance the investment in infrastructure or assets and that Any project or acquisition supported with recourse to government debt must be able to generate sufficient revenue to meet the repayment of that debt),

a. To authorise the Policy & Resources Committee to enter into a maximum of £250,000,000 of additional external borrowing facilities, for an initial period of 2-3 years only (but subject to Proposition 2(b)), in order to meet the short-term cash-flow requirements of the States, on such terms and conditions as the said Committee shall deem appropriate.

b. To agree that authorisation for the Policy & Resources Committee to enter into an additional tranche of a maximum of £250,000,000 of external borrowing facilities, or to extend the initial facility referred to in Proposition 2(a) beyond 3 years, will be contingent on the States approving:

i. a Recovery Strategy for the Bailiwick (including an indicative spending plan) which will be developed by the Policy & Resources Committee, working in consultation with States' committees; and

ii. the broad terms and conditions for such borrowing, the proposed sources of such borrowing, and the basis on which it is proposed such borrowing will be repaid.

c. To agree that the Policy & Resources Committee will commission the Independent Fiscal Policy Review Panel to undertake regular reviews of, and provide assurance on, the economic and fiscal recovery plan and its delivery, initially on a six-monthly basis.

d. To direct the Policy & Resources Committee to amend the Terms of Reference for the fiscal review agreed by the States in January 2020 (Article V of Billet d'État I, 2020) to incorporate the financial implications of the Covid-19 pandemic."

Rule 4(3) – financial implications

The last Annual Independent Fiscal Report cost £45,000 plus managing and co-ordinating the process and providing the necessary information required an estimated 150 hours of staff time. We understand the majority of the remaining work set out in this amendment is already being undertaken, and therefore should not incur additional costs.

Deputy Dudley-Owen: Thank you, sir. I will keep my camera off because of the connection if that is okay. **(The Bailiff:** Thank you.)

465 We have had little time, sir, to make decisions recently. The Covid-19 pandemic has left us in a position of not having the luxury of being able to plan in the detail that we would like, to research in the way we are used to, to cogitate in a way the electorate would expect us to. The normal parameters of governance, sir, have had to give way to reactive hard and fast crisis decision-making. In order to be successful and to stand up to scrutiny this new type of governance that we have
470 adopted has had to have leadership from the front with clear, regular and fast communications to the community. That is how our crisis here in Guernsey has been managed and it has undoubtedly been managed excellently.

Sir, we have now moved into the next phase. We are moving from emergency responses to planned and more structured responses. We are moving away from our crisis operations and have
475 entered into phase 2 with a slow reopening of our economy which is determined on the basis of evidence from our Public Health officials. We still need to focus on quick decision-making, more so ever than we have been used to during this term. All the States' Members have shown themselves to be poised to react and have been willing to do so. We are taken to a way of operating in an accelerated, compressed way and technology has given us the tools we need to ensure we are
480 capable of handling the speed of communication that the current situation demands.

So the spirit of accelerated working, Deputy McSwiggan and I ... *[Technical interference]* ... we have been grateful to receive the input and contribution of many States' Members including Alderney Representatives ... *[Technical interference]* ... and officers in the Treasury department. We thank them.

485 For the sake of those listening to the debate, it is worth mentioning that the time we ordinarily have to look at any policy letter, especially one of this magnitude is up to eight ... ahead of that ... *[Technical interference]* ... These communication points give Deputies and the public and other interested parties important opportunities to ask us ... *[Technical interference]* ...

... using Rule 18 under an urgent Proposition last week on Thursday would also have been
490 discussed at last week's States. Had this happened, there would have been no time at all during the debate where not everything that needs to be known is said. So our question is to challenge or to learn more about the rationale and ramifications of the proposed £500 million borrowing request.

One vital tool that we have in our armoury as Deputies would also have been impossible to reach in that time, and that is ... we were in a position of not being able to lay anything constructive that
495 would have taken us forward at that time. I fear, had we stuck with that timeframe and debated the proposal, that either the decision would have been made on the nod or equally as bad, the proposal would have been defeated hands down.

It was the intention of Deputy McSwiggan and I ... *[Technical interference]* ... that amendment spoke for the need for thorough due diligence, sight of forecasting, budgetary plans, recovery
500 strategies, fiscal oversight ...

The Bailiff: Deputy Dudley-Owen, I am sorry to interrupt but several Members are sending messages on the chat function saying they are having difficulty hearing you and I have to say I am not hearing every word, although I think I can just about work out what you are saying, but it may

505 be others are having even greater difficulty. Clearly it is very important, this is an important thing.
(**Deputy Dudley-Owen:** Right, okay.) I am not sure whether perhaps the weather is causing some internet problems.

Deputy Dudley-Owen: When I speak now, I cannot hear you now, sir.

510

The Bailiff: Yes. Several people are suggesting that perhaps you phone in and use the phone.

Deputy Dudley-Owen: I am very happy to do that instead, yes.

515

The Bailiff: I do not quite know how it works, whether it is better that the Teams presenter telephones you or that you telephone in. Perhaps the Greffier could tell us what the better way is. Greffier.

The States' Greffier: Sir, I think the difficulty may be that the States' e-mail is down, and as we
520 all entered the Teams meeting via our e-mails that is the problem we are having with our connections. My colleagues might be able to assist as well.

Deputy Brehaut: I have no e-mail, my e-mail has dropped out. Sorry, it is Barry. My e-mail has
525 dropped out, I am looking at the chat bar and the last message I can see is from 10.02 and I have messaged a test and the test has failed because I have no internet connection.

The Bailiff: Yes, I have had no e-mail on my Outlook since 9.48 but I have had some ...
I think Colin Vaudin would like to provide an update. Mr Vaudin, can you help us? (*Inaudible*)
We cannot hear you. If you are speaking we cannot hear, Mr Vaudin.

530

Lt Col. Colin Vaudin: Yes, good morning.

The Bailiff: Good morning. We can hear you now.

Lt Col. Vaudin: Ladies and gentlemen, so you are aware, we are suffering a technical issue on
535 what we call our Direct Access service. We have Agilisys, our retained IT functions, working on it at the moment. What I would ask the Members, the text function and e-mail functions may be totally disrupted – please do not turn your device off and on again. Your connection to Teams will continue through video and voice, but not through the text function at the moment.

540 At the moment, sir, I do not have an update of what time you will be fully restored. I will get that to you as soon as I can, I am on another call with the engineer as we go, sir.

The Bailiff: Well, yes. I do not think we can continue just with video and audio because certainly
545 people need to be using the chat function to indicate whether they want to speak and also for the purposes of points of correction and so on. There is a suggestion that we pause until this afternoon. It will be a shame to do that, to wait that long.

I wonder whether we perhaps just pause until 11 o'clock. Mr Vaudin, do you think half an hour might make a difference or not?

550 **Lt Col. Vaudin:** I would hope so, sir, yes and therefore I would recommend that if you can do that until 11 o'clock, I will come back to you earlier, sir, with an update.

The Bailiff: And should we leave Teams on or what should we do, so that you can communicate
555 to us?

Lt Col. Vaudin: Sir, please ask yourself and Members to leave Teams on, and if there was a situation and if it was not running at 11 o'clock, you could communicate that back to all States' Members, otherwise you would require to use landlines or mobile phones. So if I can suggest Members leave Teams on until that time.

560

The Bailiff: Okay.

Deputy Merrett: Sir, could I have permission to speak, sir?

565

The Bailiff: Yes, I do not know who it is, but yes.

Deputy Merrett: It is Deputy Merrett, sir. The problem with no internet connection, sir, is that I cannot access either of the amendments. I cannot access them, I cannot read them. That is a real concern for me, if I am going to be debating amendments that I cannot even access, sir.

570

The Bailiff: Well, Mr Vaudin is hopeful that this may be fixed by 11 o'clock. Let us see where we are at 11 o'clock. If we cannot resume at 11 o'clock, it may be that we will have to adjourn until after lunch. It is nearly half an hour, but things may get sorted in that time. We will see where we are at 11 o'clock and then take the decision as to whether it is safe to resume or not.

575

Thank you. We will rise now.

*The Assembly adjourned at 10.35 a.m.
and resumed its sitting at 11 a.m.*

Adjournment to 2 p.m.

The Bailiff: Well, Members, Colonel Vaudin has just reported that there is a major problem that they are working on. They are 85% confident that it can be restored by lunchtime. So what I am proposing is that we adjourn until two o'clock, but do not close out of Teams because as long as you remain on Teams we can speak with you and we can tell you ...

580

The chat function is working for some people but not others. So the best thing is if you remain on Teams we will have a means of communication with you. As I say we are 85% confident that it will be restored by two o'clock. But we will adjourn now until two o'clock.

*The Assembly adjourned at 11.03 a.m.
and resumed its sitting at 2 p.m.*

**COVID-19 Pandemic – Funding of Financial Response –
Debate continued**

The Bailiff: Well, Members of the States, it is two o'clock. Welcome back. I assume Greffier that we are up and running. Is that correct?

585

The States' Greffier: Yes, sir, that is correct.

The Bailiff: Thank you very much.

Members, as you have heard we are up and running and I am very grateful to Colonel Vaudin, Agilisys and their teams who have worked hard behind the scenes to restore functionality. I can say that there is an investigation underway to establish and confirm the root cause of the problem that there was this morning. Hopefully everything will be alright this afternoon.

Just one other housekeeping point, some of you may not have seen it but there was an email about 10 minutes ago from the Parliamentary Officer advising that some of you are having difficulty accessing the chat function. The advice is that that is a known bug within the Teams software that occurs when large Teams meetings are held. So if you are having issues with the chat function the advice they have given is to leave the meeting and try joining again, and in most cases that causes the chat function to appear.

I will in a moment invite Deputy Dudley-Owen to resume and I suspect that probably most of us, if not all of us, have missed at least some, if not all, of what she said to date. So I will allow her to repeat what she said or at the very least to recap it.

Is there anybody who did not hear Deputy Le Tocq clearly? If so I would give him the opportunity to speak first.

Deputy Trott: Lyndon here, sir, I did not hear him. In fact I got bumped out a couple of minutes after I had finished speaking so I heard none of the debate after that event.

The Bailiff: Well, as you are the proposer leading the principal Propositions, it seems to me that it is most important that you are aware of what is said on the amendments.

Deputy Le Tocq, do you wish to summarise for Deputy Trott's benefit? It appears he may be the only person who did not have the benefit of hearing you. Would you like to summarise for his benefit?

Deputy Le Tocq: I think, sir, to save time I can do so by sending my notes via email because it was largely done from notes. So rather than do that, if Deputy Trott is the only one then –

The Bailiff: Deputy Oliver as well.

Deputy Le Tocq: Okay, fine. I am happy to do that now, sir. Let me just find my notes again. Yes, I summarise just to say that this amendment was put together by P&R on the basis of us realising there were concerns with regard to the Propositions as they stood, and we wanted to do our utmost to try and address those concerns.

So going through the amendment Propositions: Proposition 1 is largely unchanged except for the issue of quarterly reports.

In terms of Proposition 2, again this is where probably the most changes occurred and we are seeking to alleviate some of the concerns expressed by States' Members, that the Resolution should seek to separate the two aspects of borrowing that are referred to in the policy letter and confirm that there would be a further States' debate and resolutions that would be necessary regarding the recovery strategy before that further tranche of borrowing is entered into.

630 Propositions 2(a) and 2(b) I think go on to express that, particularly identifying the borrowing that is required right now in terms of cash flow, needs and liquidity and that which will be needed in terms of investments in the future.

Proposition 2(c) confirms that any longer term borrowing will only be entered into following the States' debate on the recovery strategy, which is being drawn up now.

635 Proposition 2(d) is an extra one, a belt-and-braces which was really put in under Law Officer advice.

Propositions 3 and 4 deal with the fiscal policy framework review and the need for us in terms of good governance to be able to demonstrate that we are taking all the rigorous means as necessary to ensure that our actions are the best in the circumstances. And that is where I thank
640 Deputy Dudley-Owen particularly for highlighting the importance of this.

So I think, sir, very briefly that is a résumé of the speech I gave this morning.

The Bailiff: Thank you, Deputy Le Tocq. I confirm that Deputy St Pier has formally seconded that amendment number 3.

645 I now turn to Deputy Dudley-Owen in respect of amendment 2, either to repeat what she has already said or at the very least to recap for the benefit of those that did not hear some or all of it. Deputy Dudley-Owen.

Deputy Dudley-Owen: Thank you, sir.

650 I would like to confirm first whether people can hear me, I am slightly paranoid now about whether my voice is loud enough or the audio is smooth enough. Can you please confirm, sir, that you can hear me?

The Bailiff: I can hear you and I can confirm it is much smoother than it was this morning. In
655 fact it is smooth; it was not this morning but it is now.

Deputy Dudley-Owen: Excellent. Deputy Le Pelley says 'yes, but volume is low'. I am going to bring my States' computer a little bit closer to me so that I can speak closer into the mic. It is good in St Martin, says Deputy de Sausmarez, excellent – maybe it is the distance to
660 St Sampson's!

Thank you very much for everybody's patience and also thank you for the technical support that we have had to get us back online today. Sir, I will make a start now and I will, I am afraid, beg everybody's patience to repeat from the top of my speech.

We have had little time to make decisions recently, sir. The Covid-19 pandemic has left us in a
665 position of not having the luxury of being able to plan in the detail we would like; to research in the way we are used to; to cogitate in a way that the electorate would expect us to. The normal parameters of governance, sir, have had to give way to reactive hard and fast crisis decision making. In order to be successful and to stand up to scrutiny this new type of governance that we have adopted has had to have leadership from the front with clear, regular and fact communications to
670 the community. That is how our crisis here in Guernsey has been managed and it has undeniably been managed excellently.

Sir, we have now moved into the next phase. We are moving from emergency responses to planned and more structured responses. We are moving away from our crisis operations and have entered into phase 2 with a slow reopening of our economy which is determined on the basis of
675 evidence from our Public Health officials. We still need to focus on quick decision making, more so ever than we have done during the term. All States' Members have shown themselves to be poised to react and have been willing to do so. We are taking the world on, operating in an accelerated compressed way and technology has given us the tools we need to ensure that we are capable of handling with speed of communication that the current situation demands.

The Bailiff: Deputy Dudley-Owen, you may have seen the messages come in on the chat function, (**Deputy Dudley-Owen:** I have.) you are starting to break up again.

Deputy Dudley-Owen: Yes, I have seen the chat, sir ... *[Audio difficulties]*

The Bailiff: Yes, it is just the last couple of sentences, it was absolutely fine up until then.

Deputy Dudley-Owen: *(Laughter)* Okay. We are struggling today, aren't we?

The Bailiff: Yes. The suggestion is perhaps you phone in.

Deputy Dudley-Owen: Yes. Right. Does that mean I have to hang up from Teams?

The Bailiff: Well, let us get an explanation, let's get advice from those who know. Do not ask me for advice.

Deputy Dudley-Owen: No need to hang up, apparently. I will just dial into the number that I have been given at the bottom of the ... *[Audio difficulties]* and hope that does the job for me.

The Bailiff: I do not know what you are doing, Deputy Dudley-Owen, but I certainly cannot hear you, I do not know if anyone else can.

The Deputy Greffier: Deputy Dudley-Owen, it is Christine. Can you press star 6 to unmute your microphone.

Deputy Dudley-Owen: Okay, can you hear me?

The Bailiff: Yes, we can.

Deputy Dudley-Owen: Lovely. Okay. So I do need to have a little bit of guidance: every time that I want to use my phone I have to press star 6, is that correct? (**The Deputy Greffier:** That is correct.) Right, thank you Christine.

Okay, so can everyone hear me clearly? (**The Bailiff:** Yes I can hear you.) Great, lots of chat messages coming in, lovely. Okay. Thank you very much. I shall just pick up from where I was rudely interrupted by our technology and our magnetic wave.

So we are sometimes capable of operating in an accelerated compressed way and technology has given us the tools we need to ensure that we are capable of handling speed of communication that the current situation demands.

In the spirit of accelerated working Deputy McSwiggan and I have laid this amendment today making sure that it was produced in double quick time since last Friday. We have been grateful to receive the inputs and contributions of many of the States' Members, including Alderney Representatives and significantly the P&R Committee and officers of the Treasury Department and we thank them for their support and assistance.

For the sake of those listening to our debate it is worth mentioning that the time we would ordinarily have to look at any Policy decisions, especially one of this magnitude, is up to eight weeks. Ahead of that might be any lead in consultations with a series of representations from the responsible Committees and access to officers for advice. These communication points give Deputies and the public and other interested parties important opportunities to ask questions and to understand fully the rationale and ramifications of the proposals in front of them.

On this occasion, things have been quite different; it was intended that the policy letter which would be submitted using Rule 18 under the urgent Propositions, would also be discussed at the last States' meeting. Had this happened there would have been no time at all other than during the

debate when not everything needs to be known is said to ask questions, to challenge or to learn more about the rationale and ramifications of the proposed £500 million borrowing request.

735 One vital tool that we have in our armoury as Deputies would also have been impossible to reach in that time and that is the laying of motions. We were in a position of not being able to lay anything constructive that would have taken us forward. I fear if we had stuck with that timeframe and debated the proposal that either the decision would have been made on the nod or, equally as bad, the proposal would have been defeated hands down.

740 It was the intention of Deputy McSwiggan and I, sir, that P&R adopt entirely the amendment that we had originally drafted. That amendment spoke for the need for thorough due diligence, sight of forecasting, budgetary plans, recovery strategies and fiscal oversight. Just as we have adopted the slogan of 'Guernsey Together' to value the community as one to come through this difficult period, the slogan of the 'States Together' is one that we need to adopt at this time to ensure that we lay the best plans for Guernsey into the future.

745 We have engaged with P&R and that is the right thing to do. We have done some horse-trading on the originally proposed amendments, sir, and what we have laid today is the nearest that we can get to ensuring that the red lines and sentiments of many States' Members are reflected.

750 It is interesting to note that this amendment that Members have before them is based on a more concessionary draft presented to us by P&R. This in the main is their wording based on the points we made. What has now been laid from Deputy Le Tocq looks quite different and has become retrenched so a less transparent and more P&R-control approach. The Committee came to meet us but now appear to have backed away. The Dudley-Owen/McSwiggan amendment we hope also reflects that we understand well the need for decisive action but it also should be balanced with due diligence to know that we can ensure any decision-making we make is informed.

755 We have worked hard to avoid being in a position of laying up our own amendment but the compromises sought were just out of reach. The enormity of the task in hand to manage our recovery is fully undisputed by all in this remote Assembly today. I am confident when I say that I am sure we take any decision today with a heavy heart at the circumstances we find ourselves facing.

760 Deputy Trott has told us that there could be up 2,000 jobs lost in Guernsey and that the States have played a decisive and active role. He has painted a picture of the real urgency there is to secure the borrowing of the full amount today, but without it we cannot go forward. We will be without a vital tool in the box of armour that we require.

765 Many are more receptive to borrowing than they have been at any other time; they understand the need for cash and liquidity that we just do not have in our pockets today. They also understand the need for resources to be made available for our long-term recovery. The crisis has brought those things into sharp focus but any borrowing needs to be considered within the context of the ability of the Government to repay.

770 Guernsey has a very narrow economy and taxation base; Deputies Trott and St Pier tell us this often. It can be reasonably argued therefore that we should not be borrowing on a regular basis to finance our current account expenditure. Any downturn in our finance sector markedly affects our economy due to its limited productive capacity; we are in the main a knowledge economy. This leads to a very particular balancing act between the States providing support and also balancing the budget, including debt repayments. We do not know how it will be managed and perhaps understandably so in the current circumstances, because one of the key questions which has been asked once again during the briefing on Monday by Deputy Merrett is: how will any long-term debt be repaid? The response is not very reassuring: lots of possibilities but none well thought out.

775 We would not be doing our job if we approved the £500 million borrowing without any form of check on the balance of the spending. We should be concerned, particularly given the rapidity of the request and the lack of economic analysis currently on show.

780 Sir, as I said, Deputy McSwiggan and I did not want to lay this amendment, we wanted P&R to adopt it as their own, acknowledging the will of probably all the States' Members to show a unified front of allied individuals in these most difficult of times; the States Together. It is clear that the policy letter lacks detailed information. We have been asked to make a quick and dirty decision,

785 expedient and effective perhaps, but certainly not without its flaws. No matter how much I can see the need for liquidity at this most difficult economic time, I cannot support proposals which meet so few principles of governance.

We had some tough times as a Government this term; we have extended our term to an extra year. There are rumours abounding regarding the proposals of Executive Government and we need more than ever to show that we are transparent, accountable but we have integrity. The word 'governance' comes from the Greek 'to steer' and it implies that governance is concerned with longer-term plans, purpose and impact. Taking this definition to the amendment that Deputy McSwiggan and I have laid, it grants absolute legitimacy and we therefore know it is the right thing to do.

795 We are looking at our longer-term plans, we are asking for purpose and we want to consider the impact of this proposed borrowing. The compromise that could not be reached was over the approval of the aggregate sum being sought by the Committee. P&R have effectively, today, redrafted their original Propositions and re-presented these to the States. Did they think we would not notice? Even with the rush, we did. Deputy Inder kindly spelled it out for all States' Members last night using his special Janet and John crayons. We even had different colour fonts to highlight the differences.

Many of us are not prepared to nod through half a billion pounds of borrowing without any probity or transparency, and that is what we seek in our amendment. We are accountable not just to Guernsey now, but also Guernsey in the future. If we approve this amendment today, we will enter into a situation where we have never been more geared but with our eyes wide open and having challenged confirmed rationale, forecasting, analysis, data and oversight.

What we have today before us, sir, is an amendment which is born of an attempt to bring in accountability for the whole decision. I had originally started with the need to have some oversight; it is something we have lost progressively over a decade in regard to an independent policy panel.

810 Deputy McSwiggan and I began to work together on this and based on comments from other Members, we started to build an amendment but sought to ensure that the information many felt was lacking was brought into the open domain and forum of the States. We have set out a position which demonstrates our agreement for using the £100 million from the core reserves. It also agreed the initial tranche of short-term borrowing of £250 million in principle. After the Committee returned to the States with a policy letter for further approval of the second tranche of equal amount which will constitute the long-term funding. In addition to the recreation of the fiscal policy panel we ask for the Committee to: (a) set out the proportion of this funding to be raised by re-allocation or re-prioritisation of existing States' funding assets and what proportion of this funding will be raised through borrowing or other sources; and (b) to set out the immediate longer term recovery plan for the Bailiwick economy, community and public services.

820 I see a point of correction is being made by Deputy Trott, sir.

The Bailiff: Yes, Deputy Trott, point of correction.

825 **Deputy Trott:** Yes thank you, sir. I am not sure whether Deputy Dudley-Owen is intentionally misleading the States, but she is certainly suggesting that the Policy & Resources Committee have drafted a different amendment and have now moved back from that. That is simply not true. The draft that was shared with her and Deputy McSwiggan yesterday is pretty much the same as what was published, just tidied up in terms of grammar and presentation, but ostensibly and in practice identical, sir.

The Bailiff: Deputy Dudley-Owen.

Deputy Dudley-Owen: Thank you, sir.

835 Carrying on, our point (b), to set out the immediate and longer-term recovery plan for the Bailiwick economy, community and public services. We would look for an outline budget, setting

out how any additional funding raised in accordance with the Proposition together with the existing States' funding would be allocated. And we ask to set out the broad terms and conditions for any borrowing or other external fund raising and the proposed sourcing of such borrowing and the basis on which it is proposed such borrowing would be repaid.

Sir, my point is that the amendment has been organic and we have moved from our initial position and the amendment that we initially put to P&R. We were prepared to have to make some concessions and this we did. Regrettably the one red line we could not succeed was the carte blanc authorisation to proceed with the full amount without the requisite information that gives us a clearer view of what we are facing in terms of economic downturn and how we would tackle it.

Talking now through the amendments and the differentials between the one that we have laid today and the one that Deputies Le Tocq and St Pier have laid. Our Proposition 1, almost mirrors the Le Tocq amendment, the States is being asked for £100 million from the core investment reserve to cover immediate losses and support packages. We agreed with this and support this proposal, both the purpose and the need are clear. It must be noted that in the original Proposition that came back from P&R, the one Deputy Trott has just queried, what I call the concessionary draft did not include individuals and I will ask Deputy McSwiggan if she would be kind enough to speak more to this point if she feels necessary about the inclusion of the phrase 'and individuals' which reflects, I understand, the thinking from ESS.

Next is Proposition 2. Proposition 2a) is where the material point of difference arises between P&R's amendment and ours. We ask Members here to agree to authorise P&R's entry into short term borrowing arrangements. The Committee have included in theirs a sub-paragraph asking for authorisation for the aggregate sum of £500 million. The authorisation, which many of us would not be prepared to give at this time, no matter the caveats that followed, prefers the due diligence data and governance. It is critically important for many of us that the initial borrowing is on a short-term basis, for cash flow; that is the point that we the know person who is borrowing, that there is a tenure to the borrowing and that gives a visible horizon to watch for.

We also know that we have investments which can be converted to cash in order to repay the debt. Those who are not comfortable at all about the philosophy of borrowing but still understand the significance of the position of our finances, can take some assurance from the clarity and degree of certainty surrounding this Proposition and may support it.

Deputy Trott has quoted from the April 2020 IMF report in his opening speech and the relative quote from the executive summary of the same report, is this:

As public sector support is provided on an extraordinary scale, including vehicles such as loan guaranteed, transparency is crucial to manage fiscal risks.

Sir, I will summarise at this point what P&R are asking for in their amendment. They ask for agreement in principle to the aggregate borrowing in the sum of £500 million in 2(a), authorisation for the short term loan in 2(b), the long term loan in 2(c) and finally authority for the President of the Committee or an alternate in 2(d). Whilst the authorisation requested in 2(c) is contingent on the approval of our Recovery Strategy, the Deputy Le Tocq amendment is silent about indicative spending plans or alternative conditions of borrowing. Both of these items are crucial information which will help us better understand the rationale behind any long term borrowing. These areas have also been queried by the Scrutiny Management Committee.

Sir, thinking back to the statements that the IMF made, that transparency is crucial to fiscal risk, I see little transparency, clarity or certainty in Proposition 2 and the points thereunder of the P&R amendment. Via the amendments that I have made we seek to manage our risk while still giving approval for vital funding to be arranged. P&R is given all the authorisation it needs in item 2(b); agreeing authorisation for them to enter into additional tranche borrowing and to extend the terms of the short term facility without committing anyone to an aggregate headline figure at this stage that they will be uncomfortable with, especially because of the information void.

The contingency that we have stated is that we will receive more information about what the future looks like and how we intend to tackle it. The wording we have used in our Proposition 2(b)

reflects again the fact that the initial borrowing facility needs to be on a short term basis. In (b)₁ references to indicative spending plans which I have noticed was absent from the P&R amendment, and next in separate sub-paragraph (b)₂ is identical to our initial Proposition and we think that it is critical that the terms and conditions for greater or long term borrowing are also brought back to the States for our approval.

Our Proposition 2(c) deals with the new statement of the financial policy review panel and is self-explanatory. It is a vital part of governance going forward; a function that will be essential in managing our way through these tough times ahead, ensuring we have independent oversight checking our decision making.

And finally the last Proposition. This appeared in the concessionary draft, so called, and we were told by the States' Treasurer at that time, that given the uncertainty of how the rest of the emergency would play out and a result of the economic damage it is not possible at an early stage to be able to specify how the money will be repaid in detail which we are aware of. A further Proposition was included here to direct the P&R to alter the terms of reference for the fiscal review to focus it on the financial implications of the pandemic which is effectively how the tech structure will look in the future to repay the borrowing.

The inclusion of this Proposition, I felt, has been very helpful but it is also very telling because we do not have a clear idea of how the monies will be repaid. It is ever more important that we have a clearer view of the analysis, modelling, forecasting and intended use of the proceeds of borrowing before we agree to authorise any delegation to the Committee.

I hope that I have outlined clearly the differences between the Deputy Le Tocq/St Pier amendment and that of mine and Deputy McSwiggan. I feel, obviously, ours is stronger and more robust. I have made as many notes as I can over the last few days recording the comments of States' Members from conversations, group chats and the States' Members' briefing that we had from Deputy Trott and the Treasury team at short notice on Monday. Members will, I am sure, speak to these during this debate but the amendment covers the major concerns of many in this Assembly. It is unlikely that we will be asked to make a decision of this bearing and magnitude again. A decision to be made which could change the way that we manage our economy and Government finances here in Guernsey forever.

Sir, I ask Members, please to give this amendment their unequivocal support.
Thank you.

The Bailiff: Thank you. Deputy McSwiggan, do you formally second the amendment?

Deputy McSwiggan: Yes, sir.

The Bailiff: Thank you. Deputy Trott, do you wish to exercise your right to speak on the amendment now or will you speak later?

Deputy Trott: I will reserve my right please, sir. Thank you.

The Bailiff: Thank you. In that case I will call first Deputy Roffey, to be followed by Deputy Gollop.
Deputy Roffey.

Deputy Roffey: Thank you, sir.

Both of these amendments that are now in play seem to replace all of the Propositions and really engage with all of the issues we are being asked to debate today. So to save time, if I may, I will not only do one speech covering both amendments but speak generally as well because otherwise I will end up making a very similar speech when we get on to general debate.

Sir, I think I ought to really start with a confession –

The Bailiff: Sorry, I see there is a point of order from Deputy Lester Queripel.
Deputy Lester Queripel.

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Deputy Lester Queripel: I am pretty sure I am on the right track; Deputy Roffey has violated the Rules surely. He sent in the chat column this morning a request to speak when the afternoon amendments had been laid but he asked that before the amendments had been laid but the Rules clearly state a Member wishing to speak could speak in the chat column after the amendments had been laid, not before the amendments have been laid.

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The Bailiff: Well he has repeated the message by email. I am accepting some requests from people by email where they are unable to use the chat function. So I have had more than one request from Deputy Roffey.

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Deputy Roffey, please continue.

Deputy Roffey: Thank you, sir.

I am speaking on the two amendments and generally on all of these Propositions before us today.

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As I said, I think I do have to start with a frank admission. I do suffer from Guernsey genes and those Guernsey genes tend to control me and as a result I really hate being in debt. The only time I have ever borrowed or used credit in my personal life was to get on the property ladder. I only did that because there really was no other option but I hated it. I hated having a mortgage all of those years. I felt trammelled by it, not free to live life as I saw fit, worried in case my income ever disappeared and left me unable to service the debt I had taken on. And on the day it was finally paid off I heaved a big sigh of relief.

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Now none of that may have been entirely logical and it may not have been financially literate, I fully accept that. I would probably have been far better off using any spare cash that I had to make some sort of private pension provision with all of the tax breaks that would have gone along with that, instead of using every single pound that came my way to pay down my mortgage as quickly as I possibly could. But as I said I just wanted to be free from debt. I was trapped by my Guernsey genes.

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I transferred that hatred of debt to my approach to politics. Of course I was always ready to borrow in order to provide assets which generated an income, which could be used to service the borrowings and to repay the capital, just as I did during many years directing one of the Channel Island's most successful commercial organisations.

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But I have always baulked at general borrowing; either to meet revenue costs or to pay for capital assets, which in themselves did not generate much of an income. In fact I remember when the previous education development programme ran out of funding in the noughties and I made clear there was absolutely no way on earth that I would support borrowing to build schools or indeed hospitals, even though I was in charge of health at the time.

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Someone very close to me was on the Education Council at the time and I remember she described me as a cloth capped little Guernseyman for taking that attitude towards borrowing. I took it as a compliment at the time but looking back I suspect I may have misread that.

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But, sir, I do hate debt even when it makes a sort of sense. For instance, I know logically that what really counts is net debt. So if Guernsey had borrowings of, say, £800 million and at the same time a contingency reserve of £1 billion we would have a net debt of minus £200 million. And if the expected rate of return on that contingency reserve was higher than the interest rate we are having to pay on Guernsey's national debt then that way of being £200 million in the black would actually be far more advantageous to our public accounts than simply having no borrowings at all and a much smaller sum of £200 million in our contingency reserve. I know that logically but emotionally my Guernsey genes are telling me borrowing is not safe, things can go wrong, do not be indebted to anyone. With debt and the obligations that go with it freedoms go out the window.

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990 Now I am sorry to Deputy St Pier or Deputy Trott or anybody else who finds that completely daft but in matters of borrowing I am afraid I am very conservative. In fact I would definitely have not supported the current Bond if I had been in the States at the time. It may well work out extremely well for the Island but I have never been a gambler of any sort except maybe in the Christmas lottery and even then only very modestly.

995 However, sir, my aversion to borrowing has to have its limits. I do accept that we would be completely daft today to sell off assets which appear to be under-valued and very likely to recover some of their value in the medium term, simply in order to reduce the need to borrow to cover our outgoings at this critical time. In fact there really is nothing under the sun. I remember the early days of the rainy day fund being set up. Back then the cash was invested in an OCRA safe way. It generated low incomes but it guaranteed the capital and it gave us instant access to it. That was
1000 deemed to be the correct approach to an emergency fund back at that time.

I recall, I think it was, Deputy Webber suggesting that maybe it should be invested in equities instead to increase the returns on the money we had. And he brought down the ire of the Advisory and Finance Committee on himself. Deputy Webber said it was the last conceivable fund he wanted to take a punt with and anyway he said the chances were that just when you wanted to draw on it that would be exactly the time when those equities would have lost part of their value. Well wasn't
1005 he prophetic in that respect?

Actually I do think we were right to seek greater returns on our savings but it is slightly ironic that we have an emergency fund that we cannot sensibly use when an emergency comes along. Still that is the position we are in so it does make more sense to borrow. I also accept that in some
1010 circumstances, just events can ambush you in a way that leaves the option of borrowing absolutely unavoidable. And Covid-19 really is one of those. There is a good reason why the old saying goes 'never say never'.

Sir, I surrender, we definitely need to borrow. We need to borrow for lots of reasons. We need to borrow to honour the cheques that we have written – the metaphorical cheques that we have
1015 written. We have promised support for business, we have actually also promised support for the welfare of individuals, which sadly does not seem to get a mention in this policy therefore at all. But I hope that even Deputy David de Lisle will understand if our spending on Income Support is way off this year.

We also need to borrow because States' income will be sharply down. Every revenue source this
1020 year is going to be down, except maybe duty on alcohol. And for all of the talk of a V-shaped recovery, and of course we all want that, the reality is, as Deputy Trott said in his opening, 'our revenues are likely to be down for quite a few years'. We also need to borrow because in the short term, probably for the next several years, neither austerity nor big tax increases will be a good idea at all. In fact they would be a crazy idea.

1025 Our economy is in shock; it is lying there shivering. The last thing we want to do is to take yet more heat out of it at this time, either through austerity or big tax rises. Of course there will need to be a day of reckoning, of course once the economic crisis is largely over we will have to look at how we either cut saving or raise revenues or both in order to service and repay that debt. But in the meantime we need to tide ourselves over and sadly that does mean borrowing. And yes we do
1030 need to borrow in order to stimulate our economy.

Now capital works have been mentioned at length and capital works will be a big part of that and some Members have pointed out, well that is fine because there is lots of cash in the Capital Reserve. There is, but still not enough. We need more money to accelerate our capital programme and also, by the way, we need to cut out some of the red tape and bureaucracy that seems to
1035 constipate the whole capital programme of the States and make it almost impossible to move it forward if we are going to really stimulate the Guernsey economy through demand for construction.

In particular I think we should focus on capital projects which can lead to lower revenue costs without reducing service levels. Those could range from IT projects; certainly there is scope for IT projects that could maintain services at a lower cost and actually I make no apology for mentioning
1040 educational transformation. The latter should definitely be accelerated because whichever of the

four models – and I am not pre-empting anything, I promise you, but whichever of the four models – that the States have asked to be compared and contrasted, we end up adopting, it will deliver reduced running costs on the current model without any service reduction and possibly service enhancement. And then, sir, I think we need to be building more social housing because that will deliver a double whammy. Not only will it stimulate the economy through the construction but it will also tackle one of the likely society impacts of the current economic crisis that more people will actually need, unfortunately, to access social housing. So that would be a win-win.

Looking beyond capital projects we are going to need to invest in practical support both for business but also for the community. Helping businesses back on to their feet is going to be absolutely crucial. It is going to be right, front and centre of any recovery plan. But personally I would also like to see a boost to sport, the arts and to civil society put at the heart of that plan as well. We are going to need to feel positive again if we are going to act normally, if the demand side of our economy is going to recover.

So for all of those reasons I surrender. It is a bit like an equally rapid decision we were asked to make some years ago; in days when we were asked to buy Aurigny and I remember commenting at the time, ‘the last possible thing any government should do is own an airline’ but in the circumstances we were facing at the time I absolutely supported buying Aurigny and it is the same here. I hate borrowing but there is no choice in the circumstances we face.

So the real question is, how much should we borrow? And I find that really tricky. On one hand I do want to borrow as little as possible and repay it as quickly as possible. To that extent I think I understand the zeitgeist that led to Deputy Dudley-Owen’s amendment. Five hundred million pounds is a heck of a lot. To put it in context the UK’s current national debt stands at, I do not have the exact figure today, but it is around about £2 trillion. So if we do that usual trick of dividing by a thousand that would equate to £2 billion in the Guernsey context. So after many years of setting our paces against any sort of national debt, we propose to get 25% of the way to the UK’s dreadful level of indebtedness in one fell swoop. Now I know that, unlike its population, Guernsey’s GDP is actually a lot more than one thousandth of the UK’s GDP but the point still stands.

On the other hand, borrow too little and you are actually wasting that money because you are not achieving your aim. You are really not delivering enough clout to do what you want to do. It would be good money after bad. If we want to give our economy enough of a boost, to achieve, escape varsity, to break free from the dreadful gravitational pull of the Covid-19 induced economic crisis we need to really give it a bit of oomph, we need to give it quite a boost. So is half a million quid the right amount?

Now, sir, I am going to be brutally honest. I would like us to sit here today and say, we have elected P&R to consider these matters and they have access to the best possible advice so let us just back their judgement. Sadly, I am afraid I cannot do that for three reasons. The first is, as others have said, the seismic nature of this decision and the way it would impact on Guernsey for many years to come. The second is that their planning we are told is based on a 13-week lockdown. But that has already been eased significantly recently and, I hesitate to say this because I really do not want to either tempt fate or encourage any complacency within our society, but the trend in the number of active cases is really encouraging – down from 116 just a few weeks ago to just over 40 yesterday.

Now, of course, I know that even if there were no active cases it would not lead to the end of restrictions, it would not lead to the end of restrictions in the Island, and transport to and from the Island would probably be the last thing to be uncontrolled because of problems elsewhere – we would not want to re-import a second wave of Covid. But, sir, I am not sure that the plan P&R were using at the beginning of a 13-week total lockdown is valid anymore.

The third reason for not being sure about the quantum of any long term loan, and this is where I have to be absolutely honest, is that for many years there just seems to have been a hankering to borrow at the centre of our Government. I am not sure whether it was politician led or officer led, but it is an attitude that goes along something like these lines: when cash is so cheap you would be daft not to borrow, why not borrow?

Now I know that view has also been supported by many in the finance industry and I suppose those are their natural instincts and I am sure it makes a sort of logic. But the thing is I just do not feel that philosophy and my suspicious mind cannot help wondering if Covid-19 has simply provided the gateway for those who have always wanted to borrow and borrow big. And I really thought that those of us with an aversion to debt, that was no more than a small minded yokels' stubborn headedness. Sir, I am not saying that £500 million is too much; all I am saying is it is a heck of a lot and it needs to be justified. Now I understand this policy letter was rushed and it had to be flimsy. But the need to borrow all of this cash is not urgent. The need to borrow some of it is, the need to borrow the rest basically on the evidence I have seen is less urgent.

So, sir, I am pleased and relieved that we have got these amendments before us today. Both of which in a way, in different ways, will allow us to sign off the first quarter of a billion – say it quickly and it does not sound like very much! – but withhold judgement on the second quarter of a billion until we have far greater detail and justification. So which of these amendments to go for, because clearly I am going for one of them? I have some problem with both of them. With the Dudley-Owen/McSwiggan amendment, I am not convinced that it is not overly restrictive, restricting it to a short term borrowing facility lasting two or three years because it is clear that some of these borrowings are going to need to be long term. I wish it was not so, I really wish we were not starting from here but I think the case for medium to long term borrowing for that first quarter of a billion tranche is pretty much cast-iron from what I can see. And therefore I am reluctant to trammel P&R to that extent.

On the other hand, P&R's amendment worries me to some extent as well because (2) asks us to sign off in principle the whole half a billion today and, for all of the reasons I have just said, I am not convinced that I actually want to do that, I am not convinced that we need to do that. Now Deputy Le Tocq has said, 'Yes but they will have to come back for the second quarter of a billion'. But when you actually read 2(c) it makes....

The Bailiff: Deputy Roffey, there is a point of correction through Deputy Dudley-Owen

Deputy Dudley-Owen: Thank you. I ... *[Audio difficulties]*

The Bailiff: I think there is an echo. Have you got more than one speaker? (**Deputy Dudley-Owen:** No.) Okay that sounds better.

Deputy Dudley-Owen: It does, doesn't it? Yes, I heard the echo too but the speaker is not at my end.

If Deputy Roffey looks at Proposition 2(b) it states that there is the opportunity to extend the initial facility referred to in Proposition 2(a) beyond three years.

Deputy Roffey: Yes, I am aware of that, sir, but it does mean that in going out over the weeks ahead to actually secure the sort of borrowing that they actually want, I think they will be trammelled in a way that ideally I would not want to be. Now if people really think that there is a chance, *any chance*, that when they come back with a recovery plan we can say 'not convinced by this' to the extent that actually we are not going to renew that borrowing from two or three years, we have got to pay it back within two or three years. Goodness knows how we would do that. So I really think that is, personally, a bit too tight. I respect those who feel the opposite way, like Deputy Dudley-Owen does. But I think it is overly trammelling P&R.

But P&R, as I say, are asking us to agree in principle to the half million and also their safety net is not as safe as I really would like it to be because 2(c) in their amendment, basically says that they will only not have the right to go out and secure the second quarter of a billion if we refuse to endorse their recovery plan. Well we may actually pass their recovery plan, we may actually sign off to one, whether it is as started or whether it is as amended, and it may not require that extra quarter of a billion and yet we will have voted in favour in principle and if the recovery plan is passed then

they would be given permission, by today's Resolutions, to go ahead and do the second quarter of a billion.

So having scratched my head about it and decided where to go on this, I have decided I am going to vote for the P&R amendment but unless I get re-convinced by the members of P&R that for good sound reasons, explained in words of one syllable, 'we need this because ...', I will then vote when it becomes the main Propositions, against 2(a), in other words giving in principle vote for half a billion today and probably against 2(c) as well. That will allow them to go ahead as they see fit; it will still allow them to come back with a recovery plan; it will allow them to ask us for another £100 million, £150 million, £200 million, £250 million but it will not be pre-empting that. I feel they are getting a bit ahead of themselves. I understand why; they are running with this, they have got big plans, they have got a vision. The only thing is it may not be the same as ours. So I think that the only safe way ... I mean it is no small thing saying you can go out and borrow a quarter of a billion now and you can come back and make a case for more. I think that is the balanced way to go. So I vote for the P&R amendment but almost certainly against 2(a) and 2(c).

Thank you very much, sir.

The Bailiff: Before I call Deputy Gollop I will just explain for the benefit of those who are questioning the order in which I am calling speakers that I am following the guidance note that was issued in connection with the management of remote meetings which says in paragraph 17:

That the Presiding Officer will call Members to speak in the order in which they appear on his screen

– but of course it is only me who can see what is on my screen, you cannot. But that is the order that I am following and I will call Deputy Gollop and I hope that has given him a chance to get himself cued up; that should be his cue and then Deputy Prow.
Deputy Gollop.

Deputy Gollop: Thank you, sir.

I hope everyone can hear me. I found a lot to agree with Deputy Roffey in his speech which perhaps is not surprising in some ways because like him I go back a fair way in the States and like him I sit on the Employment and Social Security board. He, of course, also sits on the Investment sub-committee, a role he is eminently suited for given his past long term experience as a director and chairman and member of the pension fund of the well-known and popular Channel Islands Co-operative Society, which of course is a corporate business but of a different kind.

Unlike him, sadly though, I cannot claim as many Guernsey genes or trousers as he has got because my ancestry, although it may have some Channel Island roots, the Norman roots, it is predominantly more Scottish, Dorset, maybe European, maybe even a little bit Jewish, who knows. I have not perhaps got in my DNA the aversion to borrowing. I must admit over the years I have borrowed quite a bit on property assets and other things and that has sometimes led into difficult situations and therefore I know both sides of the borrowing scenario. It can lead to opportunities such as acquiring a business or being able to have experiences you would not otherwise have or for health reasons. On the other hand it can lead to a decline in one's family and personal wealth and difficult decisions being made.

I do think when you get into the sophistication of the financial markets – and we have relatively few members who are really knowledgeable on that sector, I would argue Deputy Trott and Deputy St Pier are two that are – that there are many different ways to borrow and risk a leverage and we also have to consider that. And perhaps the traditional aversion of the Guernseyman and woman to borrow has either been directly led by not only to our incredible prosperity since 1940's but also our perhaps rather over high property prices because one has seen perhaps people investing in property as landlords which has had consequences and the caution perhaps has led to a rather high arbitrage society.

Moving on from that, I too agree with Deputy Roffey that we need an oomph and a boost to our economy – in fact I could give a little boost to myself I think – and that in spreading the word

1195 around, the money around, we need not just to focus on big business but on arts, sports, small enterprises, the small entrepreneur and indeed I would argue personally the individual as well.

I think there is a difference between the Deputies Le Tocq/St Pier amendment, the Policy & Resources amendment and the Deputies Dudley-Owen/McSwiggan amendment because it very much emphasises the role of the individual and I think we on Social Security would be more comfortable if we approved to delegate authority to the Policy & Resources Committee to approve financial support measures for businesses and individuals.

And, of course, it is a grey area sometimes whether a person is in business or a self-employed individual or a non-employed individual who nevertheless sells services or works for gain. And to think cover all those bases and ensure maximum flexibility, I would support the wording of the amendment which I do in most other respects as well.

I would like to point out that –

The Bailiff: Deputy Gollop, there is a point of correction from Deputy Trott.
Deputy Trott.

Deputy Trott: Yes, sir. The first time that this matter was mentioned I let it go. It has now been mentioned twice and I think it does need to be corrected.

The non-incorporation of the word ‘individuals’ in Proposition 1 is not in the least bit relevant. The £100 million is for business support. The States have already approved £30 million from the General Revenue account reserve which will cover the requirements for individuals. I believe, sir, Deputy Le Tocq did make that point in his opening remarks. So the reference to individuals is completely superfluous, it is not relevant in the slightest.

Thank you, sir.

The Bailiff: Deputy Gollop.

Deputy Gollop: Well I am sorry for being irrelevant again but I think though that actually weakens the Policy & Resources bid because we are being asked as Members to sign off a huge amount of money to the business sector without necessarily knowing the direction that it would go to; the micro implementation and the criteria for selection. I mean, for example, although we would all like to see a business regeneration I think some members of the community would be unhappy if money was being given to businesses which had substantial assets or had principals with substantial incomes, who are still retaining, by other people’s standards, if you like ‘fat cat’ incomes. So that is one problem.

Another problem which goes back to my earlier nuanced point is where an individual wishes to be a small business person or have a business or more than one business and whether that individual would be eligible, not as an individual but in the context of being part of or part owner –

The Bailiff: Deputy Gollop, Deputy St Pier also has a point of correction.
Deputy St Pier.

Deputy St Pier: Yes, thank you, sir.

Again the policy letter is clear as to the use of £100 million in relation to business cause and the business support measures that have already been set out and agreed, so the use of it to support the sorts of businesses with assets that Deputy Gollop is referring to is really out of scope. And in relation to the matter of individuals, if an individual is operating as a business, whether as a sole trader or whether in partnership as an individual with other individuals that would be regarded as business support. The individuals’ support, as Deputy Trott referred to, is dealt with elsewhere but if an individual is trading it would be something for the business support covered by this Proposition.

The Bailiff: Yes. Deputy Gollop.

Deputy Gollop: In thanking Deputy St Pier for his clarification, again the details on how the support would be given are not fully available to States' Members and there is a question of governance as to who makes the decisions, as to who would be eligible to receive the millions. Would it be the Civil Contingency Authority, a future emergency cabinet, Policy & Resources politically, Economic Development politically, a separate group of public officials or civil servants, or the great and the good from other sectors or a special entity? We do not know.

And that would also raise another issue because it was suggested, I think at the presentation, that the whole States would continue to be in charge of the process but in reality I do not think it would be useful or helpful for all 39 of us to actually have Propositions whether to support, I do not know, for the sake of argument, John Gollop restaurants or John Gollop hotels. Not that they exist.

And so somebody beyond the nature of the selected chamber will be having to make decisions based upon guidelines and policy and in that sense we will be backing winners but not collectively. So that is another reason why I am a bit more cautious, despite supporting in general intervention in the economy for the Dudley-Owen/McSwiggan amendment.

As for the details of it I think, given the magnitude of the decision making we are doing, and the need to be clear as Deputy Roffey said of the extent of the damage which actually, hopefully, will be a bit less than the worst case scenario will predict. I would prefer the more measured approach I think of the Deputy Dudley-Owen/McSwiggan amendment which I think more accurately reflects States' Members' feelings, especially those Members who in a perfect world would not borrow at all.

I understand we still have £149 million in different ways of the Bond money that we have not used in one form or another and I also understand that the cost to the States is unknown but might be somewhere between £172 million and £190 million which is to some extent covered by many of the decisions and reserves we already have.

I understand the arguments about not selling assets when the market is low. I think we have had prudent investment managements which has prevented the losses from being as bad as they could have been and for that reason I can see the logic of borrowing in order to ensure that we do so at the right time. I would imagine, actually, that some international equities and bonds will rapidly rise if we come to a successful end of the Covid crisis later this year or next year because it will be a positive time. Maybe I am wrong in that. The property market, I think, is less certain as well as the market for businesses, but what do I know? I am not an expert with a crystal ball in this respect. But I do support the idea of the initial £250 million and then being followed at a subsequent occasion perhaps by the Assembly to be elected after this one for the £250 million if we need it. Or we would have a greater idea of whether that would be, say, building a new harbour or a new airport runway or a new tourist attraction or whatever.

I think we need a much greater indication of the best way of supporting our economy and society. The other reason I particularly like the McSwiggan/Dudley-Owen amendment is it brings back our old friend that some of us longer term States' Members will remember – I wonder if Deputy Fallaize will comment on this if he speaks, for example, to agree that the Policy & Resources Committee will commission the Independent Fiscal Policy Review panel to undertake regular reviews on the economic and fiscal recovery plan on a six monthly basis. Now I used to attend those presentations, read the report, occasionally even did media briefings if they rang me up to comment. I remember Prof. Wood from the University of Buckingham very well and Dr McLaughlan who was a senior bank economist and they were perhaps less Keynesian and more fiscally conservative. Prof. Wood I recall was quite a fan of supply-side economics and almost American Republican financial ideas in some ways. But they never the less gave us a useful benchmark and bulwark against other communities of a similar size and invariably praised us for our rectitude. I remember the advice given was 'spend on infrastructure but not on overly high welfare if you have to spend'.

I would like to see them or maybe newer economists come over and advise us as to the best way forward. And I think that is a useful failsafe both for ourselves as States' Members and the wider corporate community and public. So at this stage I do urge the States to support Policy & Resources overall but as amended by the Dudley-Owen/McSwiggan amendment as the soundest way forward on the evidence we have.

Thanking you.

The Bailiff: Thank you, Deputy Gollop. Next, Deputy Prow, to be followed by Deputy Merrett.

Deputy Prow: Thank you, Mr Bailiff.

Sir, we live in extraordinary and very challenging times so I would like to respond to amendments 2 and 3 and, like Deputy Roffey, I do not think I will have a need to speak in general debate.

If I can first mention amendment 2. Could I start by thanking Deputy Dudley-Owen and Deputy McSwiggan for laying this amendment? I think, sir, it has added so much value to this debate. I would also like to thank both those Deputies for listening and engaging with other Deputies in helping to build this amendment.

Sir, the Propositions before us, contained in a 19-page policy letter, are arguably the most wide ranging this Assembly and its predecessors have ever had to contemplate. The sums of money involved, in the words of Deputy St Pier, are eye watering. The £100 million mentioned in Proposition 1 to support businesses pales into insignificance to the half a billion debt proposed by the intended borrowing as outlined in the original Proposition 2, which will need to be repaid by us, our children and possibly our grandchildren. In pointing this out, sir, I would ask for this Assembly when we consider this very carefully that we continue to do this calmly and respectfully. Today, sir, is not the day for grandstanding speeches or physical point scoring but to try and act in the best interests of all within this Bailiwick at a time when we realise that the economic recovery is as vital as our management of the house crisis. I suggest the word Bailiwick because I am sure the Alderney Representatives and indeed our friends in Sark are feeling this every much as we are in Guernsey.

In doing so, sir, we should perhaps pay tribute, as others have already done, to the senior committee P&R, the Civil Contingency Authority and the Committee for Health & Social Care, as advised and guided by our excellent Director of Public Health and all the relevant officers who support them. Politically these teams have been ably fronted by Deputy St Pier and Deputy Soulsby, unruffled by the seriousness and with honesty.

Today Guernsey's Government appears to mostly have the confidence of the public. We need to maintain this as we now address the economic fall-out. In normal circumstances this term for elected Members should be drawing to an end but we, rather than the electorate, have extended it for over a year.

So, sir, it is in that context we make decisions and it is our duty to properly scrutinise and appropriately challenge the policy letter. That scrutiny commenced with a letter from Scrutiny Management Committee dated 24th April and I thank them for sending it. The letter has teased out many unanswered questions.

Sir, I completely get Proposition 1. This is to allow P&R to pay £100 million for the financial support measures already promised, and rightly so, from the core investment reserve. Guernsey is experiencing more than a rainy day, actually more akin to the hundred years' storm that we refer to when debating coastal defences. This is therefore the right pot of money and the sums seem right. Sir, the P&R amendment adds a caveat to the original Propositions that on a quarterly basis inform the public how the money is spent and this has got to be right. And I support this part of the amendment and I note that this is duplicated and copies the wording of amendment 2 except for one slight difference.

The only change at this stage is whether in rightly putting this in place so quickly, and well done for that, all the people who need and deserve help have been given it. The self-employed spring to mind and those whose businesses' income has fallen to zero, like tourism. I am not sure that measures referred to in the policy letter at 3.10 and 3.13 are adequate. It is clear they are last in line

when it comes to relaxing the lockdown measures. Sir, I would ask the President of P&R or another member of P&R to respond to this when we come to summing up. Our tourism and hospitality sector is in a grave situation, which is more and different to others. We need to think differently. Things need to be done and done now.

Sir, now I move onto Proposition 2 and how the amendment improves the original. I am referring to amendment 2. Sir, at the moment I much prefer amendment 2 but I will need much persuasion that the Propositions as they originally appear allay my concerns. Again, dealing with the bit I get, the expression I would use is that we have an immediate cash flow problem. We certainly will, to use the official jargon, have severe and structural decline in public finances.

Sir, tucked away in the bullet point at 4.3 in the policy letter where are informed that there will be a reduction in States' revenue, lower income and then indirect taxation coming in – at the time when the States is funding support schemes and additional Social Security benefit payments. Sir, I understand why a first tranche of borrowing may be needed, calculated by P&R as £250,000, and concede there might be an argument to borrow rather than exhaust the Core Investment Fund.

But, sir, how much? And then, of course, there is the question raised in the Scrutiny Management Committee letter around the type of borrowing, cost, timing of the drawdown of the tranches and crucially how would the borrowing be repaid. But the policy letter is shy about this and perhaps putting it in the rather-too-difficult-to-do tray. Sir, there is a graphic at section 6.3, the little yellow box all by itself, which is the Capital Reserve, unallocated £230 million.

Sir, what we do not know and what we need to know is what proportion of funding can be made available by reallocation or reprioritisation of the existing States' funds or assets, including the Capital Reserve but also transformation of other pockets spread around our project heads.

Sir, I would urge this exercise to happen quickly and with the full engagement of States, not just P&R and the Committees. In short, we need to ring out all the existing cash we can before we borrow and inflict the burden of the debt on the taxpayer. Sir, we are constantly being reminded that Covid-19 is a game changing event and the new normal will not work the same. That also applies to our policies, the most important of which will be to reignite the economy. Sir, I obviously should have referred to £250 million earlier in this section of my speech so I apologise.

Sir, my challenge surrounds what is now contained in 2(a) of the amendment which enables us to borrow £250 million and whether we have sufficient information or cohesive arguments to do this today. I again refer to how amendment 2 deals with this. The case is absolutely made out that we need to support the economy. What we do not know is the how and by how much. The only real broad brush answer seems to be around construction but we also know it can look very different post Covid-19.

I have already mentioned tourism which needs help now. Not much has been mentioned of the finance sector who will not come through this unscathed and may need initiatives from Government. Sir, I understand that we need to be investing in areas which will support and reinvigorate industry. But in doing so our main thrust must surely be the local businesses. Large construction imports labour and sees our money disappear off Island. Procurement rules must change, even if it makes projects more expensive. This, in my view, sir, must be a key part of our recovery plan. Local industry and businesses must come first.

Sir, there is much to do, to put in place before we commit to further massive borrowing. I perfectly understand that the economy will need investment and that borrowing will be required. I support the £100 million from the core investment strategy and, as said, the first £250 million will cope with the cash flow and immediate economic investment. What the policy letter does not fully inform, or the amendment 4, is how much more we will need to borrow, what it will be spent on and how will we pay it back.

Sir, I ask Members to support amendment 2.

Thank you, sir.

The Bailiff: Thank you.

Now Deputy Merrett, to be followed by Deputy Laurie Queripel.

Deputy Merrett.

Deputy Merrett: Thank you, sir.

1405 I intend speaking just to the amendment, sir, to try and keep this part of the debate as short as possible. My first comment is regarding Proposition 1; this is after all £100 million of taxpayers' hard earned money but importantly, sir, it is money that we have actually saved. It is from the core investment reserve, our rainy day fund, but even so the original Proposition as amended simply states financial support measures for businesses. It is not clear to me, sir, if this is a continuation of existing support measures or if they will be different. So I am disappointed to note that Policy &
1410 Resources have not consulted with Economic Development or Employment & Social Security because this concerns me as we are but a virtual meeting away. We must start communicating more and not live in our own little committee bubbles. I ask because as we gather more data, as we live through this lockdown it is becoming more apparent as to which businesses may need support over the longer term and which do not.

1415 For example, sir, the £3,000 grant: many may have snapped it up, some may have survived without it, some did not claim it as they have enough reserves and/or, sir, they have a strong mandate of corporate social responsibility. Some claim who have been in desperate need and some need an awful lot more. So I ask will future financial support for businesses be more targeted, as spoken to by Deputy Prow, hospitality, hairdressers, hygienists, physiotherapists?

1420 Further, sir, we debated the initial package under another Rule 18 paper in a sitting at St James. I think my papers and actually even my shoes, sir, are still there. We did that at the beginning of April. The papers were submitted with just over two hours' notice before we debated it; the paper listed what the money was for.

1425 Now, sir, I support waiving the mooring fees for our registered and licensed fishing fleet until the end of the year, but I believe what we should have also considered is the wider scope of commercial vessels who unlike the fishing fleet cannot leave the Pontoon at all and who relied primarily on the visitor market. They will need all the local support they can get when they can eventually cast off. I notice that the President of the STSB who has considered my concerns, who has endeavoured to act proactively but as the States have not directed the waiving of any fees or
1430 licensing, he is in an unenviable position. Of course their payments could be deferred but they are dependent on seasonal trade or the visitor market. If they cannot even untie from the Pontoon then they cannot trade, which means they are incurring expenses with no revenue streams. So even by deferring it, sir, how much debt are they prepared to carry? Because debt of course is incurred by deferral. Now debt can be very stressful and this debt is arguably no fault of their own. So will these
1435 businesses be considered for a fee waive? It has become clearer that these local businesses will not be able to trade for a longer period of time than perhaps first expected.

Sir, we know that mistakes were made with self-employed and sole traders. After a swift and most appreciated response, they were included. But it would be good to know if the business support for these members of our community will be back paid; is that in this £100 million?

1440 Now I appreciate, sir, we are learning as we go and adapting as we go and it is evident to me that Policy & Resources are listening to some sectors and they are working and flexing quickly.

Further, this £100 million is needed through the closure and phased release. Now last week States' Members were advised that the phased release would be imminent. Now it is understandable the time scales are evidence based but when will we have the phased release programme? The
1445 media briefing yesterday alluded to it being next week. Now this, I believe, is being determined by Health & Social Care but are they working in the bubble or are they working alongside Policy & Resources and Economic Development? So clearly the dates and timings will be evidence led. But I ask this as the phased release programme, the exit strategy, will clearly help our economic modelling.

1450 Arguably further, sir, this could be the light at the end of some of our communities' dark tunnels or give us all the incentive that we have to keep the faith. We have to keep social distancing. What it will do, sir, is it will make it clearer to our community as to which of our business sectors could be

restricted for trading for longer. I am looking forward to receiving that exit plan as soon as possible. In fact Deputy Trott said earlier, sir, when he opened, that we have an exit plan but I thought it was still being determined.

There are so many questions that I hope can be answered in this debate as they are reasonable questions which must have been considered but that any of this in Proposition 1 is important to me and I believe to our community, for us to receive quarterly updates so when it states report the quarterly basis, the voice of doubt, sir, I believe that means the Assembly and not simply a quarterly media release. So I would appreciate it if Deputy Le Tocq and Deputy Dudley-Owen could confirm that is the intent of the addition of these words in amendment 1.

Now is it easy, sir? Some States' Members can get a little blasé about how many millions but this is still £100 million. A million pounds is not a non-event, it is an awful lot of money and an awful lot of hard graft to earn it and save it. Therefore this insertion which has been copied from the McSwiggan drafting is really important. We did not get the initial package right for businesses, it is work in progress but when we get it wrong the stresses and damage to local businesses are clearly immense. So I am hopeful that the quarterly updates to Members, if either of the amendments pass will enable more voices heard, Members can continue to lobby for more or less support for different business sectors and most importantly our community knows where their hard earned cash is going.

However, sir, Members know, the substantial difference is in amendment 2. Now 4.9 in the policy paper states that an economic recovery plan is being devised, is being agreed, costed and funded. Now I believe, sir, that that is when we should be deciding the what, when, how much and how we are going to repay it over a period of time. Repay is not mentioned in the policy paper. Now pay back, well, sir, it is always unpalatable but maybe that is why it is not in there. Is there even intent to pay off any borrowing or is the intention that the national debt, is that the part of the new norm? Or in the future will there be a need for a sharp increase in taxes or cutting our services to pay off the capital of the loan?

Now Deputy Trott said 'invest in the future' but how much should we indebt the future? Deputy Trott also said 'borrow what we can afford to service and that we cannot afford not to do this'. He did not say 'borrow what we can afford to repay'. So I cannot imagine taking out a loan with no idea of paying it back or perhaps it is because there is no intention of paying it back. I would never borrow money to buy a car, for example, because I can walk, catch a bus or cycle, I would save and then buy a car. But my attitude to buying a house is completely different and so why and what for is key to my decision making or is it borrow in haste, repay in leisure or was that repent in leisure?

Now how much would the borrowing cost that I can service? How much to have it on standby per annum? I would appreciate it if Jonathan Le Tocq or Deputy Dudley-Owen could remind the Assembly and our community how much it costs to tap the bonds. Now we wish to be an open and transparent Government, so what are the estimates for borrowing £500 million over what length of time? Is the borrowing meant to flatten the economic curve or is it trying to put off the rainy day?

Now 2(a) in the Dudley-Owen amendment has been explained and I agree. It explicitly states that the first tranche is in the shorter term. Of course Deputy Roffey looked to see there was an irony in having a rainy day fund and when it is pouring people cannot actually get to it quickly enough. We are where we are and we need to understand and determine that this is a short term borrowing and we intend repaying it and quickly.

Now 2(b) of the Jonathan Le Tocq amendment simply says 'on such terms as the conditions as the committee themselves deem appropriate'. There is no mention, sir, of any pay back. The other amendment makes it clear, my query, and the basis on which it is imposed such borrowing will be repaid. Now, maybe Policy & Resources will propose that they do not have any intention of repaying some or all of the capital, they will have a national debt that we will owe –

The Bailiff: I can no longer hear you, Deputy Merrett.

Deputy Merrett: ... is much better than the original Propositions? But the amendments tick all of the boxes, so whereas I may support the Jonathan Le Tocq amendment in the first instance, that

1505 does not mean my preference is that amendment as my understanding, sir, is we will have the opportunity to vote on the other amendment straight after.

Thank you, sir.

The Bailiff: Thank you. Deputy Laurie Queripel and then Deputy Inder.

1510

Deputy Laurie Queripel: Thank you, sir. I must apologise I was offline for quite a while so I missed quite a bit of what Deputy Merrett said unfortunately, so I really hope I do not repeat or at least I can say it in a different way.

1515 But I just wanted to touch on the P&R amendment first, sir, just briefly being led by Deputy Le Tocq and seconded by Deputy St Pier. I accept what Deputy Le Tocq said at the start: it is a sincere attempt to try to address or to respond to some concerns raised by some States' Members. But nonetheless when you compare it to the second amendment, the one being led by Deputy Dudley-Owen, it is a light version of that. For me there are crucial things missing from the P&R amendments so I much prefer the amendments being made by Deputy Dudley-Owen and Deputy McSwiggan, 1520 sir. Even that one does not go quite far enough for me but at the moment it is the best game in town.

Now also, like Deputy Roffey and Deputy Prow actually, these amendments are so all-encompassing I think it is really difficult to avoid speaking generally so I probably will do that in the course of what I have to say.

1525 To start off, sir, this policy letter, this document, is a document I hope never to see, sir, and I am fairly confident all colleagues will share that view, albeit some may have less concerns than I. Sir, I thought Covid-19 was horror movie enough but here is the sequel.

I just wanted to start, sir, with the first figure mentioned in Proposition 2(a) of the second amendment, the one being led by Deputy Dudley-Owen, the short term borrowing of £250 million 1530 in order to meet the immediate cash flow requirement of the States. Now, sir, even though this first amount is subject to, as I understand it anyway, the conditions of the second amount is subject to a breakdown in 2(b), I think those conditions need to cover a fair bit of ground and I just want to get some clarity and perhaps some confirmation from Deputy Dudley-Owen or Deputy McSwiggan and perhaps members of P&R on what they might result in, what they might produce under those 1535 conditions that are laid out in the amendment.

So I stand by the comments in the Scrutiny Management Committee letter to P&R that an emergency budget should have been produced or should be produced, because aside from the excellent reasons given in the letter as to why that surely counts, how else will States' Members get a picture of the state of financing across the whole organisation? Surely a document like that will 1540 give an indication where funds could be spared from to cut into the amount that needs to be borrowed in the short term. That is the kind of thing I will be looking for from a document, an emergency Budget document.

Sir, I am also seeking assurances the first £250 million will not be maxed out just because it might be available. If less than the £250 million will do the job, if £200 million or £220 million will do the 1545 job then all the better as far as I am concerned. Now, sir, also with regard to that first £250 million, although I understand that P&R are saying there is a fairly urgent need to sort that out. I still think some additional sort of wider oversight needs to be exercised there, some ability to scrutinise that.

I realise, sir, in the amendment from Deputy Dudley-Owen, in 2(c) it talks about an Independent Fiscal Policy Review Panel but I am not sure if that only applies to the second tranche of £250 million 1550 or if it applies to the first tranche as well. If it does not refer to the first tranche, and I am not saying that it should but I still believe a second pair of eyes is needed in regard to that first tranche, sir, as to how that facility is used and why it is used, sir. It cannot just be the function of the few. I accept that not every decision can be made by 40 or 39 States' Members, sir. But we are going along with the slogan of Guernsey Together so I do think there needs to be some oversight aside from those 1555 that will be immediately dealing with this, just to check, just to look over their shoulder as to how and why, sir. Although I have not spoken to my colleagues on the Scrutiny Management Committee,

so I am not saying it could or should be aware, I just wonder if the Scrutiny and Management Committee via its financial arms, sir, the financial scrutiny panel could play a role in providing some additional oversight and scrutiny in regard to that first amount.

1560 Now the other point that relates equally to the second amount, perhaps more so but for me this is sort of a first principles comment really and it is in the form of two questions – how will the public sector respond to this new reality; what plan will there be in regard to the size, shape and cost of the public sector? So even accepting that we do have a longer term and quite complex transformation programme in place – it is so complex I do not always understand it and what it is
1565 doing – with many initiatives attached to it we need something simpler, something more immediate and something that is going to be effective in the short term, sir, and something that produces tangible results, something that demonstrates to islanders, because it is islanders that the debt is going to be imposed upon and they are going to play a large part in paying it back, especially if it is the whole £500 million, something that demonstrates to islanders that the Government and the
1570 administration are going to share the pain. This cannot be a reset, an as-you-were sort of situation.

Because, sir, just to give an example, I can just imagine the reaction of the community a bit further down the line if all this money is borrowed, a new highly paid Civil Service person appointed or that salaries at the higher end have been further enhanced by increases and rises, but that just will not be palatable at all if we go down this road of borrowing heavily.

1575 I acknowledge that skills and expertise exist at that level and that they need to be there. But this, as I say, sir, is the new reality, we are all calling it that. And there are public sector employees much further down the pay ladder who in their own way are equally important and provide vital services to the community, sir, whether they bring, care, repair, maintain or deliver etc. These practical skills are needed and that is more apparent now than ever in this new reality. So that plan, sir, for me,
1580 that sort of almost quick and dirty plan in regard to the public sector has to come forward as part of this borrowing programme and ideally I would like to see it come forward in line with the first tranche of £250 million.

Sir, I just wanted to move onto the second amount, the additional £250 million. I am even more doubtful or dubious about this and therefore I do draw some comfort from the conditions that
1585 applied to that in this amendment. I know there are conditions that apply to it in the P&R amendment too, sir, but in the second amendment they are beefier by comparison.

But nonetheless I do want to draw out some issues and make some observations and provide some suggestions and also raise some warning points. Whereas Deputy Trott has said, memorably, just a few weeks ago, this is not confetti we are talking about, it is money. So he knows just how
1590 serious this situation is and he probably knows better than anybody how serious this is.

There will be the capital to pay back and the interest that will not come by any magic money tree, it will not come by any magic money group. It will have to be paid back by General Revenue, so income received by the States via taxes and charges, which of course means to a great extent from the pockets of the public, sir.

1595 I just wanted to address and hopefully get some response to this idea of borrowing versus using what we have to hand. Now I am not a dullard, sir, I get the point that when the market and investments are at a low point asset value will fall or could be lost. So that has to be set against the possibility that borrowing in this way could put the Island in a cycle of endless debt, sir, the beginning of a long slippery slope and that we may never again build up sufficient resources to
1600 embark on capital and infrastructure projects in the future without needing to resort to borrowing. That we would be facing a prospect of a permanent national debt if things do not work out too well, which is a likely consequence actually, sir; it is not a small risk, it is a likely consequence of going down this road. Getting on a treadmill of needing to raise more revenue to do a number of things that service a debt, build up reserves again and fund services. And the shadow of deeper
1605 cuts might begin to loom if that is the case.

So there is a good chance that it will not be a one-off if you go down that road, it will not be a one time thing. Now, sir, I am not trying to be a doom merchant, I like to be an optimist, but there is another side to this story and it does need to be told and somebody has to tell it and I do not

1610 think P&R are really going to tell it because they want to promote this as being a positive thing and
a right reaction to the crisis we are having and we are facing. But this other side of the story, these
possibilities, sir, have to be articulated, these concerns.

1615 Now in addition to that, sir, we might think the market might be in a better place in six months'
time, in a year's time, in two years' time, so we can then cash in some assets. But actually it might
be at a lower ebb, this might be as good as it gets, sir. So when we try and cash in in the future,
even to pay back the shorter term larger credit, sir, in fact the market could actually be at a lower
ebb. So when is the right time to cash in at least some of our assets? It is all very chancy, sir, there
is no exact science here. So some Members may think that the chance is worth taking, not only in
regard to the first amount but also to the second £250 million, sir but we have to understand there
is a big risk.

1620 Sir, with all these things in mind I just wanted to turn to 6.3 in the policy letter, that would have
been on page 14 if there were page numbers but it is under 6.3, and it is a very helpful illustration
that I am grateful to P&R for providing this. I mean it illustrates, it lays out the pots of money under
control of the States. I do not know, sir, if these figures are accurate even though this policy letter
was published only a short while ago, things might have changed even in that short time in regard
1625 to the figures that are in these various pots of money.

1630 But even taking out the core investment reserves, sir, so bearing in mind that £100 million is
likely to be taken out of there and there will be about £90 million left, even taking out that and
taking out the Brexit transition fund, for obvious reasons, there is £2 million left in there, taking out
overseas aid, there is £1 million left in there; taking out the General Revenue account reserves, sir,
there is £24 million in there, and taking out the Health Service allocation, sir, which is mentioned a
bit further down on that page, that is £120 million, even taking all those things out so leaving some
reserves in place we have, as mentioned by previous speakers, £230 million in the Capital Reserve,
£140 million in the Bond, £13 million in the T & T transformation fund – now I think that is up for
grabs, sir. Even the policy letter says we might have to revisit the transformation programme so I
1635 think that is up for grabs. And there is also the future Guernsey Economic Fund, now there is £3
million in that. If there was ever a time to be considering using that money it has got to be now.
And also, sir, there is a Corporate Housing Programme fund which is £22 million. Now by my
calculations add up to £408 million.

1640 Now I do not understand why it cannot at least be a mixture of some borrowing and using what
we have liquidity-wise. Why has it got to be a binary choice – you either borrow or you are left with
no other choice.

1645 For example, sir, and Deputy Roffey touched on this, it would seem perfectly reasonable to me
to use some of the Corporate Housing fund to create social and affordable housing, that is not an
outside of the box argument, is it? So that would tick so many boxes, sir, that would be a capital
project, it would be part of your economic stimulus and it would put in place a much needed social
provision. As Deputy Roffey said, I think the list is only going to grow as a result of what we are
dealing with regard a need for social and affordable housing. And so other carefully and well-chosen
projects could tap into the Capital Reserve and the Bond. I am showing, sir, that actually I can be
flexible on these things because I know there are rules around the Bond and how proceeds are
1650 allowed to be accessed from it and not accessed from it. But even I, sir, am prepared to, and I know
that work is ongoing anyway, but even I am prepared to revisit those rules under these current
circumstances.

1655 So I want to make it clear, sir, I am not preaching the gospel of austerity but neither am I keen
to splash the cash, especially when it is not our cash to splash. Sir, there is a balance to be had and
I would rather use some of what we have in the wake of Covid-19 recovery programme, consisting
of some well-chosen projects that meet certain criteria that will add real and lasting value, rather
than a so-called judicious programme that might well produce some white elephants.

And also, sir, we need to learn lessons from the past so when Zero-10 came into being the theory
was, at least in part, that economic growth would make up for the foregone revenue and that was

1660 a reasonable theory and it was sincerely put forward. But of course what was round the corner, what happened next was the global credit crunch.

Now, sir, in order to service a long term loan, so the second quarter of a billion, in a sustainable manner, we need our economy to at least recover to pre-Covid-19 crisis levels and actually more than that, real ongoing economic growth is required and there is simply no guarantee of that. No wonder I am very concerned in particular about the second tranche of money.

Another lesson we need to learn, sir, I have referred to it before, we have the Bond, £140 million, but remember that this is sitting unallocated, sir. But this predictive use of the proceeds of the Bond when it was debated in the last term and approved, sir, have not been realised. Only some of the proceeds of the Bond have been used. Now fortunately, sir, the unallocated amount, the £140 million which there is now, that amount was invested and we have been lucky. But the general golden rule is, from people who know about these things, you do not borrow to invest. So we have been lucky that unallocated amount has not caused us too many problems.

Sir, Guernsey does moderate, it does not do radical or reckless. By and large moderate has served us well, sir. Even when the Island was on its back, not on its knees, on its back after the Occupation, by and large that moderate approach was adopted and it has helped get to where we are today or where we were a very short while ago, so it is a tried and trusted method.

Now the other slight concern I have about the second amendment, the Deputy Dudley-Owen amendment, and Deputy Prow also referred to this, is it does not explicitly call for, as far as I can tell, a re-prioritisation process exercise where we review previously approved projects and allocations. So I need some assurance around that, ideally I suppose that would come from the Members of P&R, but that exercise will be conducted, it will be done in a meaningful way and we would definitely go about looking to re-prioritise previously approved projects and allocations.

So, sir, I do not want to move quickly when we do not have to. I understand the need to move with some urgency in regard to the first tranche. What I want is informed decision making based on detail and information when proper scrutiny can be applied by all of the States, sir. And that is our job, sir, it has always been our job. And actually we talk about the need to move quickly but actually in this time that we live in, and bearing in mind what the future holds, sir, it is even more important that we give proper and serious and informed consideration on any decisions that we make.

Yes, sir, I will be the first to admit I am not a financier, I am not an accountant, I am not an economist, I do not have those qualifications, I do not have that professional experience. I do not want this to sound trite but I am a Guernseyman, sir, and it is in the Guernsey nature to be shrewd and prudent and resourceful. Deputy Roffey in his own way referred to that. So that is why I am saying these things, sir, and I agree with Deputy Prow, this issue is far too serious, far too important to be about egos or anyone winning the day. It is about making the best decision in the public interest and for our community, sir, and that is how I believe this debate should be approached and that is how I have tried to approach it.

Thank you, sir.

1700 **The Bailiff:** Next Deputy Inder, to be followed by Deputy Green.
Deputy Inder.

Deputy Inder: Thank you, sir.

There have been some very good speeches so far and Members will be glad to know it has probably cut down my speech quite substantially because so many points have been covered so far.

So, sir, and for your information I am probably going to drift into general debate, but it should be fairly quick, it is almost impossible not to and I will not be speaking in general debate at the end of this process.

1710 Sir, Members firstly I am going to commend Deputy Trott for his opening speech and Deputy Le Tocq and Policy & Resources for not taking a belligerent line on any of the amendments. We are,

of course, trying to work through this together and, as Deputy Trott said in his opening speech, this decision will be the most significant any of us are ever likely to make in our political careers and Guernsey does need to work together on this.

1715 Now, when Deputy Trott opened he cast a fairly grim picture of where the world is and laid bare the financial position we are in today, and importantly where we are likely to be tomorrow, if not a few years ahead of us. And given he has worked really hard over the last few weeks on the various rescue packages, and that is commendable, I will take the immediate cashflow problems as explained by the States' Treasurer as a fact, and I therefore agree with Proposition 1 and I also
1720 accept that we need a tranche of an extra £250 million. But as I believe, probably, Deputy Queripel in his role on Scrutiny and Deputy Dudley-Owen in her very good opening speech, I have reservations about governance, accountability and transparency and I will get to the amendment shortly.

1725 I also accept Deputy Trott's premise that a future Guernsey will be about confidence and capital works will play a part in that but I would maintain, sir, that is in the medium term. Where I part company is how capital projects will immediately assist the economy as we head out of, I suppose, what would be the phase 4 of the management of this virus.

And in the policy letter, 5.3 and 5.4 have sort of conjoined with this premise and 5.3 talks about Government's key role in, and I quote 'facilitating and exploiting economic opportunities' and it
1730 goes on to say:

This could include [for example], kick-starting the local construction industry through accelerating the [public sector] capital investment programme...

And there has been talk within the debate whether we could not access for some of our immediate cash flow problems.

5.4 then says:

1735 Therefore, it is considered that allowance of up to a further £250million is made available in order to fund the longer-term implications of Covid-19 on States' finances and to facilitate economic recovery.

Now, sir, Members, great works buried in development frameworks, environmental impact assessments and consultations, such as the sea front strategy will not kick start the economy; they simply will not kick start the economy if we mean that day 1 after phase 4 is when things start. They are too far in the distance to have that immediate effect on the economy and where Government
1740 expenditure will probably be more important will be things like maintenance programmes.

I doubt anyone in the Assembly believes we are suddenly going to suspend the planning process and start building any project in the short term or by Christmas. We know that is not going to happen. So, for example, something that would help the economy, let us say it was towards the end of the year, phase 4 people could start working, Government could start pumping money into the
1745 economy. Something that would start the economy immediately would be things like, maybe, Environment & Infrastructure extending their works programme on sea walls; that would throw money into maintaining our infrastructures, possibly STSB looking at maintenance works for the harbours. If there was ever part of our facilities that need looking at it is certainly the harbours, but that would immediately throw money into the economy – electrical, mechanical. Sport & Culture
1750 finishing the work at the Grammar School roof, fast tracking its own maintenance programmes on facilities and those things would immediately pump money into the companies.

Pretending that large works ... if anything they are going to overheat the economy, that are going to happen immediately, is just not true.

But what I will agree with though, sir, is Deputy Trott is absolutely correct that when we come
1755 out of this we need to come out of this process confidently and the message will have to be, and needs to be, very positive. I have got great faith in Guernsey. We have survived so many things in the past. As there have been dips in world economies, Guernsey always seems to have had a smaller dip, so I have a lot more confidence in the economy, it may be unrealistic, but that is where I am.

But as we come out it needs to be tempered with a reality check on the cost to the public. I mean borrowing and spending are the two easiest things to do in the world, it is the paying back that is obviously going to be the hangover.

Turning to the amendments in front of us, sir, the significant differences seem to be, and I think they have been stated, both amendments, the Dudley-Owen and the Le Tocq amendments, have similar Propositions in Proposition 1, I do not think anyone will disagree with that – excuse me, sir, I am about to cough – the difference is that in the Dudley-Owen amendment the initial agreement is to agree the initial £250 million short term, whereas Proposition 2, in the Le Tocq amendment, says agree in principle £500 million, the first tranche £250 million on any terms the Committee sees fit and the additional subtext to be agreed subject to the recovery plan approval; whereas the difference with the Dudley-Owen one is to be agreed subject to recovery plan approval and indication as to how it is being paid back. I do not think we can avoid that conversation. It is too easy to take the drug of borrowing and spending and the hangover later when we tell people how they are going to pay it back. I honestly believe ... we are talking about transparency and openness. If we are going to borrow the money we need to know, we need to tell the public and give them an indication of how it is going to be spent.

Now, sir, similarly to Deputy Roffey and probably, I think, Deputy Laurie Queripel has touched on it as well, I was brought up knowing a few things, and one of them was the management of money: if you have not got it you do not spend it, borrowing is the last thing you do, do not borrow more than you can afford to pay back. Now, of course, in government you cannot bring those rules directly to the table but you can bring those principles. I am naturally, like Deputy Roffey and Deputy Queripel, cautious with money. I know I am not spending *my* money when I am in government, and I know everything I do will impact on the taxpayer and I continue to rail against what I perceive as waste, and that will never change, that is in my DNA.

At the moment I am largely in favour of the Dudley-Owen and McSwiggan amendment, it looks more cautious, it seems to have more checks and balances in the process and, extremely important to me, is that it will inform the public on how they are going to pay it back, whereas the Le Tocq and St Pier amendment does not. And, sir, I know it might sound a bit odd, it just feels a bit more Guernsey to me.

I will add one other piece to this before I close, I do not think anyone has actually mentioned austerity, well I have not heard any Members of the States talk about that they want to have a process of austerity and that is a bit of a dead cat strategy. If you introduce that into the argument and it is so shocking and it is one that no one has ever proposed, I have never heard any Deputy utter a preference for austerity.

But, sir, out of this, we simply cannot have an economy in tatters and the organisation to remain largely intact and I think Deputy Queripel touched on that as well; that will not be acceptable. We need to reduce our cost base as soon as possible. Now that is a difficult piece of work that has been promised and it has never been delivered, and there is no more pressing time than that today. Sir, as I have said to you borrowing is easy, spending is easy, dealing with our fixed costs and the conversation with the public will be less easy.

I do have one question actually for Deputy Le Tocq and possibly Deputy St Pier, when I am sure he is going to speak on the amendment. Just about the delegated authority, currently the States voted to give Policy & Resources up to £2 million. Now, both of these amendments are peppered with the words 'recovery plan' but I do have one last question. There may well be a recovery plan but does Policy & Resources have the delegated authority to spend up to £2 million outside of the recovery plan? So, for example, there is a recovery plan, someone turns up the next day, the States have agreed a recovery plan, it is not in the agreement of the States, does Policy & Resources have that ability to effectively spend up to £2 million on an individual case and, more importantly, how many of those cases could they rack up with their...? So, sir, in the main, I am inclined to support the Dudley-Owen and McSwiggan amendment at the moment.

Thank you, sir.

The Bailiff: Well it is very nearly four o'clock, I propose that we rise now and resume at 4.10 p.m., when I will call Deputy Green to be followed by Deputy Tooley. We rise until 4.10 p.m.

*The Assembly adjourned at 4 p.m.
and resumed its sitting at 4.10 p.m.*

**COVID-19 Pandemic – Funding of Financial Response –
Debate continued**

The Bailiff: Members of the States, welcome back, I will call first Deputy Green to be followed by Deputy Tooley.

Deputy Green: Sir, thank you very much.

I will aim to speak just on the amendment, sir, as I can still speak in general debate on behalf of my Committee. Firstly I am grateful that both of these amendments have been laid. I think they have certainly teased out many of the issues that my Committee was concerned about. I think at the moment I am marginally more in favour of the wording of the amendment from Deputies Dudley-Owen and McSwiggan over the P&R amendment but it is only marginal, and I will try to explain that in the course of this speech, which will be relatively short.

My Committee certainly was of the view that the two distinct limbs of the borrowing did need to be separated out so I am glad that both these amendments seek to do that. My Committee certainly feels that the necessity in the case of the short-term borrowing to meet the immediate financial pressures in the first tranche of £250 million is absolutely justified, it is time for a score and needs to go ahead ASAP, the case for that is very clear.

But we were always of the view that, although we did not disagree as such with the principle of the further tranche of £250 million for more longer-term economic recovery borrowing, we did think that ultimately that part of the borrowing should come back to the States in a policy letter explaining in more detail how those funds might be applied and the broad terms of that borrowing. Because, if as suggested, the recovery plan could be ready in a matter of a few weeks that really would be the best time for the Assembly to really scrutinise and provide the actual authorisation for the second tranche. That was certainly the sort of view that my Committee had.

So generally, sir, in my view I think our approach as a Government here to the borrowing should be in stages and step by step, as I have just indicated. I think the original Propositions in the policy letter, I must say, I must give plaudits to those who put together the policy letter because obviously it is a relatively short document, it was done at pace in very exceptional circumstances. I think those who put that together do deserve credit. It is admirably brief bearing in mind the nature of it. Brevity is a good thing, I think, and it does encapsulate most of the relevant issues.

But yes, sir, the original Proposition, I think, if unamended, did seem to suggest a certain *carte blanche* and I am glad that we are having this discussion about these two particular amendments to hopefully inject rather more governance and transparency into certainly the second tranche of the borrowing that we are discussing.

To come back to the differences between the amendments, I certainly think the Le Tocq/St Pier amendment does go some of the way to addressing some of the concerns that I and my Committee have had with the original Propositions. But I do think, certainly in one crucial respect the Dudley-Owen/McSwiggan amendment is better in my view, and that is with the explicit point that it says any additional £250 million borrowed would have to be agreed subject to the recovery plan approval and an indication of how the borrowing would actually be paid back. I think that is an important consideration which the other amendment lacks.

I did say when I opened, sir, that I find this decision a marginal one and I think it is quite a close decision because in one respect, and Deputy Roffey I think made this point, I do think the Le Tocq

and St Pier amendment does have a certain advantage over the other one, which is in terms of the initial borrowing of £250 million. Because the P&R amendment does obviously seek rather more flexibility in terms of how that is arranged and managed when it talks about the first tranche being subject to being on any terms the Committee sees fit rather than the slightly more restrictive wording in the Dudley-Owen/McSwiggan amendment, and I understand both points of view. But I do think that if we can inject into the situation some more governance in terms of the need for a further debate about this and the need for the recovery plan to be endorsed before we drawdown on the second part. There is an argument that P&R or whoever it is who is going to drive this process forward does need a certain flexibility on the first amount. So that is why I am slightly struggling with this.

I think on balance I will probably, at the moment, go with the Dudley-Owen/McSwiggan amendment but as I say it is a tricky one.

I agreed with many of the previous speakers in terms of those, including Deputy Dudley-Owen, her staff who have made the case for the States proceeding in a considered and well informed matter, particularly with regards to the longer-term borrowing, I agreed with much of what she said in her opening.

But the final remarks that I wanted to make is that both of these amendments in common do introduce expressly the role of the independent fiscal policy review and I strongly endorse that in both amendments. I do think that sort of arrangement – I think Deputy Le Tocq referred to that as strong governance and independent assurance – is absolutely vital and it will inevitably, I think, be something that we will need as a jurisdiction, we will need that external scrutiny and that external assurance.

Of course, all of that is in conjunction and complementary to the work streams of my own Committee and, of course, we will endeavour to provide as much oversight as we possibly can in terms of the borrowing, the recovery plan and all the rest of it. These are unprecedented times and quite rightly this is now our sole priority as a scrutiny function.

But, yes, I just wanted to say that I think both amendments rightly emphasise that role for the independent fiscal policy review. It is perhaps very important to make sure we get the right people on that review team, but that will be an argument for another day.

In conclusion, sir, it is a difficult one, I think I can just about support the Deputy Dudley-Owen amendment over the other one but I will listen very carefully to the rest of the debate and I will speak further in general debate.

Thank you, sir.

The Bailiff: Next Deputy Tooley to be followed by Deputy de Lisle.

Deputy Tooley: Thank you, sir.

On so important and significant an issue I think it is likely that absolutely everyone will want to speak, and so I guess here is my two-penn'orth. I am afraid it is more a series of bullet points than it is a speech, taking us through the thought process that I have gone through in considering both the original Proposition and the two amendments before us.

I will start by saying, as so many have, we should not borrow more than we need but neither, I think, should we tie ourselves to borrowing less than we might require. Much as I will want to see evidence of how the money has been spent, I want far more to see plans for how it *will be* spent. Realistic plans, which make clear that spending is possible at that level in areas which will aid recovery. The spending will need to begin soon and it will need to support outcomes that are needed or wanted, not simply work for the sake of work, spending for the sake of spending.

Bothered though I am about the amount of overall debt, I am far more bothered about the annual cost of servicing that debt. We already have budgets pared almost to the bone. There will need to be identified new income streams, particularly as the creeks and rivulets which feed the existing streams are likely to be dry or at least reduced to a trickle for some time.

1905 Education, for example, is going to require investment to support students back to the level expected for their stage of learning, after weeks of remote education. Deputy Inder is right, people do not call for austerity but they dress it up as reducing our cost base, as cutting the civil service, as considering what third party contracts we really need and what we do not. This is not to my mind a time for cuts. You do not invigorate an economy with cuts.

1910 So for me both amendments are better than the original but neither is perfect and I am as yet undecided both between them and between their individual Propositions. I am here to be persuaded by debate and would welcome answer to my queries and assurance from the proposers and seconders of both amendments.

Thank you, sir.

1915

The Bailiff: Deputy de Lisle and then Deputy Smithies.

Deputy de Lisle: Yes, thank you, sir.

1920 Both these amendments back borrowing and I did not support the taking out of the existing bond of £330 million. Sir, we are dealing with commitments of public funds, and I have no intention of committing our Island taxpayers to borrowing when we have more than adequate reserves to see us through this crisis.

1925 What must worry taxpayers, sir, is the difficulty in payback. How is the Island going to pay off this loan? As the global economy retrenches in the next few years and Guernsey suffers a shrinking economy, falling wages and property prices and a reduced population, all this would make any chance to repay the loan difficult.

Guernsey taxpayers, sir, have been taxed to the hilt in recent years. Borrowing will add to the burden and many worry about the debt being passed on to their children and grandchildren.

1930 So I will not be supporting either amendment; I prefer to use some of the States investments instead of borrowing.

Thank you, sir.

The Bailiff: Thank you.

Deputy Smithies and then Deputy Graham.

1935

Deputy Smithies: Thank you, sir.

I was initially instinctively totally opposed to any borrowing, mostly for the reasons clearly articulated by Deputies Roffey and Laurie Queripel. But lo, like them, I now recognise there is a need to have liquidity through short-term borrowing.

1940 However, my problem with amendment 3 is the important omission of the term 'of the short-term borrowing'. We were told that two to three years was planned and now it seems to be open-ended and to me that is unacceptable. Why it has not appeared in amendment 3 is a puzzle. Deputy Trott in his long article in yesterday's *Guernsey Press* wrote, and I quote:

But one golden rule still applies. We can borrow only what we can afford to pay back. So how do we propose to do it? For the immediate requirement of up to £250m., a short-term facility...

Repeat, a short-term facility

1945

... of a revolving credit facility or similar for a period of 2-3 years...

And again, I repeat, two to three years

...is being considered.

Further, in a presentation to Deputies earlier this week we were told of plans to seek short-term borrowing, again over a two to three year period, a facility of £250 million which would enable P&R to consider whether to liquidate reserves or to convert to long-term borrowing, during or at the

1950 end of that period. I hope after bringing this back to the States, but cannot be sure, because we are not told.

Now this made perfect sense to me, and I am not clear what has changed between that presentation and the laying of amendment 3. As has been referred to, Guernsey has something in the region of £500 million in the General Revenue fund, un-lent bond proceeds and the Core Investment Reserve, also the uncommitted part of the Capital Reserve. Now, this is more than enough to guarantee the repayment of the £250 million short term loan.

Amendment 2 acknowledges the short term nature of the first tranche and that is why I will support it and vote against amendment 3 and support the Deputy Dudley-Owen and Deputy McSwiggan amendment, amendment 2.

1960 Thank you, sir.

The Bailiff: Thank you.

Now Deputy Graham to be followed by Deputy Oliver.

1965 **Deputy Graham:** Thank you Mr Bailiff. I am going to speak to the amendments and I have three points to make.

The first is the need to be clear of what the recovery plan should be about. In my view, we need to have a substantial recovery plan with a clear aim that is paying for itself through kick starting the economy onto an altogether different level and not simply limiting itself to cover the amounts paid out and the loss of revenues incurred during the current constrained regime. The current emergency, detestable as it is, is also a life time opportunity to put Guernsey, and indeed Alderney, on a different growth trajectory as we come out of this period.

1970 The enemy of this opportunity is to repeat the short termism and the administrative and political seizure which have characterised much of this States term and, to be fair, its recent predecessors. A characterisation which amendment 2 and much of the narrative around it so far seems to embody. If that is thought to be too abrasive perhaps I should say 'excessive caution' but there is not much of a distinction between the two.

1980 My second point is to comment on the issue of borrowing versus cashing in our investment assts. To sell now would be to incur substantial losses at the very time when we can least afford them. That is a point well-articulated earlier by Deputy Roffey, echoing the words of the late John Roper. Financing by borrowing at low interest rates enables us to time any sale of our assets over a medium-term period so that these sales can be used to repay part of our loans.

1985 Now that brings me onto my third point, since the second point is really about having a financing policy, and that is the independent fiscal policy review panel which is a feature of both of the amendments. Now I heard Deputy Green eulogising about the role of this but I need to be a little bit clearer before I come out in enthusiastic support of it, I have a number of questions about it. The very name causes me to reflect, 'independent fiscal policy review panel'. Now in my view the economic recovery plan is much more about fiscal policy, fiscal policy is in there but, as I have said, the borrowing and financing policy is also part of it, there ought to be a recovery policy in the sense of having some idea of what the structured recovery is going to look like. And then there is the whole business of the balance of where we invest what resources we have.

1990 Now I think to call it an independent fiscal policy review panel unnecessarily narrows down what we may be expecting of that panel, and I would like to be clearer about how wide its ambit is first of all. Okay, so what is in a name? But more important, who is going to be in it and who is going to choose who is going to be in it; and by what process is that selection of who is going to be on it going to be made? And what powers is it going to have? Independent; independent of what? Is it going to be an adviser and an assessor or is it going to be a director and a part executive with the powers of decision making? And in that case, any non-political element of it had better be non-voting.

2000 So I support in principle the need for expert and detached advice and monitoring of what we
are doing, but I need to be clearer before I share Deputy Green's enthusiasm for it. At the moment
I am going to vote for amendment 3 on its merits.

The Bailiff: Next Deputy Oliver to be followed by Alderney Representative Roberts.
2005 Deputy Oliver.

Deputy Oliver: Thank you, sir.

As many have said, I personally feel that this debate and these amendments are the most
important we have had this term. We are deciding basically three things: the first £100 million from
2010 the Capital Reserve, I cannot see anyone voting against this but I would like to point out that I
believe this is to extend the grant to businesses but we have to look at it more closely. We must
remember a £3,000 grant for one person i.e. a painter will probably cover the overheads. However,
the same £3,000 grant for a hotel in the hospitality at the moment is grossly unfair, it will hardly
cover the overheads and it provides very little help. So I do hope this money is spent wisely and
2015 generally helps our economy now and going forward in the short term.

I also think that the second point of the £250 million in the short term, I think this will be passed
by a majority. However, secondly where we go onto the further £250 million, I think this is where
opinions differ. Many Deputies have said this more eloquently the arguments both for and against.
In the States we seem to love visions. Well everyone should have the same vision to make our
2020 economy great but each of us have different opinions, courage and risk of how to get there. With
this additional money it would be a mistake to rebuild what we have with all its faults. This is a one
off opportunity to really create something special that will benefit the whole Island. We could deliver
an environmentally, socially, more caring community while being physically responsible.

Now, I much prefer amendment 2 and this is just a very small part but I want to know, and I think
2025 it is so important in my view, the basis of which the proposed such borrowing will be repaid. We
are talking about interest rates between, I think, 1.2, 2.4, well that is an eye-watering amount of
interest that would need to be repaid each year. We need to make sure we know what we are doing
and have a clean plan. After all some of our ideas have been talked about for the best part of two
decades. You only have to look at the sea front enhancement, plan after plan, quite similar to all the
2030 others, but nothing actually has ever been done. I do not want this money to have that same effect
that it is just plans. We need to make a clear plan and follow it.

This debt, if approved, will last approximately 30 years. Well, 30 years ago we were given a rainy
day fund. I want to make sure our legacy for our children and our children's children is not an awful
decision and to burden them with debt that we cannot repay, which is why I want to be sure we
2035 have the money required to ensure the rebuild of our economy and hopefully make it flourish. While
also making sure, and more importantly, that we can repay this, unless obviously that you just want
a debt, in which I really do not want to go down that road.

Thank you, sir.

The Bailiff: Alderney Representative Roberts to be followed by Deputy Langlois.
2040

Alderney Representative Roberts: Thank you, sir.

My own view would be to ensure this plan was marked Bailiwick wide. For example, with both
Guernsey and Alderney. Deputy Roffey spoke well on capital projects. I also support the concept on
2045 the needed capital projects to inflate the economy with money and then kick start that economy.
That was the solution recommended by Keynes after the Great Depression and it was fundamental
to the Marshall Plan after World War 2, and it worked. Which is what P&R are planning, quite rightly,
I must add. But we must also have risk analysis in place.

Sir, spending on this massive level simply has to be brought back to the States for approval, in
2050 my humble view. But the plan should be marked Bailiwick wide and yes we do feel the same in
Alderney and Sark.

Sir, Deputy Dudley-Owen spoke so well of this transparency and integrity and it is indeed the right, honourable, thing to do in these modern times. So much hard work went into this to defend those very rights, undertaken late into last night, and I applaud them all. The debt will be great, however, if we invest wisely in our future, the right decisions made now may be the Bailiwick's salvation. We may need the very best advice available in the world to get things right and we should not be ashamed to ask for it. I am certainly no economist, not many are, but we may need that advice.

Sir, spending on this massive level simply has to be brought back to the States for approval, in my humble opinion, but the plan should be marked Bailiwick wide, and yes we do feel the same in Alderney and Sark, Deputy Prow, thank you very much.

The Bailiff: Now Deputy Langlois to be followed by Deputy Parkinson.

Deputy Langlois: Thank you, sir.

Like Deputy Oliver, I sense a majority consensus to authorise spending £100 million from the Core Investment Reserve and for establishing a £250 million short-term credit facility, so I will not dwell on those issues, although I prefer the way amendment 2 expresses both authorisations.

I intend speak to the more fundamental difference between the two amendments, that is whether or not the States has enough information before it to give P&R the authority to increase the Island's already substantial long-term debt by 150%, notwithstanding the welcome caveat now included in sub-clause 2(c) of amendment 3's Proposition 2.

Ten years ago the States rejected a radical proposal to borrow £180 million but four years later, to the surprise of many, it agreed to borrow £330 million committing us, or rather the next generation of islanders, to repaying that capital in decades to come and to finding about £12 million a year in interest for the period of the debt.

Those once in a generation low interest rates continue to fall and we still have 42%, £140 million, of those borrowings languishing in our reserves. In part because our trading bodies can now borrow more cheaply in the market. With a straightforward tweak of the rules those remaining millions would be available in lieu of piling on yet more long-term debt, as Deputy Laurie Queripel has already pointed out.

The whole point of the Island holding reserves is to avoid unnecessary borrowing. As borrowing without a central bank our own currency will control interest rates there is a much higher degree of risk than large jurisdictions face.

There is a key passage in section 1.7 of the policy letter regarding our reserves, where it is stated that:

Selling assets at this time in the cycle would be inadvisable and would crystallise losses for some elements of the portfolio.

And this is quite true in normal circumstances but it is not necessarily true when those crystallised losses are set against the cost of borrowing the equivalent amount. That comes down to a question of faith in the future performance of the markets against the known cost of borrowing.

For comparative purposes one would need to make some assumptions but the policy letter does not even attempt that. It simply states the inadvisability of liquidating our reserves assets, in these circumstances as if it was a self-evident truth, which it is not, for all the talk of opportunity costs.

Now, I might be giving the impression that I am against borrowing but it is far from the truth. In fact, I consider our current rules on the expenditure of the bond money are too stringent. I have never understood the logic in precluding spending bond money on a school's new science block but allowing it to be spent on a sewage treatment plant. If islanders pay through their taxes, or through charges, what is the fundamental difference?

What I do believe is that approving borrowing has to be done knowingly, not on a wave of panic and hubris. Last time we went to the markets it was from a position of strength, this time it will be from a much weaker position, even in desperation. Markets sense that sort of thing and the interest

rates, along with the other costs quoted in the policy letter, are likely to prove optimistic. Deputy Trott simply said this is a 'crisis like no other' but that is true by definition of all crises. We are always fully prepared to meet the last crisis, never the current one.

2105 **The Bailiff:** Deputy Langlois, there is a point of correction from Deputy Trott.

Deputy Trott: It was a very good speech and I was loath to do it but our rating remains the same today as it did when we went for the first fund and therefore we are likely to be considered the same which is where the issue around net debt comes in. But, no, our rating is equivalent today
2110 where it was the last time we went to the market.

The Bailiff: Thank you Deputy Trott. Deputy Langlois.

Deputy Langlois: Thank you, sir. Well, only time will tell.
2115 In amendment 3 P&R has reread its proposals in a different format but the only major change is that a second tranche of borrowing shall be contingent on the States approving a recovery strategy. In reality that adds very little reassurance. Economic plans rarely last their course or achieve what was intended. For instance, our Medium Term Financial Plan, despite all the time and effort that was spent modelling the immediate future, was struggling to remain intact even before the pandemic
2120 arrived.

Yes, some form of plan will be necessary, but it should incorporate social and environmental issues as well as economic ones. Its existence cannot give P&R carte blanche to go to the market, borrow another quarter of a billion pounds and convert the first quarter of a billion into long term debt. Amendment 2, on the other hand, gives the Policy & Resources Committee all the tools and
2125 direction it needs to face the immediate effects of the pandemic, without the States abrogating its responsibility to make a decision on long-term borrowing in lieu of liquidating assets, only with more substantive arguments in front of it.

Thank you, sir.

2130 **The Bailiff:** Thank you.
Next Deputy Parkinson and then Deputy Le Clerc.

Deputy Parkinson: Thank you, sir.

I want to focus on the differences between amendment 2 and amendment 3 and the points
2135 which will determine which I think is the better option. Both clearly have many similarities, we are talking about taking £100 million from reserves and borrowing ultimately up to £500 million. But the Policy & Resources amendment would provide flexibility in the terms of the first tranche whereas Deputy Dudley-Owen and Deputy McSwiggan's amendment would restrict the term of the first tranche to two to three years, and I do not think that is realistic. Clearly the first tranche cannot be
2140 repaid out of income within two or three years, so it will only be repayable in that time frame out of sales of financial assets etc.

Now, according to the *Wall Street Journal* taking account of all the US bear markets since the mid-1920s, it took an average of 3.1 years for the broad market to recover from its pre-bear market peak. For example, the 2007-08 global financial crisis it took about four years for the markets to
2145 recover to their previous levels. So, the Policy & Resources Committee or the States of Guernsey to repaying the first tranche within two or three years I think is simply unrealistic. Of course, the McSwiggan and Dudley-Owen amendment would, I presume in terms of the second tranche, allow monies outstanding from the first tranche to be extended into the period beyond three years. But I think it is more sensible to allow Policy & Resources the flexibility in taking borrowings out to
2150 negotiate the terms that give Guernsey the best possible result, for example, in terms of lowest costs.

Both of these amendments require the States to approve a recovery strategy before the second tranche is taken out and I totally agree with that. But the Dudley-Owen and McSwiggan amendment also requires the States to give general approval to the terms of the second tranche of borrowing. And I am not sure that negotiating those terms on the floor of the Assembly is going to be a sensible way forward. This is going to be a technical discussion which – alright you could have a States debate which sets broad terms in terms of the duration of the borrowing and the likely level of interest rate – but those general prescriptions would be so vague as, frankly, not to be particularly useful, so I do not see that as a particularly helpful safeguard.

Having considered both amendments carefully, I think amendment 3, the Le Tocq amendment, gives P&R a bit more flexibility in addressing the markets, and I think it is more likely that the time frame and the duration of the borrowing required in tranche 1 will exceed two to three years and that the Dudley-Owen/McSwiggan amendment would potentially put pressure on the States to sell assets into a market that still has not recovered from the current market collapse. So I am going to support P&R amendment number 3 and not amendment 2.

Thank you, sir.

The Bailiff: Thank you. Deputy Le Clerc.

Deputy Le Clerc: Thank you, sir. Sir,

I have got a few points to make. I am still uncertain about Proposition 1, the P&R Proposition, excluding individuals from that Proposition and I will try and explain why, although I know that Deputy Trott and Deputy St Pier have already intervened early on in the debate. And if I draw people's attention to paragraph 2.3, in that paragraph it talked about the previous policy letter that:

There is likely to be a requirement for additional funding in excess of the initial £30million in order to fund measures which are well judged, proportionate and relevant to the Bailiwick's needs.

And it says it was to support business and community.

Then if you go onto paragraph 3.15, and again it refers to the policy letter that we debated in March, on the original £30 million, and it said:

It is likely that any further funding requirements would require use of the Core Investment Reserve, established to be used in the exceptional and specific circumstances of severe and structural decline in public sector finances...

Etc. So my question is how much of the original £30 million has been spent? And for me, is the £100 million in addition to the £30 million, and if so it should incorporate the community or individual part of that Proposition if it is to add to the original £30 million.

But I will move on, sir. I have to agree with Deputy Roffey on a couple of points regarding austerity and tax increases because I also do not believe that this is the way out but the fiscal review agreed in January clearly indicated some level of increase and that was taxes and insurance contributions would most likely be required. So my question is, where does all this fit in the fiscal review? It must be looked at statistically but we need to manage expectations and I just want to be clear and ask the question, if we are proposing borrowing does that mean to say that we are excluding any increases of taxes and insurance under that fiscal review? So we need to manage the public's expectation on that, is it one or the other or will it still be potentially a combination of the two?

I do appreciate that we do need short term borrowing for very immediate liquidity, and I know that from an employment and social security perspective because we still have benefits to be paid out of the insurance fund and we still need to maintain pension payments and usually we use part of the incoming contributions to offset those payments. And occasionally we need to drawdown on our investment funds. But I think I need to be transparent with regard to our employment and social security investments and our insurance fund because we do have an investment of £122 million, that will be maturing in July of this year. So I think some of the arguments for not selling at this

time because it is the wrong time have perhaps been slightly over-egged because we have got the maturity of £122 million that we will have to look for a place for investment in July.

2200 So with regard to the recovery strategy, again I would like to understand who will be involved in drawing up this strategy. Will it be external, internal input, committees involved? And, I must say, I was disappointed, I know the policy paper has been put together very quickly but there was not even a quick and dirty outline of what might be included in that strategy.

2205 Members have talked about investment in the building and construction industry and I absolutely agree that this would be a good way to get some recovery back into our economy. I think I agree with Deputy Inder that realistically with all the bureaucracy and red tape I think it will be at least a year before we could ever get a spade in the ground for any publically owned building programme and provide any economic benefit to our construction industry. And I know we need to build more social housing. We have a housing review which will now probably be postponed or delayed but I think, as Deputy Roffey explained, we do need some social housing now and we do
2210 need a housing review to tell us that we need to do that.

Again, I made some calls with Deputy Tindall yesterday regarding planning requirements. I still think that even though we need that urgent rebuilding programme to start, that again it is unlikely that we will get a spade in the ground for a year on even some of those developments. We have two potential sites: the Fontaine Vinery and a private development in La Vrangue that would also
2215 provide, potentially, some social housing. And the development frameworks have been with the DPA since 2019, and again speaking to Deputy Tindall yesterday I think there has been some miscommunication over that.

I do not want to make any accusations, but I think it just highlights there is so much red tape that we have to go through. There is so much governance and oversight that we bog ourselves
2220 down with. I would like to see a spade in the ground for some of these developments in September but realistically I just do not think it is going to happen.

We have got a corporate housing fund that we can fund some of this major development work, so we should not need to borrow for some of these quick wins. But with regard to the private housing development GP11 is hampering any major developments and a review of the planning
2225 DPA has now been delayed after the debate last week. So I cannot really see any major development coming in on the private development side.

And something else – I am sorry I am being doom and gloom here but I am trying to be realistic – bank lending policies may also change in light of Covid-19, so any lending policies may also depress our housing market. So I think any economic boost to the building economy needs to come
2230 from government intervention.

The modernisation of the hospitals has been talked about, an economic enabler but again what is the realistic time to get a spade in the ground and how much of that building work is specialist building work and how much of the supplies will need to come from non-local suppliers? Something that I think Members feel quite strongly that any intervention from government needs to encourage
2235 local suppliers and provide work for local suppliers.

With regard to financial services, I think the effect of Covid-19 on the finance industry will only be obvious in the third and fourth quarter of this year and there will be a time lag. I expect the current work that we rely on in the finance industry is the previous pipeline business. But with the lack of off-island travel, opportunity to press the flesh, do the deal, attend trade seminars and publicise what the Island can offer, where will the future business come from? And I would like to
2240 understand how any of the proposed borrowing would assist the finance industry.

And on another note with regard to the finance industry we have also got Brexit so we do not know what impact this will have and we also do not know from a borrowing perspective and an investment perspective what that might have on the future performance of investments. I think we
2245 are saying that now is not the time to liquidate our assets but actually when will that time be?

Like others, I am concerned about the lack of a repayment plan. This will take our total borrowing to around £900 million. Will we still be on target with the downturn in the economy to repay the borrowing of that original bond?

2250 We know for many years we have tried to diversify our economy and although there has been some growth it has hardly been spectacular, and like others I just want to understand how we intend paying back all of these loans.

2255 Sir, I am sorry that this has been a bit of a doom and gloom speech but I have some real concerns about our long-term employment combined with long-term sickness due to the stress and anxiety of the economy and what has happened over the last few weeks. But before I commit to substantial borrowing I need to understand how the money would be spent to kick start the economy.

At the moment, I am inclined to support amendment 2 rather than amendment 3 and we do require that additional time to assess and fully consider our options and understand what and how much we need to spend on recovery, but ultimately I will decide when I have listened to other Members during this debate.

2260 Thank you, sir.

The Bailiff: Thank you Deputy Le Clerc. Unless I have missed anyone I do not think there is anybody in the queue to speak at the moment. Ah, Deputy Soulsby and then Deputy Tindall.

2265 **Deputy Soulsby:** Thank you, sir.

I am only going to be very brief. I am just endorsing what Deputy Le Clerc just said. It kind of resonates with where I have been over all this. I think the comment made around the treacle that we have to go through for capital projects is well made, and contrast that with the policy letter we have in front of us asking for £500 million is only a matter of a few pages. Compare that with the full business cases that we have to go through, programme business cases, outline business cases until we get to the very end. That is why our projects take years and years, even before a spade goes in the ground. But here we have one small policy letter which is going to be the biggest expenditure that we have had for years. So I really do resonate with Deputy Le Clerc on that and I do think we should use this and understand life is not going to be the same as it has been, we do have to be more open and take those risks.

2275 We are going to have to take risks to be able to get back into a new normal and really kick start the economy. We have historically been very risk averse to the point of trying to negate all risk which means we end up going nowhere. So I think that is really important for the future, and I think if nothing else out of all this debate it would be something that I would like P&R to take back and consider and look in the round about how processes can be streamlined, we have seen it happen over the last few weeks.

2285 I mean, it has been really great to see how when we have needed funding, say for the hospital, and putting in a new path-lab very quickly and getting the equipment, when it needs to be done it is done. And I think if only we can move towards more of that mind set in the future, that would be really great.

2290 Just turning back to the amendments, I find it really difficult because I find that some of the comments made have been really good and I have been very much wanting to support amendment 2. I have that concern that we are just giving £500 million away and that is it, although I do appreciate there is reporting back. And although I have to say Deputy Parkinson's comments about putting restrictions on the funding could be a problem if the markets have not recovered.

2295 In many ways the markets do not seem to be following exactly where things are going at the moment. It feels like, for me, the markets have not twigged how fundamental the impact of this virus is across the whole world and I can see that although we think the markets are depressed now and that is the reason why we need to borrow now because we will make a big loss. There is no indication that the market is going to improve in a few months or in two or three years' time.

It was Deputy Parkinson's speech that really made me think and unless there is someone else with a different view point on that I might well vote for amendment 3. For me, it will be very much in the summing up.

2300 **The Bailiff:** Thank you. Deputy Tindall and then Deputy Meerveld.

Deputy Tindall: Thank you, sir.

I am grateful for both P&R and Deputies Dudley-Owen and McSwiggan for enabling this single debate on both amendments and more importantly for the involved Propositions we are considering.

I asked myself many questions to enable me to make a decision and all but one appears to me to remain unanswered and that is why the authority to borrow the full amount of £500 million is needed in principle now. We have been referred to the IMFs April 2020 fiscal monitor in the policy letter and I wish to use a few short quotes to highlight the way in which I believe we should be thinking.

The IMF say:

Advanced economies with ample fiscal space can take advantage of low interest rates...

So, do we have ample fiscal space or, in my own words, what can we afford to do? The first point to consider is the choice between selling investments or borrowing. I asked P&R for details of the cost of selling investments compared to the cost of a two-to-three year rolling credit facility or RCF. Deputy Trott advised, by email, that the sale of investments would, compared to the position at the end of 2019, crystallise a loss of approximately 7%. Clearly, any sale is subject to market conditions which could deteriorate very quickly, sorry caveat that. RCF for three years at a rate of 1.7%, the top end of the estimate, would cost approximately 5% over three years. He continued by saying that, of course, there is no guarantee that investments will recover but a forced sale now takes away the potential of benefiting from any recovery in the markets. As long as our investment returns exceed the interest paid, and the fees for the RCF over the period, it would be profitable to have a RCF instead of selling investments now.

Deputy de Lisle says he feels we should sell our investments but I am satisfied that borrowing is more appropriate than selling investments at this time. I have to say, Deputy Le Clerc's comment does make me question this to some extent and I hope that will be catered for in the summing up.

The IMF goes on to say that the borrowing should:

...boost already weak potential growth by increasing spending on health care, research and development, training, and infrastructure – alongside changes to tax-benefit systems that can enhance resilience and raise productivity.

And further:

This would call for accelerating the implementation of already-budgeted investment projects, expediting previously planned discretionary measures, and planning for more fiscal support over time depending on available fiscal space.

The IMF referred:

Investing for the future remains an important priority for health care systems, infrastructure, low-carbon technologies, education, and research.

More particularly in relation to Guernsey and the Bailiwick, the IMF referred to China and said:

China is also expected to use its fiscal space to provide significant additional support for the recovery and reorientate the economy toward a higher-quality growth path.

The Economic Development's policy letter on the States' Economic Development Strategy emphasised the need to seek a higher quality growth path.

In my view, the energy policy letter and the Climate Change Action Plan should be major influences in our recovery plan. Our finance industry remains remarkably strong in the circumstances and in particular our green finance offering will, I believe, assist the global aim to look for sustainable green solutions. We can help the planet continue to heal and to build on the opportunity it has taken to do so during the worldwide lockdowns.

At this point, sir, I wish to comment in my capacity as President of the Development & Planning Authority. As I said last week in the debate on the pause of the five year review of the IDP, the planners need direction on what the States wants us to focus on to help enable the recovery. By seeking a pause the committee wish to see the ability to re-prioritise the work streams, to encourage development for affordable housing in regeneration areas and conversations to do so have been had with officers over last weeks. La Vrangue and Fontaine Vinery are being processed but the DPA were told that the Fontaine Vinery in particular were on a three to five year timeline so were not prioritised.

I am grateful to Deputy Le Clerc yesterday for identifying the Guernsey Housing Association's revised priorities in this regard and their new urgency and these development frameworks will hopefully be finalised shortly.

I can reassure Deputy Inder, we do not need to ignore the planning process to enable development. We have several more development frameworks approved and more in the pipeline. It is the financial incentive for development to go ahead that is the sticking block, and I ask Members to not assume that planning is the problem but to please look at the bigger picture.

The IMF continues and says that:

Financing constraints should be taken into account in determining the scope of action. • Fiscal costs and risks should be properly assessed and disclosed, and risk mitigation measures taken, in order to ensure transparency, good governance, and accountability.

In the States of Guernsey Governor's Report on the P&R Committee it sets out the key elements of good governance which includes openness and transparency, accountability, clarity of purpose and effectiveness. We need to have information shared unless it is genuinely confidential. We need to accept who is accountable for the decisions, we need to understand the organisation's priorities and work collaboratively.

I fear that this transparency is lacking, as whilst we have had some answers to questions through a presentation to the States Members and through e-mail, this is not satisfactory for me or indeed from the public's perspective.

The IMF conclude the public must be made aware, the status quo is costly and how any savings from reform can be redeployed to benefit the population, for example by scaling up education and healthcare spending. Whilst I believe there is sufficient information in some aspects, it is not complete. I believe we must have faith in experts advising P&R on what is needed to be borrowed and when. However, I am not convinced we have the detail, certainly not the pertinent detail that I would at least expect to have been seen by P&R.

Despite my prior request to P&R, the material question for me is why does P&R need to have, in principle, a decision to give them authority to borrow up to the full amount, £500 million now? Deputy Le Tocq advised that P&R need to have the authority to borrow in principle but he did not say why that should be up to £500 million. Deputy Trott said they need the authority for the whole £500 million now but not why authority to borrow £250 million at this time would not suffice.

Therefore, I would like to know the flexibility of that borrowing if we go for the £500 million. For example, if we find that we do not need it all what amount would we be bound to borrow? If we find the market has improved and we can sell investments and/or we find that the reprioritisation of capital projects is successful, can we repay the capital or will it be too late? And as with the bond, could we be unable to back track? If it was flexible then I believe this would reassure Members. Whilst this clearly costs more it will be good to know we are not committing to the full amount at this stage.

However, my biggest fear is not that we authorise so large a sum now or indeed that we do not, it is that the Assembly does not agree a clear strategy to spend the money. There are many views on what we should do: spend on infrastructure and projects to revive the economy, to repay the money, to sell investments and raise taxes to replenish our reserves. or more appropriately a permutation of the two. As there are so many variables of what we should do, so many disagreements on what are the right capital projects, as shown by all the delays in getting them started, I feel that the lack of consensus on how to spend the money will be the logjam. I fear the

need by the States for more and more information, the rejection of a change to a new way of thinking and the requirement for States Members to have 100% of the picture before making a decision will be the reason why we cannot get our economy working again.

I hope I am wrong, sir, and there will not be a display of differences of opinion and instead that we progress the sourcing of funds and the debate will be agreeing a high level plan on how to spend it when we know more to justify the particular course of action. We need to bear in mind the last element of good governance and that is effectiveness and that the decisions are made and implemented in a timely and efficient way and not repeat errors of the past.

So, sir, to conclude, I support P&R's amendment with the extras achieved through the collaborative working with States' Members and subject to clarity on the reasons for the in principle decision to borrow £500 million now and clarity in which the capital can be repaid. I will support the Le Tocq and St Pier amendment.

Thank you, sir.

The Bailiff: Deputy Meerveld.

Deputy Meerveld: Thank you, sir. I was not planning on speaking because there have been some excellent speeches today, which have covered many aspects of the issues relating to this borrowing. But I am rising to the invitation of Deputy Heidi Soulsby to address Deputy Parkinson's comments regarding the Proposition to raise £250 million in a two to three year tranche of short-term borrowing.

We need to remember that in the original policy letter it stipulated, published now but it seems like ages ago, in fact only about a week ago, £250 million was needed on a two to three year short-term basis to enable us to potentially sell assets and repay that debt at a more opportune time so as not to incur losses now. And that was a given at the presentation on Monday to Members, that again was what was stated. It is only really in the amendments supplied over night that that is suddenly turned into something that might be converted into a long term debt.

The fact is we are looking at three different types of expenditure here and a total of £600 million. We are looking at £100 million out of our existing resources to be dedicated to supporting the current actions. We are looking at £250 million of short-term borrowing to cover potentially extended measures and economic stimulation. And we are looking at a further £250 million in long-term borrowing, up to a 30-year borrowing, again to continue that stimulus package.

Now, I think we have all agreed that number 1 is going to be broadly supported, if not by everybody. Proposition 2 we should approve that under the terms laid out in amendment 2, which simply requires regular reporting on how our money is being spent and if in two years' time or three years' time there is an issue with liquidating assets, either is it possible to liquidate the assets we wish to repay that debt or it is undesirable because they are still too heavily discounted, then there is nothing stopping Policy & Resources simply coming back to the States with a policy letter at that time, asking to either extend that debt for a further two or three year term or to convert it into a long-term debt.

So I do not see the comments that Deputy Parkinson made were really appropriate in that we are not restricting Policy & Resources, they can always come back to us and ask for a change in the status of that indebtedness. But what we are doing is we are telling the public very clearly that there are three types of thing we are considering here: £100 million out of our reserves now, £250 short term to be repaid potentially by the sale of assets, whether that be equities held from the investment of the existing bond, proceeds that are not expended or other investments in the States or assets for that matter. And a third part – we have an obligation to the electorate of this Island to scrutinise and oversee and change potentially the way that we manage the finances of our entire Island and our economy. That £250 million long term debt, the need for it, its application has to be clarified to us and to the electorate before we proceed down that path.

And as of today P&R cannot tell us what the money is needed for, they cannot tell us when it is needed, they cannot tell us, and I nobody can say, whether £250 million is the appropriate amount,

it might turn out to be £100 million, it might turn out to be £350 million. So I am going to be supporting amendment 2 in its entirety. I want the rate of reporting on the expenditure of £100 million which will be approved in Proposition 1. I want the short-term borrowing to be seen as short-term borrowing and for Policy & Resources with £250 million to come back to the States if they wish to extend that and justify why. And the long-term borrowing, I want to see a plan for how it is going to be utilised to clearly determine the amount of money needed, when it is needed and how it is going to be expended before I believe that we, as Deputies, can approve it on behalf of the electorate.

Thank you, sir.

The Bailiff: I will now call on Deputy Fallaize.

Deputy Fallaize: Thank you, sir.

I will be very brief. I think that the difference between the two amendments are being exaggerated by several speakers, in particular in relation to the second tranche of the borrowing. The Le Tocq amendment does propose that in principle the Policy & Resources Committee should be authorised to enter into the second tranche as well as the first tranche. But in practice this is a completely meaningless phrase. If the States decide that in principle the Policy & Resources Committee can borrow the second tranche, then the effect of that is exactly the same as the States not deciding that in principle the Policy & Resources Committee could borrow the second tranche. The key is that under both amendments further States resolutions would be required to allow the Policy & Resources Committee to enter into the second tranche of borrowing.

And so I think there is complete protection in terms of the States reserving the right to make a decision on the second tranche of borrowing at a future date under either of these amendments. The difference between the amendments, and I think, as I say, that this is not a substantial difference as some speakers have suggested, the real difference is whether the first tranche of borrowing – which clearly is going to be approved given the very few speakers who have spoken against it – should be limited now to a short-term facility or whether the Policy & Resources Committee should have some discretion to enter into either a short-time facility or a longer-term facility.

I think that, based on the presentation that was provided to States' Members the other day, their information is that a short-term facility would be most advisable and desirable. But I do not think that there is a case – as Deputy Parkinson has set out – for tying their hands to a short-term facility of two to three years at this stage. To some extent I have more admiration for those who argue there should not be any borrowing at all.

Now, I think that retaining the Island's traditional conservative approach to fiscal policy probably does lead to scepticism about borrowing generally and potentially trying to avoid it at almost all costs. I really do not think that saying to Policy & Resources Committee, yes you can borrow £250 million but you can only do it with a short-term facility, I really do not think that that is a very adequate restriction for those people who are just opposed to borrowing on principle. The difference in my view is not material.

The much more important issue for me is how is the borrowing going to be repaid and what is going to be the underlying fiscal approach from this point forward. And I think whichever of these amendments is adopted, the Policy & Resources Committee inevitably is going to have to set that out, sooner rather than later.

I am quite concerned that some of the speakers, not all, but some of the speakers, in favour of amendment 2, the Dudley-Owen/McSwiggan amendment, have spoken about austerity. Now, Deputy Inder denied that there was any undertone of austerity in this debate. He said, 'Nobody has mentioned austerity but what is needed is bearing down on States costs' well that is austerity. If there is a structured sustained reduction in public expenditure anticipated in response to the current financial challenges that is the very definition of austerity. And I think quite a number of speakers who have spoken in favour of what they see as a more restrictive or conservative amendment have

at least implied that they regard austerity as a way to repay the first tranche of the borrowing and as a way out of the financial challenges now faced.

One of the earlier speakers in this debate set out his strategy speaking in favour of the Dudley-Owen/McSwiggan amendment in the following terms: he said that he wanted the States to borrow £250 million on a short-term facility only and then cancel capital projects and cut public spending. So this is to build up a short-term borrowing commitment and then cut off the means of economic stimulus –

The Bailiff: Deputy Fallaize there is a point of correction from Deputy Inder.

Deputy Inder: Right, sir, Deputy Matt Fallaize is misleading the Assembly, I did not say ‘bearing down on public expenditure’, I highlighted what was missing in this whole conversation and I did not say stop capital spending, so I would ask him to withdraw that as I did not say that.

The Bailiff: Deputy Fallaize.

Deputy Fallaize: Thank you, sir. Deputy Inder was not the Member who I was referring to. I said a Member very early in this debate – it was not Deputy Inder – set out the strategy of borrowing £250 million on a short-term facility and then cancelling capital projects and cutting public spending, and I think this is the most dangerous approach of all.

I think there is some argument not to borrow, I think there is some argument to borrow £250 million and there is some argument to borrow more than that but I cannot see any argument at all to borrow very significant sums of money and then cancel capital projects and cut public spending because all we would do, having increased our borrowing commitments, would be to restrict the means of economic stimulus which is what is going to help pay back the borrowing.

So I am fearful that the cause of austerity will be advanced if the approach of the Policy & Resources Committee is defeated today. And for me, that is one of the reasons to vote in favour of amendment 3 rather than amendment 2.

I think Deputy Trott is right, he has set out a strategy that could have come from a Keynesian text book, but his conversion to that form of economics is better late than never, and he suggested or set out that what is going to be needed in the short to medium term, most probably, is conventional economic stimulus. So that is not cutting spending or raising taxes but it is using the economic power of government in the way that only government can to boost economic activity. And subsequently the borrowing commitment will have to be serviced through a combination of increased economic activity, increased taxation and potentially some limited reductions in public expenditure, focusing on those things which can be done better as well as more cheaply.

I do not need, I think, to set out my sort of instinctive principled scepticism about borrowing. In 2009 I was one of the Deputies heavily involved in defeating proposals to borrow for capital projects of which borrowing was then not necessary, I think, as was subsequently proved. I know Deputy Parkinson would disagree with that.

I would rather avoid borrowing, if possible, but I do not think that is possible in these circumstances. We have an enormous financial cost to bear as a result of Covid-19, we cannot reasonably now increase taxation, we cannot cut spending immediately to the extent that would be necessary to pay these additional costs and so unavoidably there have to be some borrowing commitments taken on.

But in terms of the difference between the amendments I just think the first tranche of the borrowing I think the Policy & Resources Committee should have a bit more flexibility than is set out in the Dudley-Owen amendment. And if I vote in favour of the Le Tocq/St Pier amendment I can be certain that there cannot be any borrowing above £250 million in the absence of further States’ Resolutions and I think, sir, that is enough assurance for me.

Thank you.

The Bailiff: Does anyone else wish to speak? Yes, Deputy Lowe.

Deputy Lowe: Thank you, sir.

2545 I have a query on the amendment for the Le Tocq and St Pier amendment. I would like to know why they felt it appropriate to note, I think it is on number 3, whereas everything else on the amendment is very much to authorise and to authorise and to authorise, and yet something as important as this it is just 'to note', and I look forward the reasons as to why they think that is actually appropriate.

2550 I am grateful for Deputy Le Clerc's speech, I thought it was absolutely excellent; she raised so many questions and queries and certainly I think we probably all agree that social housing is needed now, not in years to come, and I fully support her with what she actually said there.

2555 Deputy Graham raised a lot of questions as well, I have written some of these down already. So there are questions that need answering because we are talking about a huge amount of money here. We had a presentation which lasted 18 minutes, and I think when you are talking half a billion pounds that was an extremely short presentation and we have a very thin States' report.

Of course there is an urgency to this, I accept that, but equally that is not a reason to just nod things through. If we are looking at the good governance of all of this I think it is appropriate that questions are asked and we get some answers for that.

2560 I was actually asked by somebody who sent an e-mail and I think probably other Deputies may have had that as well, they were asking about the advisers that advised P&R and the question was, who are the advisers? Are they the same ones that in 2014 advised about the bond and about borrowing and actually it cost us an awful lot of money because it did not actually mention about the hedging cost until after the contract was signed, and cost us a lot of money. And indeed we found out afterwards that Guernsey Housing Association had a lower interest rate than what they could have got through what was actually being presented by the States. So I think there are issues there, that may be the same adviser or not, I do not know.

2565 But I do have concerns that we have not really got all the answers and that is typical, I accept that, because we are in a hurry to get this through but nevertheless ... oh, I think Deputy St Pier wants a point of correction, sir.

2570

The Bailiff: Yes. Deputy St Pier, point of correction.

Deputy St Pier: Sir, yes it is just to correct Deputy Lowe's statement there in relation to the Guernsey Housing Association having a lower rate of interest. The Housing Association has taken 2575 £96 million of the current borrowings from the bond because it is able to offer them a lower interest rate than was otherwise available to them, so that has been accessed only because of the existence of that bond, sir.

Deputy Lowe: Thank you very much for that, Deputy St Pier.

2580 It seems to me that something was said at the time and that may have changed completely, in which case if I am wrong I apologise for that, but I do remember there was something going back a while.

2585 Perhaps I can look forward to hearing the answers as to why it is 'to note' on such a vital report because when you look in here that this is for a review why do you have to have a note which means absolutely nothing when we vote for it, rather than actually being directed that this review takes place.

Thank you, sir.

The Bailiff: Thank you.

2590 Well, it is very close to 5.30 p.m. I see nobody else wanting to speak, I suspect perhaps people are wanting to have ... Yes, Alderney Representative Snowden. I will call you now and then probably we will adjourn after you have spoken.

Alderney Representative Snowdon.

2595 **Alderney Representative Snowdon:** Thank you, sir.

I think it is a very interesting debate and it is just unfortunate we seem to have been pushed into this situation. I think three or four months ago no one would have actually thought that the whole world would have changed and the amount of borrowing that governments across the world are doing.

2600 But I do come back to that I think we have got to be cautious and I think amendment 2 is erring on the side of being cautious. From where I have been sitting in the States of Deliberation it was quite clear with the amount of stuff that goes forward to the States Assembly to view and make a resolution on, there is always a massive amount of detail in the documentation, the policy letters, the evidence that backs it up, and I feel that this is just being rushed. I can understand it, but it just seems a little bit too rushed that we are getting forced to make decisions quickly, which needs to be made, but under pressure I am not quite sure if the whole checks and balances are there.

I would like to say that I think amendment 2 does make sure those checks and balances are there and it also says a recovery strategy for the Bailiwick, which I hope would include Alderney and Sark.

2610 So a very simple analogy. I think we just need to make sure those safeguards are there. I know everyone is working tremendously hard and Policy & Resources have done very well and everyone else but I just feel we are moving a bit too quickly and it is very easy to borrow and it is hard to pay it back, and I think we just need more clarification. Personally, I feel we need a lot more clarification and that is why I am edging towards amendment 2 at the moment but I look forward to the closing speeches when we get there, if we get there today.

2615 Yes, I think that is all I would like to add at the moment. I would also like to add that Alderney is, of course, in a fiscal union with Guernsey, unlike Sark, it is very important that whatever happens that as we go through these stages that the Bailiwick works together.

Thank you, sir.

2620 **The Bailiff:** Well I had indicated we might adjourn after you spoke. I have seen Deputy Trott wishes to speak now and obviously forgo his right to speak later. Deputy Trott are you wanting to speak this evening, is that your wish, or to be the first to speak in the morning?

2625 **Deputy Trott:** Well, I will tell you what, sir, shall I be the first to speak in the morning? That might be helpful?

The Bailiff: Yes okay. Well, let us do that and then we will rise now. Greffier if you will close the day, and then we will resume at 9.30 a.m. tomorrow morning.

2630 Thank you very much everyone for your attendance today and thank you once again to Colonel Vaudin and all the IT people for getting it working again.

Thank you.

The Assembly adjourned at 5.32 p.m.