



OFFICIAL REPORT

OF THE

STATES OF DELIBERATION

OF THE

ISLAND OF GUERNSEY

HANSARD

Royal Court House, Guernsey, Wednesday, 25th January 2023

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Present:

R. J. McMahon, Esq., Bailiff and Presiding Officer

Law Officers

M. E. Pullum, Q.C. (H.M. Procureur)

People's Deputies

S. E. Aldwell	C. J. Le Tissier
C. P. A Blin	J. P. Le Tocq
A. H. Brouard	M. P. Leadbeater
Y. Burford	D. J. Mahoney
T L Bury	A. D. S. Matthews
A. Cameron	L. J. McKenna
D. de G. de Lisle	C. P. Meerveld
H. L. de Sausmarez	N. G. Moakes
A. C. Dudley-Owen	R. C. Murray
J. F. Dyke	V. S. Oliver
S. P. Fairclough	C. N. K. Parkinson
S. J. Falla	R. G. Prow
P. T. R. Ferbrache	L. C. Queripel
A. Gabriel	P. J. Roffey
J. A. B. Gollop	H. J. R. Soulsby
S. P. Haskins	G. A. St Pier
M. A. J. Helyar	A. W. Taylor
N. R. Inder	L. S. Trott
A. Kazantseva-Miller	S. P. J. Vermeulen

Representatives of the Island of Alderney

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

The Clerk to the States of Deliberation

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

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States of Deliberation

The States met at 9.30 a.m.

[THE BAILIFF *in the Chair*]

PRAYERS

The States' Greffier

EVOCATION

CONVOCATION

The States' Greffier: Billet d'État II of 2023. To the Members of the States of the Island of Guernsey, I hereby give notice that a Meeting of the States of Deliberation will be held at the Royal Court House on Wednesday, 25th January 2023 immediately after the States of Election convened for 9.30 a.m. to consider the items listed in this Billet d'État which have been submitted for debate.

5

In Memoriam – Former Deputies Owen Le Vallee and Michael Dene

The Bailiff: Well, Members of the States of Deliberation, since the last meeting before Christmas, two former Members of this Assembly, whose terms overlapped, have passed away. So, this is the first occasion on which to pay tribute to them. Former Castel Deputy, Owen Le Vallee MBE, died on 3rd January 2023. And former St Peter Port Deputy, Michael John Dene MBE, died two days later on 5th January 2023.

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Owen Le Vallee was born in Guernsey on 10th October 1927. He was educated at Amherst and the Intermediate School for Boys, evacuating with it to Oldham. He served in the Royal Air Force before returning to his home Island, where he worked in insurance and the emerging finance sector, before he became a People's Deputy. Owen served as a Procureur of the Poor and then Constable of the Castel a few years before entering the States.

15

He was first elected in 1985 as a Deputy for the Castel. In those days of numerous States' Committees, he served on a number, including the States Insurance Authority; briefly, the newly formed Island Traffic Committee; the Board of Trade and Industry; Arts Committee; Sea Fisheries Committee; and the Labour and Welfare Committee.

20

However, he is probably best known for his time on the Recreation Committee, to which he was elected as soon as he entered the States and served on the whole time. He was also a Member of the Liberation Day Committee from September 1987 and became its President the following year.

Outside the States, he devoted much of his time to local sport. He had played roller hockey at St George's Hall and Priaulx League football. He loved athletics and was a key player in re-establishing it in the late 1960s. He followed his father's advice, to put back into sports something that you got out of it and became a major force in sport administration.

25

He was involved with the Guernsey teams of the Commonwealth Games for 36 years and became a member of the International Executive Committee of the Commonwealth Games Federation. He

30 was one of the driving forces behind the creation of the Island Games, having been involved in the initially one-off event that was held in the Isle of Man in 1985. At the end of it, he said, 'See you in Guernsey in 1987', despite not having arranged it with anyone else! (*Laughter*) However, his promise was achieved and we are of course, all of these years later, proud to be the hosts again of the Island Games in a few months' time.

35 He became Chairman of the International Island Games Association in 1987 and he served as its treasurer from 1993 to 2001. He was also a founder member of the Guernsey Island Games Association and served as its Chairman for 30 years. He was team manager six times and its *Chef de Mission* four times.

40 When the Island Games were hosted by Guernsey, he was Chairman of the Organising Committee – that was the first time round. His commitment and contribution to sport in the Bailiwick were recognised when he was made an MBE in 2006. He lost his seat in the 1994 General Election but still maintained an interest in local affairs to the end.

45 Mike Dene, as he was often called, was also born at the Lady Ozanne Maternity Home, in his case on 26th July 1929. Mike joined the St John Ambulance and Rescue Service in 1948 and worked in it for his whole career. He was appointed Deputy Chief Officer in 1976 and then Chief Officer in 1985. He retired from the service in 1991. In 1997, his long service to St John was recognised when he also was made an MBE.

50 He served as a St Peter Port Douzenier and he was also a non-States' member of the Island Development Committee before he was elected to the States for the first time in 1991 as a St Peter Port Deputy. He stayed on the Committee his entire time in the States. He is perhaps best known as the President of the States Traffic Committee which he joined on its establishment in 1992 and became the President in 1994. He was proud of what it achieved, including an improved bus service. And I can say as a former adviser to the STC, that I had first-hand experience of its work and can vouch for the manner in which Mike presided over its affairs. He was a true gentleman.

55 During his time in the States, he was also a member of quite a few of the other Committees, including amongst others the Cadastre Committee; the Civil Defence Committee; the Children Board; and Legislation Committee. He was on the Overseas Aid Committee while a Member and then returned to it as a non-States' member for three years before joining its successor, the Overseas Aid & Development Commission, retiring only in 2012. Mike chose to retire from the States at the 2000 General Election.

60 His strong Catholic faith meant a great deal to him and he served on the management committee of his old school, Notre Dame du Rosaire.

Both Owen and Mike were community-spirited Guernseymen who devoted much of their lives in their different spheres to helping others. They deserve huge credit for having done so.

65 Owen's wife, Val, predeceased him. They had two sons, Terry and Martin. Mike's wife, Mary, similarly predeceased him and he leaves his daughters, Vivienne and Elizabeth, who is known to many of us here and who is present in the Public Gallery, and grandchildren. We extend our sincere condolences to all of Owen and Mike's families.

70 Members of the States, will you now please join me in rising for a period of silence to honour the memories of former States' Members, Owen Le Vallee MBE and Michael Dene MBE.

Members stood in silence.

The Bailiff: Thank you all very much.

**Procedural –
Order of business**

The Bailiff: Now, before we get into the business of this Meeting, Deputy Ferbrache, do you have a motion to reorder the business?

75

Deputy Ferbrache: Yes, sir.

And I believe with the consent of Alderney Representative Roberts who will deliver the Statement on behalf of Alderney that he would have no objection if the States were so minded to reorder business.

80

What I would ask the Court to do is there are some questions of Deputy St Pier to the Committee for Economic Development, I think those should be asked and answered. And also, I have been made aware that on behalf of the Committee for Employment & Social Security, the Appointment of an Industrial Disputes Officer and Deputy Industrial Disputes Officer is urgent.

85

But in relation to all the other matters, I would ask that they be deferred until after the States has dealt with, perhaps in the next hour or so, Tax Review Phase 2.

The Bailiff: Very well. I think it is the Assembly rather than the Court, but never mind. **(Deputy Ferbrache:** Oh, sorry!) Old habits die hard.

90

So the motion is that we take the question from Deputy St Pier to the President of the Committee for Economic Development followed by Article 1, the Appointment of the Industrial Disputes Officer and Deputy Industrial Disputes Officer, but we then move straight to the Tax Review Phase 2; we conclude that later today or tomorrow and then we go back to the rest of the business.

I am simply going to put that motion to you, Members. Those in favour; and those against?

Members voted Pour.

The Bailiff: I will declare that duly carried.

Question for Oral Answer

COMMITTEE FOR ECONOMIC DEVELOPMENT

Tourism product development – Update on policy letter

95

The Bailiff: Accordingly I will invite Deputy St Pier to pose his question to the President.

Deputy St Pier: Thank you, sir.

On 30th March 2022, the Committee's general update Statement to the Assembly included the following:

The Committee is keen to improve the Tourism product, which is long overdue, and will bring a policy letter to the States on this matter later this year.

100

On 7th September 2022, the Committee's general update Statement to the Assembly included the following:

I've been assuring States' Members that the 'Tourism Product Development Policy Letter' is coming. And it hasn't happened as quickly as I would have liked. I'm assured by officers that we will be ready to publish by the end of the year.

Can the President indicate when a tourism product development policy letter is now expected?

105 **The Bailiff:** I invite the President of the Committee, Deputy Inder, to reply.

Deputy Inder: Thank you, sir; and thank you, Deputy St Pier, for the question.

110 The Committee has approved a new policy direction which will move the responsibility for developing a tourism strategy and for providing oversight of the delivery and implementation of the marketing and events plans for Guernsey to a new arm's-length body, namely the Tourism Management Board.

115 The Committee has recently appointed Miss Hannah Beacom as the Chair of the new Tourism Board and the Chair is currently, as we speak, in the process of recruiting the board members. Once appointed, the Committee will pass the work that has already been done on the tourism product development for the board's consideration and comments.

120 The Committee has determined that strategic thinkers outside of Government are best placed to determine the objectives, the strategy and the delivery of future tourism growth. And it would be inappropriate to publish any work that has not been through the Tourism Management Board for discussion and feedback. States' Members will also be aware that all Principal Committees have been asked by the Policy & Resources Committee to review their priorities within the Government Work Plan.

The Bailiff: Supplementary question, Deputy St Pier.

125 **Deputy St Pier:** Yes, I have two supplementaries, sir.

What happened between 7th September, when we were told to expect a Tourism Product Development policy letter in 2022? And the announcement in early December to create a Tourism Management Board?

130 **The Bailiff:** Deputy Inder to reply.

135 **Deputy Inder:** I think, if I understand the question, lots of things happened. I have explained to States' Members before, part of the drive for the tourist product development was to work with various States' bodies of which we had done over the past. But lots of things have already happened. One of the areas we identified was the old States' offices. And recently, early on, we had identified that as a potential Victor Hugo Centre, so that has already happened. So we do not need agreement from the States to do that.

140 We have the development agency policy letter which will be coming to the States, I assume, in March or April. Elements of that, we as a board, have been talking with. So we do not need to do that anymore. There were elements of prioritising certain infrastructure projects like, for example, the steps of the Vallette; and as I understand, the Committee for E&I are looking at, basically, fixing that solution. So that was the point of the product development.

145 So as we move on – also it is worth mentioning, sir, and I know I have not got much time – we have been extremely busy trying to deliver on Government Work Plan priorities and I am afraid it is just a statement of fact that certain things have, basically, played second fiddle to it.

The Bailiff: Second supplementary, Deputy St Pier.

150 **Deputy St Pier:** Sir, with regard to the question of priorities and the Government Work Plan and indeed the response given to the original question, can the development of a strategy to deliver future tourism growth be anything other than a priority given that that is the apparent purpose of the Tourism Management Board?

The Bailiff: Deputy Inder to reply.

155 **Deputy Inder:** A bit of an odd question and an odd response. But the fact, I am sure, that we have managed to keep it outside of *Government* and given the financial restraints we are under and given the letter received from Policy & Resources about readjusting our priorities, surely the Deputy might understand the safest place for any development of objective strategy and plans are actually outside of Government.

160 **The Bailiff:** Supplementary, Deputy Gollop.

165 **Deputy Gollop:** I have maybe got two but my first supplementary is, I was at an interesting seminar led by a golf course developer and successful person, Mr Lansdown. And he, along with other people, would like to see a growth in the industry from this current 2% or 3%, to 6% or 8%. How far will Economic Development encourage the Development Agency but also other States' Committees to work together for a growth-to-growth strategy?

The Bailiff: Deputy Inder to reply.

170 **Deputy Inder:** The objectives, all objectives and everything, have to be reasonable. And, of course, I think it was Mr Lansdown who said he wanted to move it from, I think he said 2%, it is actually 3% contribution, to around 6%. And that is an admirable and I think probably possible objective for any board, and probably a government to achieve. But the difference is, as politicians – and I have seen it before back in 2014-15, Jersey ran for, they wanted a million passengers by 2025, I think it was. And of course, the previous President of what was then Economic Development, had to come out with any unreasonable figure.

180 Now, what politicians should not do is come out with unreasonable, high-level, unachievable figures. And that is the exact reason why we want to move it out to the industry. The industry are more likely to be able to understand the industry in its fulsome mode – that is the wrong question, sorry, the wrong phrase – in its entirety. And it will not be cobbled by politicians who fear they have to come out or believe they have to come with a grand statement to make them look better. That is not my style. It has never been my style. I am confident that we can grow the industry but I genuinely do not know if it could be up to the 6% as described at that presentation. But I genuinely hope it can be.

The Bailiff: Supplementary, Deputy Vermeulen.

190 **Deputy Vermeulen:** Does the President agree with me that there currently is a strategy in place which has been drawn up between Government and industry. And that the recent 10-point plan was circulated to all Members?

The Bailiff: Deputy Inder.

195 **Deputy Inder:** Yes, thank you for the question.

I do disagree, but I think the difficulty we have got, Deputy Vermeulen, as I think we have seen as a Committee, lots of these things are all in different parts of Government. Some have been supported by the previous GHA. We are working on the 2017 PWC Report which is not as relevant as it was in 2017, but there are elements in it which need pulling out.

200 So, somewhere between the Tourism Management Board, our assistance, we have to pull this into one single document. The first thing, you do not run for a strategy, find out what you are, set your objectives first – the mistake we make time and time again. *Everything* is a strategy. And a strategy is a place for politicians, in my view, to platform. They need to be tested ... and you start with your objectives first because that is what we do in business every day of the week.

205 **The Bailiff:** Deputy de Sausmarez.

Deputy de Sausmarez: Thank you, sir.

I am hoping the President can please clarify this for me. I understand, and he has explained very clearly, that the Tourism Management Board is being directed to develop the strategy. I wonder if he could please clarify the role of the Committee and/or indeed the Assembly in endorsing or approving that strategy?

Thank you.

215 **The Bailiff:** Deputy Inder.

Deputy Inder: I think I have said on a number of occasions, I think it is in response to a similar question. To my memory, it depends what people think what a strategy is and we have already found out today that things called strategies seem to be all over the place.

No Committee in my memory of whatever version, be it the Board of Administration – and it is worth reminding Members that I sat and watched politicians choosing colours of brochures back in the 1990s. That is the level of involvement that politicians used to have. I sat in the top of what was then the Tourist Board, watching about 13 or 14 politicians with a swatch book, deciding the different colour of green for the brochure.

225 Now, this has been asked again, It has been asked by Deputy St Pier, I have heard it time and time again and I am repeating myself. No Committee has ever brought a strategy to the States for approval. I will repeat it again. No Committee has ever brought a strategy to the States for approval, in my memory.

I am happy to have another response, but I would like it proven – we hear it time and again – no committee has ever brought a strategy for approval and I do not think that is the job of our Government. We are policy developers. We are not there to be arguing the odds over the colour of brochures or whether they agree with the targeted profile.

The Bailiff: Deputy Taylor, supplementary.

235 **Deputy Taylor:** Thank you, sir.

I just wonder if Deputy Inder would acknowledge that the lack of an updated strategy means that certain policies – in particular, planning policies which are dependent upon those strategies, and being more specific, the restricted policies relating to redundant hotels – will remain unnecessarily out of date and unnecessarily overly restrictive until an updated strategy is published.

240 **Deputy Inder:** I entirely agree and I can inform Members that yesterday the board approved a small piece of work to deal with what effectively is the accommodation strategy. I have been in a number of meetings with planning officers and I think it is absolutely certain that one of the things that was left with me, he said, 'The problem that the DPA have, in the absence of an updated accommodation strategy, not tourism, it is very difficult for them to make decisions.'

245 So we have started that work. It should be, again – I am going to put a date on it, more fool me! – within six or seven weeks that should be complete and will be presented and hopefully the DPA will be included in that piece of work.

250 **The Bailiff:** Deputy Vermeulen, second supplementary.

Deputy Vermeulen: Thank you, sir.

Does the President agree with me that the current guidelines for the DPD have not procured them from building a very swanky Premier Inn Hotel at Admiral Park?

255

The Bailiff: I am not persuaded that that arises out of the answer to the original question. It arises out of the answer that has just been given to a supplementary question and on the basis that you are on the Committee anyway, you are probably explaining something you know.

Anyone else? Deputy Gollop.

260

Deputy Gollop: Thank you, sir.

Another message that came across –

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The Bailiff: Deputy Gollop, before you continue. You have obviously got some device in too close a proximity to the microphone. Can you make sure that it is off or thrown away somewhere, please? *(Laughter)*

Deputy Gollop: Oh, perhaps it is this one? One of our voting systems. How strange is that –?

270

The Bailiff: Just get rid of all of them! *(Laughter)*

And now, your question.

275

Deputy Gollop: My question is, it was also stated at the Chamber seminar from a leading VIP speaker that he agreed with the Economic Development President, that politicians and Government do not belong in tourism.

But my question is, I like to grandstand as well as platform. And what opportunities will States' Members have to debate the future and the environmental and economic and connectivity elements of tourism once the Tourism Development Agency has all of its board members in place? Will they come back through the Economic Development Committee for a debate on the future of tourism at some point next year?

280

The Bailiff: Deputy Inder.

Deputy Inder: I do not know how many ways to say the same thing.

285

The mandate for tourism is within our Committee, and this Committee has decided unanimously to put that work out to the private sector.

So, to answer his question directly and hopefully shortly, under this presidency there is no ability for the States to discuss whatever loosely I think Deputy Gollop was trying to say about the tourism industry, because there is no intention to bring a policy letter to do that.

290

The Bailiff: Deputy Haskins.

Deputy Haskins: Thank you, sir.

295

Can the President please explain how the Committee will hold the board to account for delivering against its objectives?

Thanks.

The Bailiff: Deputy Inder.

300

Deputy Inder: Yes, absolutely.

305

Key to that is the board hierarchy will be made up of one of our officers which is, by title, the Director of Tourism – I think that is the title; one member of the board which would be Deputy Vermeulen; the Chair; and a number of board members. And critical to that, and it has been spelled out to the Chair that our job, we spend – we have got a budget of £1.863 million which we spend on tourism every year. And what we have to do is set against the SLAs and the KPIs, that Chair will report to the board on a six-monthly basis.

310 So effectively, we are taking no risk at all. I am absolutely confident under the management of Deputy Vermeulen, along with an officer, who are effectively winging the Chair – or wing-manning and wing-womaning the Chair – I have every confidence that proper oversight and governance will be applied.

The Bailiff: Deputy Blin.

315 **Deputy Blin:** Thank you, sir.
If I could seek clarification from the President of Economic Development. Post the presentation by Stephen Lansdown at a Chamber lunch talking about various aspects of tourism and the importance of it, there was some information circulated by Deputy Inder saying that is actually looking at a levy on tourism beds etc. However, it was brought to the attention by the GHA that this was recommended in September 2021; and given the fact that it is so important and the Economic
320 Development's focus on tourism is about growth; and given the fact that Deputy Inder actually wanted to make that growth happen ... or clarify how did this occur and is this something that he could explain why it was rejected in the first instance, when now he would like to do so?

Thank you, sir.

325 **The Bailiff:** Deputy Inder.

Deputy Inder: Sir, that is going to take longer than the minute because I am absolutely certain, if we actually look at the full facts, what Deputy Blin has been informed is not entirely what actually happened. So with the greatest respect, it is quite complicated. There is a lot of misinformation
330 being expressed.

But in short, what the GHA, from my memory has – and I am happen to share that minute with him and any other Members – effectively, what they wanted to do in that meeting was they wanted to create a sort of tourism management, effectively a PPP. What they wanted to do was to keep Government's £1.6 million as it was at the time as part of the pot. They accepted in the meeting
335 that they as an industry could make *no* contribution at all and they saw *their* contribution as a levy on bed-night tourists.

They had a figure of, I think it was around, and I can get confirmation, it was around £4 per staying passenger, which would have been about at the time 200,000, so £800,000. But what it was, it was not to fix the structural deficit – and we will have that debate later. It was to keep Government
340 contribution and adding, via a levy, an extra pot of money for Government to spend. And that was effectively how it was described. I am happy via email to give you greater clarification on that, but I hope that answers the question.

345 **The Bailiff:** Deputy de Lisle, supplementary.

Deputy de Lisle: Thank you, sir.

Can some assurance be given that the coming Tourism policy letter will emphasise staying visitors, bed-night tourists, that the industry would like to see prioritised?

Thank you.

350 **The Bailiff:** Deputy Inder.

Deputy Inder: Sir, with the greatest respect, I am wondering if Deputy de Lisle might be able to ask that question again because I did not entirely understand it.

355 **The Bailiff:** Can you put the question again then, please, Deputy de Lisle?

Deputy de Lisle: Yes, thank you, sir.

360 It is with regard to the Tourism policy letter and whether in fact within that he can give assurances that staying visitors, bed-night tourists will be prioritised.

The Bailiff: Deputy Inder.

365 **Deputy Inder:** If Deputy de Lisle is referring to the tourism objectives and strategy being built by the Tourism Board, of course absolutely key to that is bed nights. Bed nights put people in beds. They fill hotels. They pay for the F&B and they spend an awful lot of discretionary spend in this Island. So absolutely. I can entirely assure them. It is a priority because bed nights are incredibly important for our hospitality industry.

370 **The Bailiff:** That concludes Question Time and we will turn to the one item of business before the Tax Debate.

Greffier, please.

Billet d'État II

COMMITTEE FOR EMPLOYMENT & SOCIAL SECURITY

1. Appointment of an Industrial Disputes Officer and Deputy Industrial Disputes Officer – Propositions carried

Article 1.

The States are asked to decide:

Whether, after consideration of the Policy Letter entitled 'Appointment of an Industrial Disputes Officer and Deputy Industrial Disputes Officer', dated 28th November 2022, they are of the opinion:

1. To appoint Stephen Naftel as Industrial Disputes Officer with immediate effect and for a term ending on 31st December 2027, and

2. To approve the appointment of Kathryn Brown as Deputy Industrial Disputes Officer with immediate effect and for a term ending on 31st December 2027.

375 **States' Greffier:** Article 1, the Committee for Employment & Social Security – Appointment of an Industrial Disputes Officer and Deputy Industrial Disputes Officer.

The Bailiff: I invite the President, Deputy Roffey, to open debate.

380 **Deputy Roffey:** Thank you, sir. But I have nothing to add to the policy letter which I know all Members will have read carefully.

The Bailiff: I do not see anyone rising. Is there any request that the two Propositions be voted on separately or can I put them to you together? In that case, are we ready, Greffier? Can we open the voting?

There was a recorded vote.

385 *Carried – Pour 38, Contre 0, Ne vote pas 0, Did not vote 0, Absent 2,*

POUR	CONTRE	NE VOTE PAS	DID NOT VOTE	ABSENT
Aldwell, Sue	None	None	None	Dyke, John
Blin, Chris				Trott, Lyndon
Brouard, Al				
Burford, Yvonne				
Bury, Tina				
Cameron, Andy				
De Lisle, David				
De Sausmarez, Lindsay				
Dudley-Owen, Andrea				
Fairclough, Simon				
Falla, Steve				
Ferbrache, Peter				
Gabriel, Adrian				
Gollop, John				
Haskins, Sam				
Helyar, Mark				
Inder, Neil				
Kazantseva-Miller, Sasha				
Le Tissier, Chris				
Le Tocq, Jonathan				
Leadbeater, Marc				
Mahoney, David				
Matthews, Aidan				
McKenna, Liam				
Meerveld, Carl				
Moakes, Nick				
Murray, Bob				
Oliver, Victoria				
Parkinson, Charles				
Prow, Robert				
Queripel, Lester				
Roberts, Steve				
Roffey, Peter				
Snowdon, Alexander				
Soulsby, Heidi				
St Pier, Gavin				
Taylor, Andrew				
Vermeulen, Simon				

The Bailiff: In respect of the two Propositions, the voting was as follows: there voted in favour 38 Members; no Member voted against; no Member abstained; 2 Members were absent at the time of the votes. And therefore, I will declare both Propositions duly carried.

Greffier.

390

POLICY & RESOURCES COMMITTEE

**5. The Tax Review: Phase 2 –
Debate commenced**

Article 5.

The States are asked to decide:

Whether, after consideration of the Policy Letter "The Tax Review: Phase 2" dated 28 November 2022, they are of the opinion:-

1) To agree that the projected financial position of the States of Guernsey is unsustainable and that measures must be implemented before the end of this political term to address the issue.

2)

A) To approve the development and implementation of a package of revenue raising measures designed to increase States' revenues by £50-60m by no later than the end of 2025 through:

i. A restructure of the Social Security Contributions system, as outlined in section 8, including that all contributors be entitled to an allowance set at the same level as the personal income tax allowance and be liable for contributions on all income regardless of source;

ii. The introduction of a broad-based GST at a rate of 5%, as laid out in section 6, with minimal exemptions and zero rating;

iii. The introduction of a lower rate of income tax at 15% that applies to the difference between the first £30,000 of an individual's income, as calculated for the definition of "gross household income" under the Family Allowances (Guernsey) Law, 1950, and the personal and other tax allowances, mortgage interest relief and deductions for pension contributions they are entitled to; and

iv. An increase in the Personal Income Tax Allowance of £600;

and to direct the Policy & Resources Committee to include appropriate transitional proposals in future States of Guernsey Annual Budgets if required to implement the above package of measures.

AND:

B) To direct the Policy & Resources Committee to:

i. Prepare the States of Guernsey Annual Budgets for 2024 and 2025 to include no real-terms growth in revenue expenditure, excepting the budget of the Committee for Health & Social Care; and

ii. Include proposals within the Government Work Plan 2023 to reprioritise initiatives for which funding has not yet been released to the extent necessary to limit the additional expenditure to deliver these initiatives over the remainder of this term to a maximum of £5.7m, being 1% of the 2023 General Revenue budget.

AND:

C) To agree that, prior to the implementation of a GST:

i. Income support benefit rates are increased by the percentage equal to the rate of GST applied to pre-empt the expected impact of the GST on low income households;

ii. The States Pension and other benefit rates are increased by a rate equal to the forecast impact of the GST on RPIX;

iii. A cost support scheme is made available to households with a gross income of less than £28,000 who are not in receipt of income support at an initial rate of £450 a year for a single adult and £675 for a couple;

and to incorporate within the uprating of such benefits in the subsequent January, any adjustment necessary to align the change in benefits with the actual impact of GST on inflation should this prove greater or less than the forecast amount.

AND:

D) To note the intention of the Committee for Employment & Social Security to adjust the ten year plan for increasing contributions each year, in light of the resolutions following the debate on the Tax Review, in its annual Policy Letter on Contributory Benefits and Contribution Rates.

3) *If the package of measures approved in proposition 2 is not sufficient to raise at least £50-60 million per annum, to direct the Policy & Resources Committee to prepare the States of Guernsey Annual Budgets for 2024, 2025 and 2026 to reduce States' expenditure on public services by such amount necessary to put States finances in the position they would have been if that £50-60 million had been raised*

4) *To direct the Policy & Resources Committee to engage with industry and the other Crown Dependencies in order to develop proposals for raising further revenues from the corporate sector without unduly negatively impacting Guernsey's competitive position or compliance with international standards; this work to include developing proposals, which should be presented to the States for consideration no later than November 2023, for an alternative corporate vehicle or other appropriate form of entity or taxing structure which will be subject to income tax at 15% or such other rate or basis as the review may determine.*

5) *To endorse the intention of the Policy & Resources Committee to approve funding from the Budget Reserve to implement the proposals as outlined in section 11.*

6) *To direct the preparation of such legislation as may be necessary to give effect to the above decisions.*

The States' Greffier: Article 5, the Policy & Resources Committee – The Tax Review: Phase 2.

The Bailiff: And I invite the President of the Committee to open debate.
Deputy Ferbrache.

395

Deputy Ferbrache: Sir, there is one matter that I want to raise procedurally. I do not want to spend *any* time on it at all because we have got much ground to cover. And that is the issue of whether or not the States – I have got the term right this time, not the Court – is minded to deal with at least part of this debate *in camera*. Not *in camera*, in committee. (*Interjections*)

400

That is an entirely a matter for the States. There has been an exchange of emails between various States' Members. I am not going to try and influence anybody's at all. I would just ask that that be considered and the motion be put.

The Bailiff: Okay. Well, you are formally putting a motion, are you, (**Deputy Ferbrache:** Yes, sir.)
that the States should sit in committee, pursuant to Rule 25?

405

I will very briefly invite any comments, particularly from those who are most directly affected by that. Just by a way of explanation, if the States were to vote to sit in committee, there would be a time limitation, after which sitting in committee would end. And in particular, no vote can be taken whilst the States are sitting in committee.

410

Does anyone else wish to comment on the Proposition that there be a sitting in committee?
Deputy Meerveld.

Deputy Meerveld: Thank you, sir.

415

Whilst Rule 25 sits on our books, to my knowledge it has never been invoked and actually put into practice in the States' Assembly.

Whilst I would be interested to try it out at some time, I think I am concerned about introducing a new form of debate on such an important subject as this and trying it out. I would recommend that Members reject this and we go ahead as planned because no Members have had time to prepare for a different method of debating.

420

Thank you, sir.

The Bailiff: Deputy Gollop.

Deputy Gollop: Good amendment. I am in favour of trying out in committee. Hopefully, it will not encourage Members to speak more than once. But I think it might be useful to get responses

425

quickly from people rather than this ... Some of us may be tempted, using the traditional system, of repeating the same speech over and over again for each amendment. And this is perhaps more of a dialogue, more of a conversation.

430 But what I did not understand, sir, is that you mentioned the time limit. I do not know what the time limit would be and when we would have to then go back into normal mode.

The Bailiff: Deputy de Sausmarez.

Deputy de Sausmarez: Thank you, sir.

435 I think one of the areas of confusion and uncertainty is over the aspect of contributions from people who are not States' Members. So I wondered whether you might be able to provide some clarity around who might be able to contribute and under what circumstances. And to provide some clarity around that so people would understand it a bit better. This is a very new concept for everyone.

440 Thank you.

The Bailiff: Deputy Taylor.

Deputy Taylor: Thank you, sir.

445 I suppose following on from Deputy de Sausmarez. Rule 25(5) directs that:

The Presiding Officer shall determine the rules of debate.

Would we know before we vote whether we go into this kind of a debate, would we know what the rules of debate would be because I am assuming it would not just fall on a Rule 17. So, would we be able to have a bit more expanded information on that as well?

Thank you.

450

The Bailiff: Deputy Vermeulen.

Deputy Vermeulen: Thank you, sir.

455 On that note, I have been engaging with the public recently and they are looking for accountability, transparency, honesty and openness. And, sir, I just wonder if it is *in* committee, is it transmitted to the people outside that are tuned in?

The Bailiff: Deputy Le Tocq.

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

People are saying it is a new-fangled way of debating but actually it is just in committee. It is what we do in committees most of the time. And I think that bearing in mind the importance of this, it probably is worth us using this time to do that, because otherwise there would be lots of repetition. And I think that most of the Assembly, sir, is confident of how committees normally work in terms of a chairmanship, and would have confidence in you chairing such an opportunity to debate in that way.

465

The Bailiff: Deputy Dudley-Owen.

470 **Deputy Dudley-Owen:** Thank you, sir.

I am interested in this proposition and how this is going to work and certainly agree with requests from Deputy de Sausmarez and also the comments from Deputy Le Tocq in regard to the fact that many of us sit in committee anyway. So obviously with your chairmanship that will be very helpful.

475 But it was Deputy Vermeulen that really got me to my feet in terms of openness and transparency. I actually think that for this particular debate, this could be really helpful in that openness and transparency and giving people the opportunity to speak more than once, I think would actually be really helpful.

480 It is quite clear what the amendments are, that we have not got a long list of very difficult-to-understand amendments and I think that this would be helpful to discuss them all before we sit in as a States.

The Bailiff: Deputy Inder.

485 **Deputy Inder:** Only briefly, sir.

We came across this in the present Presidents meeting. It was dropped on us and came out of left field. And generally, the Presidents thought it was not a bad idea. And if I can explain – and this is my version of what I think was said in the present Presidents’ meeting.

490 Effectively – and I think we have known this for many years – we have policy letters and everything gets amended almost into oblivion and what happens, your general debate happens through the amendment process and general debate gets smaller and smaller and under our Rules we do not always get the ability to do our set speeches, or lay them at the right time. And sometimes they can get broken up because there has been something, or someone has said something else.

495 So I think there is basically some merit in this, because entirely clearly – and hopefully we do not go into too much detail – there is quite clearly political differences. We have to accept that. But there are myths being purported. Entirely myths being said. And I think it is reasonable that with support from Treasury Officers – because I believe under this system they have the ability to sit behind the presenting Member and they can counter anything that is incorrect.

500 And without a shadow of a doubt, whatever you have seen on this, Members, wherever you are going to land, there are quite clearly some myths that need busting, and some quite unreasonable things have been said, particularly about officers over email. I think that is unforgivable myself.

505 So I think it is entirely reasonable for us effectively to have the set piece and the general debate to guide where this is going; and then allow those who are proposing amendments and the various Propositions to stand and let us have a sensible debate if possible at the front of it rather than at the end of it. That is where I am.

The Bailiff: Members, we do not really want to spend days trying to discuss this motion because there will not be time to do anything else.

Deputy Queripel, what do you want to say?

510

Deputy Queripel: Sir, two things. Like Deputy Vermeulen I need clarification, please, on –

The Bailiff: You will get it.

515 **Deputy Queripel:** Will the public and the media be excluded?

The Bailiff: No.

Deputy Queripel: Well, if that is the case, I cannot vote for this.

520 And also, it seems to me that sitting in committee will become a free-for-all – (**The Bailiff:** No.) until we reach the time limit, and then we focus on the individual motions and hear the same thing said over again. And if that is the case, I cannot vote for this.

The Bailiff: Deputy Oliver.

525

Deputy Oliver: Thank you, sir.

530 I actually think this is quite a good idea because I cast my mind back to when we had quite a number of amendments and you only have to look at the IDP when I think Deputy Queripel could not actually get his amendment laid because of the format. And this will actually give us the way to speak about all the amendments and make sure that each one of them is actually discussed and has the merit that it deserves.

The Bailiff: Deputy Kazantseva-Miller.

535 **Deputy Kazantseva-Miller:** Sir, I have never been in a meeting of 40-plus people. The meetings I attend are five, or even joined committee meetings of 10 generally tend to be unwieldy, and I could not possibly imagine what kind of chaos this could descend into.

The Bailiff: Deputy Gabriel.

540

Deputy Gabriel: Thank you, sir.

Just a procedural question more than anything. Will the other Rules be enforced when Rule 25 is enforced sitting in committee? For example, guillotine motion 26(1)?

Thank you.

545

The Bailiff: Deputy Matthews.

Deputy Matthews: Thank you, sir.

550

I stood up really just to make a comment that it is my belief that perhaps the reason why we are even discussing the concept of sitting in committee for this debate, is reflective of the broad lack of consensus that we have in the Assembly. I just wanted to pass that off as a comment about these proposals in general. But it is an indicator.

Our system has always relied on consensus and it is easy, I think, to see that there is very little consensus around these proposals. I really just wanted to make that point.

555

Thank you, sir.

The Bailiff: And last, Deputy Trott.

Deputy Trott: Thank you, sir.

560

I would be inclined to give it a go. But I think we should be prescriptive at the start and say look, we will test it for two or three hours and then we will put a second vote to the States to see if the States wishes to continue in that way, because it may be an absolute disaster. Or Members may actually be surprised at how productive it is.

565

So my recommendation to you, sir, would be that you consider making it prescriptive, i.e. we will give it two hours or three hours and then the States will be asked if it wishes to continue beyond that time, dependent upon the experiences of that in committee ...

570

The Bailiff: Before I turn to Deputy Ferbrache to reply to that short debate on his motion, *before* I turn to ... Let me try and explain what I think will happen if there is a positive vote to sit in committee.

There is a distinction between sitting in committee and sitting *in camera*. If the States resolved to sit *in camera*, then the public would be excluded. But by sitting in committee, it will continue to be broadcast. The difference really is, as set out in Rule 25, first of all the rules of the debate are for me to determine, rather than those that have already been predetermined.

575

Let me explain what I mean by that. If we were to sit in committee, there would be no points of order. There will be no points of correction permitted. There will be no ability to ask another Member to give way because everybody will have an opportunity to speak more than once. So all of the Rules in Rule 17 will go by the wayside. It will be, as some Members have said, like a big

580 committee but with a neutral chairman rather than one who has been elected to that particular position.

In relation to those who are not Members of the States of Deliberation being called to speak, that will be a matter for *me* to judge, because I call people to speak. There will still be a requirement that if a Member wishes to address the Assembly in committee, they will have to stand in their place and I will call those from the order that I think is appropriate. But that said, at the outset, I would
585 invite Deputy Ferbrache to address the Assembly, (*Interjection*) if we sit in committee.

I am not inviting any further comments at all at the moment. I will then invite the proposers of the main alternative Propositions to the Committee's proposals. That is Deputy Meerveld with the sursis motivé, Deputy Soulsby, Deputy Parkinson. And then I will decide whether I also turn to the other proposers of the amendments at this stage to speak.

590 I am minded to impose time limits on all speeches from the outset (*Interjections*) and there will be a limit of 15 minutes for those who are speaking to their respective Propositions; and then for other Members I am minded to make it 10 minutes for their first contribution, and five minutes and a reducing amount thereafter because we do not want people to hog the debate. The whole idea of sitting in committee would be to enable all Members to articulate their views as to what their
595 preferences – possibly in order of preference – will be in relation to these matters. But it will be flexible.

In terms of a time limitation, the original time limitation I was considering was that we could not sit in committee beyond the close of business tomorrow because you actually need to vote on the various matters that will be put to you to vote thereon during to the course of Friday. But I am
600 minded, perhaps, to see how things go today, and by close of play today to invite your comments as to whether you wish to continue sitting in committee, or whether the time has come to go out of committee and go back into formal mode.

So that is the broad state of play, if you were minded to sit in committee.

And I will simply invite Deputy Ferbrache, if he wishes, to reply to the short debate that there
605 has been.

Deputy Ferbrache: Only to one question and one clarification.

Question: *if* we go in committee – and it is only so I know for when to present the opening – do I take it that is limited to 15 minutes? My opening speech?
610

The Bailiff: I am minded to give it a limitation.

Deputy Ferbrache: Now, I am happy with that as long as I know, sir. I had to be able to address that.
615

The only other point I would say in relation to a point raised by Deputy Vermeulen. I think I initially misspoke in talk about 'camera'. I quickly corrected that to 'committee'. It is my intent if – it is *your* direction, anyway – certainly, that if the motion is granted and we do go in committee, it is broadcast in the normal way. Other than that, I have nothing to say, sir.

The Bailiff: Well, Members of the States, I am going to put to you a motion that the States sit in committee that is being proposed by Deputy Ferbrache.
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Deputy Soulsby.

Deputy Soulsby: I do not agree that opening speeches, certainly from those putting forward
625 substantive Propositions, some of the amendments are quite meaty, that we can only have 15 minutes to talk about. I have got something prepared, I do not know how long it is going to be. It could stop halfway through. I do not think that is actually quite democratic or fair for those who have got their own position, which is different.

630 **The Bailiff:** But there will be the opportunity to make the opening speech that would otherwise be made when each of the secondary Propositions is subsequently laid.

The purpose of this process, at least as I understand it and the way that I have approached it, would be to say each Member, but particularly the proponents of the secondary Propositions get longer than anyone else to articulate their views. It is quite clear what those views will be and it is going to be a balancing exercise in relation to how much comment is made about the alternative Propositions.

So, I am not going to invite any further comment at the moment. You have simply got to decide whether you are going to sit in committee or not. So the motion from Deputy Ferbrache is that the States sit in Committee. Those in favour; those against?

Some Members voted Pour, others voted Contre.

640 **The Bailiff:** I am going to declare that lost. *(Laughter)* But if any Member wants a recorded vote, now is the time to ask.

A Member: I will take one, please, sir, for the record.

645 **The Bailiff:** We will take a recorded vote. Can we have a motion up, please, Greffier. Will you now open the voting, please, Greffier?

There was a recorded vote.

Not carried – Pour 16, Contre 22, Ne vote pas 1, Did not vote 0, Absent 1

POUR	CONTRE	NE VOTE PAS	DID NOT VOTE	ABSENT
Aldwell, Sue	Blin, Chris	Moakes, Nick	None	Dyke, John
Brouard, Al	Burford, Yvonne			
Cameron, Andy	Bury, Tina			
Dudley-Owen, Andrea	De Lisle, David			
Ferbrache, Peter	De Sausmarez, Lindsay			
Gollop, John	Fairclough, Simon			
Helyar, Mark	Falla, Steve			
Inder, Neil	Gabriel, Adrian			
Le Tocq, Jonathan	Haskins, Sam			
Mahoney, David	Kazantseva-Miller, Sasha			
Murray, Bob	Le Tissier, Chris			
Oliver, Victoria	Leadbeater, Marc			
Roberts, Steve	Matthews, Aidan			
Roffey, Peter	McKenna, Liam			
Snowdon, Alexander	Meerveld, Carl			
Trott, Lyndon	Parkinson, Charles			
	Prow, Robert			
	Queripel, Lester			
	Soulsby, Heidi			
	St Pier, Gavin			
	Taylor, Andrew			
	Vermeulen, Simon			

650 **The Bailiff:** Well, on the motion that the States should sit in committee pursuant to Rule 25, proposed by Deputy Ferbrache, there voted in favour 16 Members, against 22 Members, there was 1 abstention, 1 Member was absent for the vote. And that is why it is declared lost.

So it is still an option at some later stage if thought appropriate, but we will simply go into formal debate now, and I will invite the President to open the debate.

Deputy Ferbrache: Thank you, sir.

655 Without hyperbole, other than the provisions that had to be made when COVID, that awful virus was at its worst, this is the most important States debate for a very long time.

It is a debate that should be decided on evidence, on facts and on what is the best for our community. And our community in this context is both the Islands of Alderney and Guernsey. In relation to that, we have a very difficult task to determine.

660 Now, I do not want to be standing up in relation to any provision and saying that I am asking the States to vote in favour of tax increases. I do not want to receive hundreds of emails saying that they say no to GST. I do not want – and I was generally received favourably and respectfully – when I walked into this Assembly this morning to be sworn at by a member of the public. I do not want any of that. I do not want us to be in that position at all.

665 We must approach this debate in a civil manner throughout however long it will take and it probably will take. I would have cut my speech obviously to 15 minutes but now that time limitation is not imposed and to quote Captain Oates, 'I may be a little time'.

Now in relation to where we are, we have to look at where we are. We are where we are because we have an ageing population. We have statistics in the material that has been sent out to all members of our community, to all States' Members – which, I am sure, all States' Members would have considered considerably and in detail, which shows that we are in our situation. Our demographics are different than they were in 1971 and they will be even more different in 2040. And we have a problem to address.

675 Now, it is often said that we bring our own experiences to the States now. If these proposals were rejected then people like myself and Deputy Helyar and others would actually be better off than if they are accepted. We will end up paying less tax than we otherwise would. We would end up making less contribution to the Island Exchequer than we otherwise would.

680 And I speak as somebody, I think, with a reasonable degree of experience, although there are people who have been in this Assembly much longer than me: Deputy Trott, Deputy Gollop, Deputy Roffey. But I served in this Assembly from 1st May 1994 to 30th April 2000 and I have served again since 1st May 2016. Not far off 13 years. I have held four presidencies, I have sat on very many committees. I have lived in this Island most of my life. I was very privileged to be lucky, fortunate to be born in Guernsey.

685 I came from a certain background. And I am not going to repeat that background. But that background fashions the way that you look. And the fact that my financial position is much different to that of parents and certainly *much* different to that of my grandparents, does not change the views and the values that I hold.

690 I am also in touch with the financial services industry because I am a director of a small trust company. I also have a small beneficial interest in another fiduciary company. I also, with my family, employ over 100 people in the hospitality sector. My family owns four significant restaurant businesses. I own, with my family, two of the freeholds of that particular restaurant facility. I also have other interests in business. I have also been, for many years, a practising advocate. I also know how individual people operate and think.

695 Now, this debate should be, in my view – I almost said, my respectful submission, but I forget where I am. This debate should be, in my view, conducted more like Panorama than Sweet Caroline. It is more important to not be jingoistic, but to be factual into where and of the challenges that we face.

700 It is very easy for me to put on a badge, put on a ribbon, wear some of them today as some Members are and say, 'I am against GST'. Now GST, quite rightly – and I make no criticism of the media at all – GST is the headline topic in relation to what we are proposing. But what is being proposed – and I very much commend the work of the Tax Review Steering Group which was chaired and populated by Deputy Helyar, Deputy Roffey, Deputy Mahoney and a non-States' member of Deputy Roffey's Committee, Mr Mark Thompson. Those people and the officers, the independent officers – and I stress their independence and their unbiased nature – have devoted hundreds and
705 hundreds of hours of work to this particular matter.

Now, when we look back, we actually started, we the States, it was a previous Assembly, but matter not. We actually started discussing this topic in earnest in January 2020. I will come to that particular policy letter in due course because I have got a quote from a very able speech given by a very able States' Member, that is Deputy Trott, just in a minute or two.

710 We then had what is now called Tax Review Phase 1. It was not called that then and we debated that at length. Again it was a good, constructive debate in September and October 2021. The States was sent away to look at a particular aspect of our tax strategy which was the Corporate Tax Strategy, and report back by July of last year.

715 We, collectively we, went off to one of the world's best experts. We went off to Ernst & Young to look at the corporate tax structure. The instruction they were given was to put their hands in every corporate structure's pocket, to get out the cushions to make sure that every conceivable penny that could be safely got from the corporates' element of our society should be got.

720 They did not report back – and I do not mean any criticism because you would expect a topic of this seriousness went backwards and forwards with discussions and questions and meetings and further instructions, but that main instruction never ever varied and they reported back in late September of last year which meant that debate was today. And I very much commend it. I had good advice from Deputy Trott would said, 'Look do not bring it before Christmas. Give people time to consider it. With great respect, they will not pay much attention to it over Christmas. They are thinking about the presents they are going to buy Deputy Trott and myself. They have got other things to think about. Come back now.'

725 But we did not want to leave it too long. That is why we are debating it now. Because we have to make a decision whenever we are. Whenever it is, it will not be today. We know that. It will be in the next few days. Whenever this debate concludes, we have to make a decision. And we have to make a decision based on fact.

730 I do not think it is helpful, because we had a report from S&P Global. Some of us who are in that field would know what they do. They are a rating agency. They report every year on our financial structures etc. Every year. And they reported just recently in the terms that said that they have concerns; and we were downgraded. Not downgraded to the extent that it is going to cause great trials and tribulations just at the moment. But it is still a step in the wrong direction and we have to address that step.

735 Now, I do not go into see social media because I do not think it is helpful. But a senior States' Member of the States wrote as follows:

S&P: 'What are your 2023 challenges?'

P&R: 'Getting political approval for tax package; and we're not trying to control spending, quite the reverse.'

S&P: 'Um. We'd best downgrade you then. Will that help?'

P&R: 'Yay! Thanks it certainly will! How much we owe you for your report?'

I do not think that is helpful. I do not think that should have been said. I think that we should look at this in an objective, factual basis and put personalities out of it.

740 Now, Deputy Trott, I fully respect. I do not know whether the figure was 2,000 or whether the figure was 2,500 or whether it was 3,000. Whether it was 4,000. I think Deputy McKenna said it was 5,000. Deputy McKenna said yesterday the figure to me. It might be 6,000 or 7,000 tomorrow. But there are a lot of people that marched just a few days ago. I respect the views of every single one of them. Every single one of them held their views sincerely and they are due to be respected.

745 I respect all of the views of the 300 or whatever the number was outside this Chamber today when I walked into it at about nine o'clock this morning. Even the person that swore at me. I hope they regret that; and they would not swear at me in a different context, let me put that to you.

750 But in relation to all of that, let me say this. Deputy Trott said this in a speech on 13th October 2021 when we were talking about what we now call Tax Review Phase 1. He said it in a jocular way, but the words he said were sensible and he meant no disrespect to anybody at all when he said it. And what he said was this – he was talking about that debate. He said he had dealt with questions from a couple of Guernsey people and this exact words were:

One from a chap in the pub and one from a chap in the White Rock Café. These are good old Guernsey boys like me, sir, but they have not had the benefit of 21 years of service, so they do not understand the fiscal components of Guernsey's public sector to maybe quite the extent that I do.

755 What he meant, and he said it in a nice way, was that it is *our* job to inform ourselves of all the facts. It is *our* job to bring our experience to these kinds of debates. It is *our* job to listen to public opinion. But where we believe some of it might be wrong is to say: *au contraire*.

I did like the comment, and I think this was ... And I commend one of our newer Members, Deputy Haskins said this in the same debate on 14th October 2021. I really commend his words to you. He said:

I was slightly disheartened to hear, though, that some Members are seeing this as a P&R issue. Make no mistake, Members, it is an issue for the entire Island ... every single generation for many generations to come. It is all of our responsibilities. Our Island is expecting us to solve this problem, not to wait and pass it on because it is too difficult. It is difficult, it is uncomfortable.

760 Well said to him! And that is what we have got to do over the next few days is make a difficult series of decisions and do it.

Now, let's look at the facts. We have got the ageing demographics and we had them in the material that was provided. We can see that there are more people living longer. That is a good thing, but that results in a longer payment of pensions and more healthcare. And the growth in our services is almost exclusively down to healthcare.

765 I carry on with the able speech delivered by Deputy Trott back in the Autumn of 2021. And what Deputy Trott said was this. He said that there are 1,900 fewer people economically active in Guernsey than there were 10 years ago. And he said, rightly, that figure is deteriorating.

He also referred to the comments he had made in the previous context in September 2020. And he said this:

As a former Treasury Minister and Chief Minister, my job is to talk about the realities, the truth and not what I think our community wants to hear.

770 My pause. Much more important than walking out with badges and pink or yellow ribbons or tie a yellow ribbon round the old oak tree. Much more. Very sensible judgement from Deputy Trott. And he said:

If you want a snake oil salesman you need to look elsewhere and we have a few to choose from. Government services are not free. The States are facing a series of enduring fiscal pressures, both through challenges to the sustainability of existing services, particularly as a result of our ageing population, and the growing demand for additional services. It costs around £8,000 for each standard off-Island knee replacement.

After saying that a more complex joint replacement surgery could cost up to £20,000, he went on to say:

A year's education for a single secondary school pupil costs on average more than £12,000 if you take into account the capital cost as well, as you must. It costs nearly £1,000 per week to keep a prisoner in custody ... The average cost of a fire and rescue callout is £3,600 and the cost per day of a neonatal intensive care bed is £3,500.

775 That is the end of his quotes because he was quoting from a previous speech. And he then went on:

So, what does it mean? Well, it means that if you are on median earnings, with an annual income of around £34,000, £35,000 and an annual Income Tax liability of around £4,500, the Income Tax you pay covers the cost of a single pupil in the States' secondary system for a little over one term and is enough to keep a premature baby alive for 31 hours. Healthcare costs money but it is absolutely essential expenditure and who would think otherwise?

This is again Deputy Trott speaking, when he said:

Guernsey currently collects only 21% of its annual GDP in revenues, compared –

780 – and this is him saying it –

as I wrote at the time – to 26% in Jersey and 38% in the UK and, incredibly, the equivalent figure is over 46% ... in France. We take the lowest percentage of our GDP of any of our comparable jurisdictions ...

So, what does that mean? We collect approximately £720 million a year in revenues, or 21% of our GDP ... It costs nearly £2 million a day or more than £80,000 an hour to run public services such as health and social care, education, the police service, the fire service and so on.

And additional demands on public finances are estimated by some in aggregate at more than £100 million each ... year. I say by some because the figures presented to us by the Policy & Resources Committee are lower than that but certainly I can understand why some felt the figure may have been £100 million or more.

These are in relation to services that matter, often involving life and death choices rather than vanity spending

He then went on to a different topic:

Many assume that we have a bloated public sector, yet as a percentage of our overall working population, the size of our public sector is not in the least bit remarkable when compared to other similar jurisdictions, which take much larger chunks of their GDP to fund public services.

Again, I am going to come to some figures in due course. He was spot on in 2021. He would be spot on if he was saying that today. I will be spot on when I give the figures to you in due course. It is evidence and facts that we must make this decision on.

785

He then went on to say, referring to the States' Treasurer:

[Because] the figures that she has provided, her and her team have provided us over the last few years have been of the highest degree of accuracy

He quoted this:

... the working age population has fallen by about 1,900 people and the number of people over pension age has increased by 2,200, creating downward pressure on taxes and increasing public spending on pensions, health and care. This has created an unsustainable situation, which is precisely what the Tax Review is intended to address as part of the solution that also involves reducing spending and stimulating economic growth.

Now, he says next, it is a nonsense to say we have a bloated public sector; and he said that the sooner we put to bed that nonsense, the better. Hear, hear to him. He was correct 16 or 17 months ago and correct now.

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Now, let me give the States' Assembly some statistics because I had these figures presented to me as recently as yesterday in relation to where we are, in connection with it. There is also a States equivalent. Full-time equivalents in our public service. That is everything from the policeman to the head of our public service. The most up-to-date figures table as recently as yesterday's P&R. We have 4,849 full-time equivalent employees in our Civil Service/public service. Jersey has over 6,800.

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We have 1,155 employed in Education, Sport & Culture. They have actually budgeted for 1,216 but obviously they are short of teachers and other professionals.

Health & Social Care actually has 2,088 full-time equivalent employees. An increase from when Deputy Soulsby was finished to be President by 33. They actually have a budget for 2,181. Again, I do not think it is any news to us. They are short of skilled people.

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Next biggest is Deputy Prow's Committee for Home Affairs, budgeted for 599, actual 561. So that leaves about 4,849 full-time equivalent employees in public services; 3,804 are employed by policemen, border agency officers, doctors, nurses, teachers, social workers – 3,804, so that leaves 1,045, less than 25% to be divided between P&R, Economic Development, Environment & Infrastructure, Employment & Social Security, SCSV, Scrutiny, Royal Court, Law Officers, Development & Planning Agency, Overseas Aid – only one for them – and all budgets. So 1,045 full-time employees to do all those other things.

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So when, as I have been asking for the last 18 months, for people to come up and tell me where there is considerable waste in our public sector employees and our public sector system, I am still waiting. My door has been open for the last 18 months. It has not been pushed ajar by too many people.

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815 Now, one thing I also did is, we have had leaflets to the public, we have had drop-ins, we have had public meetings, we have had online thing-me-bobbies which I am not too sure about because people like Deputy Helyar would understand those. We have had all kinds of information in relation to that. That is what we have had.

820 What we did on 3rd, 4th and 5th January of this year, we had meetings with individual States' Members. In relation to that, we have 38 States' Deputies and of those 38 States' Deputies, on 3rd, 4th and 5th January we had a total of 15 – which is less than half if you take off P&R and you take off Deputy Roffey. Fifteen, 15 people who turned up to those meetings. We had 16, I suppose, because we had Deputy Gollop twice which is always good. *(Laughter)*

825 But on 4th January ... Deputy Falla, Deputy Aldwell, Deputy Inder and Deputy Gabriel turned up. On 5th January Deputy Vermeulen, Deputy Le Tissier, Deputy Matthews, Deputy Gollop and Deputy Meerveld turned up. On 6th January Deputy Prow, Deputy Oliver, Deputy Blin, Deputy Fairclough, Deputy Moakes, Deputy Haskins and we were pleased to see Deputy Gollop again.

825 So that is 15, less than half of States' Members could be bothered to turn up as recently as three weeks ago. We also – I am not giving way. *(Interjections)* This is an opening, not a remark. People can make all the speeches they want.

830 **Deputy Leadbeater:** Point of correction.

Deputy Ferbrache: Is this a point of correction?

The Bailiff: Point of correction, Deputy Leadbeater.

835 **Deputy Leadbeater:** It was not that I could not be bothered to turn up. I had COVID, sir.

The Bailiff: That is not a valid point of correction, Deputy Leadbeater, on the basis that Deputy Ferbrache was not explaining why people were absent. You will get your opportunity to say that in due course and that is the same for all Members.

840 Deputy Ferbrache to continue, please.

Deputy Ferbrache: Thank you.

845 What we also said is that – and I am not biblical. My able colleague in Policy & Resources, Deputy Le Tocq, probably has more knowledge of that than I do. But we do not have the wisdom of Solomon. We have invited from experts, we have invited from States' Members – who *have* considerable experience. I have mentioned Deputy Trott. He is not the only one. There are other people in this Assembly who have considerable experience over a great number of fields. Corporate experience in Asia, corporate experience elsewhere, working in businesses, living their life in Guernsey. We have had *very* little input.

850 I was disappointed at 4.46 p.m. on 15th January 2023 to receive the Deputy Soulsby and Deputy St Pier amendment, not having seen it before. I was even more disappointed with the fact that apparently they had had a press conference which had been embargoed two days before. But nevertheless, we are where we are and we have to deal with the situation as we have it, not as we may want it to be. This is, as Deputy Haskins said, whenever I quoted him 18 months ago, whenever it was, this is a decision for all of us.

855 Let's also look at our finances. Let's look at where we are. We had an 11th corporate ... What we do every month, we at P&R get an up-to-date statement of what our financial position is in relation to money we have spent, what the debts are, etc.

860 So we had one yesterday for November. We will not get the final December one until about mid-February, late February. That is the way it works. I will give my best guess in relation to some of it, but it is a guess and I ask Members to bear that in mind in relation to the bits I do not know.

As at the end of period 11, so November 2022, so it is not quite finished, Guernsey Airport has a loss of £4 million ... No, that cannot be right. Guernsey Airport had a loss of over £442,000.

865 Guernsey Harbour has a profit – no, it is a loss, £4,423,000, Guernsey Airport has lost. Guernsey Harbour has a profit of £873,000.

Guernsey Dairy has a loss of £428,000. Guernsey Water has a loss of £326,000. States' Works has a profit of £147,000, they were hoping to make £594,000. And Guernsey Waste loss was £2,155,000. So, the figure must be £442,000 for Guernsey Airport. I cannot read my own writing.

870 Now that means a net loss. The net loss, if you add the bits that are in loss and give the credit for the bits that are in profit was £6,312,000. I make no criticism of any of these entities. They are doing their best in extremely difficult financial circumstances. But we have a loss of £6.3 million. It is expected for the full year, because that is the way it works and I appreciate that this is an exception. What I have just given you is an actuality, a loss of £6,312,000.

875 Expect in the first year, for the full year, to go up to £7,521,000. So £7.5 million in deficit for what we would regard – or I would regard as 'trading entities'. And I know no more than Members of this Assembly, no more than members of the public. Guernsey Post, it was in the *Press* a day or two ago, a loss of £2 million for last year. So where is the money going to come from?

880 Also, I quote from the report we have, given to P&R yesterday, which we received at the end of last week, so it is a few days old. The latest forecast updates reflects an improvement in surplus for the year by £1.8 million to £26.9 million. The single biggest factor is a review of the committee forecast with an improvement in corporate services – £600,000; ESC – £700,000; Home Affairs – £200,000; SCSB – £400,000.

885 Off-setting an increased adverse forecast variance for HSC. In common parlance that means that HSC is in a worse financial position than otherwise we expected. That is no criticism of my good friend, Deputy Brouard and the team ...

Document Duty forecast receipts have also revived favourably and are up £1.2 million more than was originally anticipated. The original budgeted total income, less total spend was a deficit of £2 million. That is what was projected some time ago. But the positive performances reversed this to a surplus of £24.9 million. But sadly the story does not end there. If it did, well done.

890 However, it continues, once the forecast losses on investments are taken into account, the overall deficit is forecast at £21.6 million against a budgeted surplus of £22 million. Investment performances in December has also deteriorated materially and this will be reflected in the next report in late February, following year-end adjustments.

895 This overall position is also before any allowance for capital expenditure which at 2% of GDP is approximately £68 million. If you say it is a mere 1.5%, that is a mere £51 million.

900 I pressed Treasury yesterday to say I want to be in the States today. I want to tell them what is the best estimate I can give. It is an estimate. It is not finalised, bear in mind. What I have been told is that it is expected the loss to be at the end of last year 2022, £43 million. We will be in deficit on revenue terms of £43 million. That is what we have to find. So you have got to dig into your savings, as we would call it, us old Guernsey boys, as Deputy Trott referred to his colleagues in the pub or wherever it was before. We have got to dig into that to keep the expensive show on the road.

I think, and I do not believe I am in the minority, that Deputy Soulsby was an excellent President of ESC. So, what I did was check the figures in relation to – (*Interjection*) Not ESC, HSC. I am sure she would have been a good President of ESC too, but there we are.

905 But the position in relation to that is that we are in a situation whereby the actual Health Committee spend, from 2016 to 2020, at the start of that, the pay bill was £83,975,000. At the end of that, it was £104,878,000. That is an actual increase, if my arithmetic is right, of over 25%, but if you discount for inflation and pay awards, that is a 10% increase.

910 Non-pay went up from £44 million to £46 million but that was more favourable than it should have been on a like-for-like basis because it allowed for the transfer of IT budgets to corporate, £2 million, and the establishment of a pooled budget £0.5 million. And the report I also received was to further the net reduction, allowing for inflation, was exceptional in non-pay expenditure due to the effects of the pandemic. That was £1.9 million. This reduction in expenditure included many on-Island HSC services as well as off-Island treatments.

915 The cost pressures experienced in these areas in 2022 reflects the normal challenges of increasing demand, so that would have been higher. And it says, funding increases were awarded in each year during that period, including approximately £6 million for service pressures in 2019 and 2020.

920 Other funding support during that same period was the transformation of health and social Care which was supported over the period with a total of £4.3 million being charged for the transformation and transition fund of which HSC supported multiple initiatives over and above the increased revenue budget. That comprised £731,000 in 2017; £690,000 in 2018; £1,802,000 in 2019; and £1,123,000 in 2020. The number of employees during that period went up from just over 1,900, In fact, I will give you the best figure I can – 1,900 to 2,148 i.e. an 11% increase. And the comment
925 that I was given by the people that I asked the information from was mainly due to the investment in additional nursing positions to meet increased demand and to support new service provisions.

Budgetary increases we have provided. I have already dealt with that, so I will not repeat it.

930 So, the growth is in Health and Social Care. Deputy Brouard came to see us on 6th December about the second phase of the hospital modernisation plan. That is £15 million over budget; £15 million more than it was originally anticipated. We have deferred a decision on that until after this Assembly has decided what it is going to do in relation to this because we may be saying it is a decision too big for us. It is a decision that we come back to the States and the States will have to say whether it is going to go ahead with Phase 2 or not.

935 None of that money was wasted. We were told that, including the figures, it is an ageing population. People want to be treated more on island etc. Deputy Brouard, as you would expect, and his officers gave a very good case as to why we should do that. Those are the pressures we have got.

I have got a list of capital projects that we have got to do and are included in the next four or five years. Some are legacy projects. Some are must-to-do projects. It includes the Hospital.
940 It includes affordable housing. It includes review of our computer system. It includes spending £7 million or £7.5 million, on doing the Bridge at ... *[Inaudible]* It includes all kinds of items that we have in relation to that.

We know what income we get. We know what we receive. It is budgeted. It is there.

945 Let me say, we talk about services. I know that he is not in the Assembly at the moment, but never mind, he may be listening outside, so I will say it anyway. Deputy Taylor loves my little homely examples, so I am going to give him one.

950 One of my sisters lives up in Durham. She lives within 200 m-300 m of her general practitioner's surgery. She has suffered from thyroid problems since she was a teenager. She wanted an appointment desperately with her GP. Two weeks she had to wait and she could only have a telephone appointment.

Compare that with Guernsey. A friend of mine's son was playing football the other week. I do not think he was playing against Deputy Trott but he was fouled and he did get an injury to his head and he had to therefore be taken to A&E. He was taken to A&E, he was treated immediately, given first-class service.

955 My mother died when she was living near Royal Shrewsbury, near one of my other sisters. After my father died, she went to live in England. I went, sadly, to see her die at the end of 2017. I went to the Royal Shrewsbury Hospital. Not exactly Sin City, is Shrewsbury. It is not Leeds. It is not Liverpool. It is not London. My mother received magnificent treatment from the National Health Service. Let me say that beyond any doubt.

960 Every ward had person-after-person on stretcher and trolley, waiting to get into the Hospital. It was a weekend, over the period that my mum died. There were police officers on duty throughout the whole of the weekend, policing Accident & Emergency.

965 If you go to a hospital in Leeds, if you go to a hospital in Liverpool, if you go to a hospital in London and you want A&E, you will wait eight hours, you will wait 10 hours, you will wait 12 hours. So we have got the services we have got. They have got to be paid for.

We have links to the mainland. We could go to Gatwick five or six rotations a day in normal times. We can do that. We are 63,500 people. We can do that.

970 We have got an education system. My youngest grandchild is five, so she started at the Castel School just a few months ago. She is in one of two receptions. There are 20 kids in a class; 20 children in a class. That is what we are providing, but that has got to be paid for. If she was going to the school that she was going to go when my son was deciding whether he was going to go back and live in East London, she would be in class of well over 30. That is the difference. Those are the services we are providing.

975 I cannot see today because the thing is down and I have said it many times. I have got lots of trees in my garden. Four of them blew down recently with the gale, but not one of them was a money tree. We do not have any money trees. We have got to address that in a realistic way.

980 What has Deputy Roffey, what has Deputy Helyar tried to do? They have tried to come up with a package. I have worked collaboratively – and I emphasise that word – with Deputy Roffey, over the last 18 months or so on three major items: social and affordable housing; Alderney runway; and now this particular issue.

Deputy Roffey is not frightened to stand up and be counted. We did not receive a cheer when we came into the hall today. We received, 'No, no, no to GST'. And as I said, somebody swore at me. But that is what we received for saying and doing what we think is right.

985 Let's look at the policy letter. Let's look at what that says in relation to where we are. The very first figure which appears just above Paragraph 1(12) shows that 60% or thereabouts, our percentile will be either no worse off or better off under the proposals that are put forward – 60%. That 40% will be worse off and those are the 40%, I do not pretend that they are multi-millionaires, but they are people with more money in their pocket. Before you are more than 1% worse off, you have got to have two adults with an income of £100,000 a year. Most people would think that £100,000 a year is a significant income. So look at that.

990 Now look at paragraph 1(9), because as I say, I do not blame the media at all. It is a headline as GST. Paragraph 1(9) says:

The preferred package has a number of key elements:

- The introduction of a new 15% rate of income tax on income up to £30,000. This means that people will pay a lower rate on all income between the value of the personal and other tax allowances (including pension contributions, mortgage interest relief or transferred allowances) they are entitled to and the £30,000 threshold, which would provide a maximum reduction of over £800 a year (over £1,600 a year for a couple). Combined with the increase in the personal income tax allowance this will reduce personal income tax receipts by £29m.

So this is giving back to those that need it to be given back to, £29 million of public money.

995 Now also we, this Assembly, in I think it was October 2021, approved proposals brought forward by Deputy Roffey and his Committee to increase Social Security contributions over the next 10 years so that eventually they are £34 million a year more than they are now. And we have got no option because we pay pensions, we pay benefits. We have all kinds of things that we *should* be providing in a society.

1000 Old-age pensions – I still call them that because I am old – first came into Guernsey in about the early 1950s, so they were voluntarily initially and a lot of people, even now, do not have a full benefit picture. They do not get the full £250 a week. So they have to be supplemented by other means. All of that costs income. All of that costs money. All of that costs revenue. All of that has to be paid for.

What Deputy Roffey is proposing, with my full 100% support is this:

A progressive restructure of the Social Security Contribution system which reduces the liability of low- and middle-income households with a headline rate of 8.5% for employees and 8.0% for employers. This restructure raises £19m of revenues. This restructure will add an allowance for all classes of contributions which is aligned with the personal income tax allowance.

1005 So it raises £19 million, but that is £19 million instead of £34 million. So another £15 million comes back or is not taken from people's pockets.

There is also the next bullet point:

An increase in the personal income tax allowance by £600 which reduces the income tax liability of low- and middle-income households by up to £120 per taxpayer (£240 per couple) with a further £1,150 (£2,300 for a couple) gained by applying the same higher allowance in full to social security contributions.

And then we come, because money has got to go back into the system to pay for it. We are short of money.

- A Goods and Services Tax (GST) at 5% which will form the primary mechanism for raising revenue estimated at £68m.
- A pre-emptive increase in the States pension and other benefits by 3.4% to reflect the increase in prices anticipated at the introduction of the GST.

1010 Because it is accepted in the first year that GST will be inflationary. This seeks to balance it. And what we can say, and I say unequivocally, and I know that the other Members of the Tax Review Steering Group and all Members of P&R are the same. If that 3.4%, for example, is 5.4% that extra 2% will be made up in the following year. The intent is that people will, as best they can, be protected as much as they can be.

- A pre-emptive increase in Income Support rates by 5% to reflect the increase in prices of items in the Income Support "basket of goods" anticipated at the introduction of the GST.
- A further package aimed at providing financial support for low-income households outside of the welfare system.

1015 So this is not the rich Peter Ferbrache or the rich Mark Helyar or the rich whoever-it-may-be, thinking that we are going to pick the pockets of the poor. It is the Peter Ferbrache from Charotterie; it is the Mark Helyar whose father was a fireman, whose grandfather was a grower. It is *us* having taken so well from Guernsey, saying this is what we have got to put back for Guernsey to help the ordinary people. To pay for the bills; to pay for the education system; to pay for the police officers; to pay for the nurses.

1020 Tell me how we can cut down significantly on that? Tell me how you can do that? I am still waiting for the GST brigade to tell me how we can do that. How we are going to fund all of these things, because we need that money.

1025 Deputy Parkinson made a point to me in a conversation, because you can always have an intelligent conversation with Deputy Parkinson, even when sometimes I do not agree with him. But he will say 'Well, we are not going to go bankrupt tomorrow. We have got the money to pay bills tomorrow.' He is absolutely right, but how many more tomorrows? How many more tomorrows are there before we are in significant financial trouble, significant financial concerns?

Paragraph 2(4) of this same document says:

Between 2011 and 2025 operational expenditure is forecast to have increased by 22% in real terms. This is driven by increases in the total spend on health and social care services (24%) and States pensions and long-term care (30%) as the population ages

And there is a figure there which shows that.

1030 So I will just give you those figures again: 22% in real terms, 24% in health and social care, States pensions and long-term care 30%.

1035 Deputy Trott made a point in that speech, but also I have heard him make it in other places, that the actual growth in numbers of the Civil Service – we talk Civil Service, we mean public sector employees – is minus, when you take away Health & Social Care workers. Do I pretend that it cannot be more efficient? No, I do not. Do I pretend that we still have not got to look for more cuts than we can get them? No, I do not. I am a person who does not like spending my own money, so I certainly do not like spending the hard-earned income that public of Guernsey and Alderney have to pay for their own taxes. I do not like that at all.

1040 Now, this problem is not a new one. As I say, we asked for Ernst & Young, Appendix 3, States' Members should have read in detail. And they are detailed documents to read, particularly Appendices 2 and 3 to the policy letter. Appendix 2 is the Deloitte's report dated 4th August 2021 which was before the States when we have the debate in September and October of 2021 which we

have called now Phase 1. And the other document is the Ernst & Young report of September 2022 which I have already said.

1045 Now, they were nay-sayers in relation to corporate tax. 'You can get more, it is a nonsense what Ernst & Young have said. You can get more.' Shake the tree more and the pennies will fall. Well, no, they will not, unless we want to frighten away the pigeons, unless we want to frighten away the finance sector.

1050 The finance sector contributes – Deputy Helyar and Deputy Trott will know better than me, so if I give the figures, I am not that far out – about 40% *directly* to our GDP and our GVA, or whatever it is called. Forty per cent.

1055 But in addition – and I have already said it in a different context when I was speaking this morning in the States of Election – when I came back to Guernsey, called to the Bar in 1972, came back to Guernsey, was an advocate from March 1981. I thought I was the 20th but somebody else said I was the 21st or 22nd advocate to the Guernsey Bar. There are now 250 and they are not here because there are more divorces, there are more people punching policemen on the noses, there are more accidents, there are more boundary disputes. I have dealt the lots of boundary disputes over the years. You tell people not to argue over a piece of land, they do and it ends up more costly than if they were buying it in the centre of New York. But that is by-the-by.

1060 But in relation to that, they are here because of the corporate sector. Most of those work as financial services lawyers (**A Member:** Hear, hear.) and they earn, not like poor humble litigation lawyers, they earn big bucks. They earn lots of money and they pay tax and they employ plumbers, they employ electricians. They go to restaurants. (**A Member:** Hear, hear.) They buy clothes in our shops. They do all of those kinds of things. And they are accountants. They make even more money, some of those. And there are even *more* of them. They all are part of the financial services sector, really indirectly. That is another 20%. So 60% of our economic value, if I can call it that, come from the financial services sector.

1070 They were not around when I grew up and the person in the greenhouses earned £8 or £10 a week and he had to work with his wife, if he was lucky enough to have a little greenhouse behind, until three o'clock in the morning bunching flowers or packing his tomatoes. They were not there. Their kids had to go to England if they could not work at Tektronix, could not work for the States. They had to go to England to get jobs. Now despite the fact that we have a great loss of our young people going away because it is expensive for housing – and we have got to deal with that problem – we still have far more career opportunities than we had for our young people today.

1075 Deputy Helyar and I went to see a very intelligent 17-year-old student yesterday at the Sixth Form Centre. She is doing an International Baccalaureate. She was asking Deputy Helyar questions which I could answer, he had a bit more difficulty. (*Laughter*) But she was asking us questions in relation to that. She had spoken to Deputy McKenna previously, so he will know who I am talking about. A very intelligent young lady. At least, I thought she was from the conversation that I had with her.

1080 But seriously, she wants a career in finance *in* Guernsey. So we have got to maintain the environment so that intelligent young people like her can have that career, and they do not have to go to ...

1085 I remember going to a magistrate's court in Newark years ago when I was posted up in Nottinghamshire. And I spoke to this – he had a Guernsey accent and I thought, 'What are you doing here?' He said, 'Well, I had to come here in the 1950s because there were not any real jobs for me in Guernsey.' And he ended up marrying a girl from Nottinghamshire and he made his family life in Nottinghamshire.

1090 A good intelligent man because he did not want to work in greenhouses for £6 a week. He wanted to have ... There were those who have inherited and as someone wrote yesterday, they have inherited lots of money because their families were the bosses. There were not that many bosses. There were lots of ordinary workers in Guernsey. We provide a lot better, as we *should*, for our society nowadays.

1095 So, let me go to the Ernst & Young letter, which all States' Members hopefully have had, which was written to me on 20th January of this year. And I will just deal with it.

The first bit is:

Potential revenue for Corporate Income Tax.

The report considers a revenue that could be generated from a territorial Corporate Income Tax at a rate of 15% which excludes certain red line sectors

– and it lists those. And it talks about:

As noted in the report, the key risk in any reform to Corporate Income Tax is that companies will respond to increased taxation by relocating business to other jurisdictions. In estimating the potential revenue, the report considers both the static impact and the impact of potential changes in behaviour...

And it talks about what the two drivers of those are.

1100 It said:

Based on the information provided and the estimates of the propensity of taxpayers to respond to increase in taxation, we conclude that the annual revenue of such a tax would after adjusting for behavioural change ...

– a point Deputy Trott made in a previous debate, that you do not just look at the headline, you take off the other business, do that to get it, and that is £18.4 million. We have rounded that up to £20 million.

1105 Now, while it would be possible to consider higher rates of tax and expanding the scope of tax beyond the red line sectors either would be expected to increase the risk of behavioural response if implemented. The report examines the potential impact of removing the exclusions of the red line sectors. And it said:

Whilst this would significantly increase the static revenue, the net effect is estimated to deliver significantly less revenue from Corporate Income Tax, as well as having a significant reduction in gross value added.

It continues:

Therefore, based on the information that we have reviewed, we have no reason to believe that other rates of Corporate Income Tax or changes would yield to significantly higher revenue under a territorial regime.

(2) The prospect of Guernsey being off-set against tax paid elsewhere ...

1110 He then deals with that and effectively gives lots of technical information and explains that that is limited because of double tax treaties and the like. It is in the letter. I am not going to read those paragraphs. It is very clear, though, that our margins are limited. Deputy Helyar has made that point on very many occasions.

Thirdly:

The potential for tax uncertainty upon a change to a territorial regime.

As noted, removing to a territorial regime would represent a major change to the tax regime in Guernsey. Territorial regimes have been the focus of the EU code of conduct group on business taxation as is seen recently with other jurisdictions such as Hong Kong. Such an introduction could result in Guernsey being placed on the EU's grey list during the period of review. This could be expected to result in a period of uncertainty whilst the COGG considers the regime. The review can extend over a considerable period of time, during which time, potential investors may be wary of investing in Guernsey. This may be particularly acute where competitor jurisdictions maintain their systems and hence investors would have a clear choice as to whether to accept additional risk.

1115 So, there you are. From experts written just a few days ago. I am not an expert in this field. Others in this room know more about that than I do. But I do have common sense I believe. At least, to a reasonable degree. I do not want to be giving Jersey and the Isle of Man, much as I love them, a competitive advantage. I do not want to be doing that. **(Several Members: Hear, Hear.)**

1120 This is a third of a series of debates. We had the 2021 debate, we had the 2020 debate and in relation to that there was a policy letter brought by the then Policy & Resources Committee and that said that we should spend less than 1.5% of our GDP on capital projects. And that was amended

by Deputy Roffey's amendment, voted for by Deputy Soulsby which said that should be averaged out at 2% over any eight-year period. I voted against it because I thought it was tokenism. And Deputy St Pier commented on exactly that point when he made his closing speech that Deputy Kuttelwascher and Deputy Ferbrache, and I am sure that he was pleased to agree with us, had hit the nail on the head when they said it was tokenism, because not less than 1.5% means you are not limiting it. Got to spend at least 1.5% or 2%. Whether you spend 1.5% or 2%, you have got to spend money on your capital projects.

As Deputy Parkinson said in that debate in 2020, he talked about that debate and when that issue was raised, he talked about us. We have got to be ambitious. We have hardly spent any money. We have had the press saying that we have been a States – we are talking about January 2020, three years and nine months into the last States – being basically a States of inactivity. Not spending money on capital projects. The only capital project we spent any money on is the £32 million on the waste plant.

Deputy Parkinson's remarks: the States voted and passed that amendment by 19 votes to 17.

But more materially. This is what this says, I am going to quote for several paragraphs of this and then I am going to come to my final round-up.

There were seven principles in relation to that. Paragraph 1(14) says:

As highlighted in the 2020 Budget Report ... it has become evident that we cannot support the increasing demand for such services on our current, comparatively small and narrow tax base. Guernsey currently collects only 21% of its annual GDP in revenues compared to 26% in Jersey and 38% in the UK .. Within this smaller tax base the States of Guernsey currently provides a broadly similar level of services to those provided in Jersey, but will be unable to sustain this. If we are to continue to provide our community with the range and quality of services they would expect to receive, we will need to raise more revenue from the economy ...

1.15 In recent years it has been possible to balance the budget with fairly moderate changes to the current tax system, such as the withdrawal of tax allowances for higher earners ...

By the way, we are continuing with that. It is £90,000 at the moment. That will come down and down if our subsequent budgets are successful.

... and the expansion of domestic property tax revenues ...

Again, that has been looked at.

... with increased rates and a more progressive structure. However, the scale of the demands on public finances, estimated at between £79m and £132m ... cannot, and should not, be met by a continual tweaking around the edges. Even at the lower end of the estimates, a substantial increase in funding would be required to support the complete profile of emerging policy. Therefore substantial changes to the tax base are needed.

And where we go to, I looked at paragraph 2(42) and these are the items. It said:

Summary of known long-term fiscal pressures.
NICE treatment funding, per annum, £5m-£12m.
Primary care services, provisional est. £9m-£20m.
Health and Social care demand (net of savings) £5m-£10m.
Long Term Care funding, £7m-£23m.
States Pension £8m-£18m.
Secondary pension £8m lost revenue, £1 million additional costs.
Public Sector terms and conditions £35m-£40m.

And before it causes apoplexy to people like Deputy Dyke and Deputy Vermeulen, that has meant equal pay for work of equal value. I did not want any of that but nevertheless that was highlighted in that policy letter as a potential liability in 2020.

So that is what we are talking about. Those kinds of figures. And what was said at paragraph 3(15) of the policy letter, because it was a unanimous policy letter, supported by all of its Members then: Deputy St Pier, Deputy Trott, Deputy Le Tocq, Deputy Brouard and Deputy Stevens.

3.15 The Policy & Resources Committee is therefore proposing that a review be launched to investigate options for ensuring Guernsey's tax base is able to sustainably and fairly raise sufficient revenue to meet the Bailiwick's long-term funding requirements.

3.16 The terms of reference will be as follows:

To present options for restructuring the tax base so that it has the capacity to raise revenues up to the limits of aggregate revenues proposed in the Fiscal Policy Framework in a sustainable way within the boundaries of the Framework ...

To investigate mechanisms for raising additional revenues including:

- the taxation of company profits with due regard to the need to maintain a tax system which is competitive, internationally acceptable and maintains tax neutrality;
- Extension or modification of the existing income tax and Social Security contribution system;
- A health tax;

The addition of general or limited consumption taxes to the tax base;

And there are other work streams about other matters as well but I have been speaking for almost long enough so I am going to carry on and I am going to come to a conclusion in relation to where we are.

1150

We started on this back in relation to where we are a long time ago. In 2001, the States introduced a long-term care scheme. And Deputy Le Tocq said that his uncle, Deputy Owen Le Tissier, said to him, 'We are only starting here, we have got a long way to go.' That was one of the first actions to deal with the democratic issues, acknowledging that rates would rise in the future.

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In 2006, the future Economic and Taxation Strategy was published which led to Zero-10 and proposed GST as part of creating a resilient tax base. In 2007, when contribution rates and thresholds were significantly increased, there were warnings that the demographic pressures would mean more increases were inevitable.

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GST-enabling legislation was actually agreed in 2009. A fundamental spending review was launched in 2009, examining amongst other things, whether it should be services being provided by the States which could be reduced or ceased; whether there were any services which could be better provided by another party; whether there were services which could be provided more efficiently. This led to a financial transformation programme which ran to the end of 2014 charged with delivering on its finance, and delivered ongoing savings of £29 million a year.

1165

In 2012, the then Policy Council received the first long-term spending report which clearly highlighted that growing demographic pressures and action was needed. In 2015, Deputies St Pier and Langlois delivered the personal tax and benefits review, setting out a suite of fiscal policy changes, designed to tackle the long concerning demographic changes. This report contains proposals to restructure the tax base, including a GST. Many of its proposals were agreed by the State but some were rejected.

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In 2016, the Supported Living and Ageing Well Strategy (SLAWS) proposed a radical overhaul of long-term care services. Again, to deal with demographic changes. We have not done much about that yet. We have got to cross that out yet to some material degree. Again, the States agreed some of the recommendations, but others are still outstanding.

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Deputy Soulsby brought the partnership of purchase to the States in 2017 to deal with the challenges created by the ageing population by proposing a new model of Health & Social Care centred around individual finances. A further £15 million of savings in the cost of public services was delivered between 2017 and 2022. And then we have the 2020 debate which I have already referred to.

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So we are dealing with issues that have gone back over two decades. We are dealing with problems that we have not grasped the full nettle of. We have come up with half-baked solutions; and when you come up with half-baked solutions you end up where we are now, with not enough income in due course to pay the bills.

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The *Guernsey Press* quite recently, and I think properly said, 'Hang on, look at the messages you are giving to the people of Guernsey. You are saying that we are short of money and then there is talk of £90 million in the Marina. Fair point. I actually think a non-titled Pool Marina is an excellent idea. (**A Member:** Hear, hear.) But we have not got £90 million to pay for it. We have not got £9 million to pay for it.

1190 So what we could do, from those people who have come to this Island, we are delighted to see
them come to this Island. Because of the tax benefits that they get and set up all of the pressure
organisations to tell us how we should run Guernsey, I am very grateful for their advice, they are
very learned. Much cleverer than a humble Guernsey boy like me. But they can put their money
where their mouth is. They can invest that £90 million for the good of Guernsey. I am not asking
1195 them to give it away. I am asking them to invest it and there will be some commercial arrangement
whereby they would have a lease or whatever it might be for 20 or 25 years. But Guernsey would
get it back and we would get indirect benefits.

And also, electric buses, where it is quoted in the editorial, I do not know if it is quoted accurately,
I am just reading the words from the editorial. And it was said in the editorial, '[The Committee
Member of E&I is said to have said] that the buses' purchase price was less important than the
1200 States commitment to the environment.'

I agree with the *Press* comment, that is ridiculous. I agree with the *Press* comment, that is
unrealistic. I agree with the *Press* comment that we have got to be more realistic.

When we took over – and this is no criticism of the previous Assembly because these are massive
issues. These are massive, massive issues. I found that HR in the States was in a mess. I found that
1205 the state pensions still had a problem. We are looking into that. I found that the States redundancy
package needed to be addressed. We are dealing with that. We found many other problems, many
other issues, many other concerns. We have done our best to address them. This policy letter sets
out the way forward. Please adopt it and follow ...

Have the courage of convictions. Do not be influenced by the good people, led by somebody
1210 waving – it reminded me a bit of a pirate waving a flag, leading the poor people, leading the Pied
Piper. It was not the *Pied Piper of Hamelin*, it was more the *Emperor With No Clothes* – mind you,
I do not want to have that reference – in relation to where we are.

Tell the people of Guernsey they have got choices. Tell the people of Guernsey we either look at
something like this we or cut cost. We reduce services. We make the position for my children, my
1215 grandchildren, your children and those of you who will have grandchildren in due course. It makes
their position worse. We have got a duty to act now. (**A Member:** Hear, hear.)

There is a phrase: 'Act This Day'. And I know I always get told, but Winston Churchill, because I
do quite like Winston Churchill, he did actually save Western Europe and Europe generally in the
last war. Though he was a great man, he had many foibles, many failings like all human beings do.
1220 He also said, 'Men and women must have courage of their convictions. They should listen to the
public but they should not be led by the public. Let us lead'.

**Welcome to
The Chairman of the States of Alderney Policy & Finance Committee**

The Bailiff: Members of the States, it is customary in this Assembly that when we have visiting
parliamentarians in the Public Gallery we acknowledge that, and today we have the new Chairman
of the States of Alderney's Policy & Finance Committee present. And therefore, I would invite you
1225 to welcome him to this meeting of the States. (*Applause*)

**Procedural –
Order of business and length of lunch break**

1230 **The Bailiff:** Members of the States, you will be aware that there is a raft of secondary Propositions, so when we resume at 2.30 p.m. I will be turning to the proposer of the sursis motivé which we will take first. But just to give you a heads up in relation to the sursis motivé, whatever the outcome of that, the next amendment will be Amendment 4 from Deputy Soulsby.
Deputy Inder ...

1235 **Deputy Inder:** Sir, given what you have just said, would the Assembly possibly agree that we should be shortening our lunch breaks to an hour and a half or possibly even an hour, to be perfectly frank with you. Is it for me to suggest or for you to suggest, sir?

The Bailiff: Well, let me just test people's appetites today. Are you proposing that we come back at 2 p.m. today?

1240 **A Member:** Or 1.30 p.m.?

The Bailiff: No, not 1.30 p.m. That does not work for a number of us. But I will at least put a motion to Members that we only adjourn to 2 o'clock rather than 2.30 p.m.
Those in favour; those against.

Members voted Pour.

1245 **The Bailiff:** I will declare that carried and we will now adjourn until 2 p.m.

*The Assembly adjourned at 12.32 p.m.
and resumed at 2 p.m.*

**The Tax Review: Phase 2 –
Debate continued**

The Bailiff: Deputy Meerveld, is it your wish to move the sursis motivé now?

Deputy Meerveld: Yes, please, sir.

1250 **The Bailiff:** Please do.

[Sursis Motivé](#)

To sursis propositions 2, 3, 5 and 6 until the States meeting to be held on 30 April 2025 or earlier and to:

1) To direct the Policy & Resources Committee in the intervening period to work with Principal Committees and in consultation with all States Members to establish a set of principles to help determine the appropriate size of government and consequential level of services and to report to the States with three separate options for the size of and levels of service to be provided by Government and an assessment of how much revenue, if any, is required to deliver each of these options excluding introduction of a good and services tax in the period to 2040, no later than December 2024.

Deputy Meerveld: Okay, well, I have got some bad news and good news for Members.

The bad news is that after Deputy Ferbrache's speech, my one page of bullet notes has turned into three. The good news is that I am not capable of delivering a 50-minute diatribe without stopping for a breath. So it will still be a lot shorter than his.

1255 Deputy Ferbrache, one of his less attractive traits, I think, is that he always has to have swipes at his opponents. I get the feeling that if he cannot refute the argument, then try and discredit the messenger. He mentioned in his opening, only 15 Members had attended the three drop-in sessions in the first week of January. But as Deputy de Sausmarez pointed out to me, she has attended more presentations than I have. There have been a lot on this issue. And mostly I think that all Deputies
1260 have participated a good majority of them.

That meeting there, in the invitation it says, 'Members having questions or particular analysis they would like to discuss'. So, of course, only the Members who have turned up, the 15 Members who have been named, me being one of them, were the Members who had particular issues they wanted to discuss. So I think it is rather disparaging of Deputy Ferbrache to imply that Members
1265 have not been treating this important issue with the diligence it deserves by making that statement.

Deputy Ferbrache also had a swipe –

Deputy Inder: Point of order, sir.

1270 **The Bailiff:** Point of order, Deputy Inder.

Deputy Inder: I am just wondering if Deputy Meerveld is presenting a sursis or responding to debate?

1275 **The Bailiff:** The Rule that I think you are saying might be being broken by Deputy Meerveld is the relevance of what he is having to say. It is a fair comment, Deputy Meerveld, in that this is your opportunity to *propose* the sursis motivé and the reasons why the States should vote in favour of sursising four of the six Propositions and to direct the Committee to do some work.

There will be the opportunity to deal with the comments that Deputy Ferbrache has made in opening the debate when we get into general debate.
1280

Deputy Meerveld: Okay, thank you, sir.

The ageing population and the deficit. Yes, we are all aware of this issue that is affecting all societies worldwide, really. Certainly the Western ones, the developed nations. Deputy Ferbrache
1285 would believe that the fact is, the only way we can address that is through the options being presented by Policy & Resources for the introduction of considerably higher taxes. And considerably higher taxes to try and offset the deficit.

Well, the thing is, what is a deficit? In layman's terms, it means very simply, we are spending more than we are taking in, more than we are earning. So people, individuals in our community face
1290 this issue every single day. They have aspirations for a better lifestyle but they find they cannot afford it. So what do you do? Most people, the first decision would be moderate your lifestyle.

The second decision is, hmm, can I go and earn some more money to help pay for my improved lifestyle? What they generally cannot do is go to their employer and say to them, 'I want a better
1295 lifestyle, you pay for it'. Because that is effectively what Government is doing here. It is taking the easy way out. Is it avoiding the harder conversations by saying, 'Let's reach into the public pocket to pay for our ever-growing Government and ever-growing commitments'.

But of course, that is not the only option. I am sure we will have later in the debate Standard & Poor's downgrading thrown at us. Standard & Poor's base their ratings on your ability to service debts. You can increase your ability to service debt by reducing your deficit, by reducing spending,
1300 just as easily or maybe more easily than increasing revenue.

So, the sursis motivé is coming at this and trying to do something I have been suggesting to put to P&R for the last two and a half years. The last two and a half years, I have been going to Deputy Ferbrache and others and saying 'We are asking the wrong question'. We should not be asking how

1305 much taxes do we need to pay for Government? A government that grows at virtually every meeting. At virtually every Assembly meeting, there is a new policy letter introducing a new piece of legislation or a new benefit or new services that increase costs. What we should be saying to the people of Guernsey is, 'What size and style of government do you want and can we afford how much you are willing to pay for it?' And this is what the sursis motiv   is trying to do. It is trying to direct P&R to go away and come back with that top-down approach. Simply resorting to taxes should be the last resort. We should look at every other option.

How can we milk our assets? How can take more money and derive more income from what we are doing? Now, I have suggested wind farms and I am sure there are lots of other opportunities that people could explore to generate additional revenue from the assets of Guernsey.

1315 We can look at trying to limit what we do in the future and stop this, what I call, the constant creep towards a nanny state where we are expected to do everything for everybody and duplicate what the UK does. The UK cannot afford the services and benefits that they currently provide. And they are the sixth largest economy in the world with the ability to raise debt and print money.

They know, as Deputy Ferbrache pointed out, we have got a great hospital service here. We do not have 12-hour waits in A&E. England has 12 hours at A&E and yet we still have Deputies standing in this Assembly saying, 'England has got it. We have got to have it, too'.

1320 My father, my grandfather would have never to expected Guernsey to do everything the UK does. So, I want to have that conversation with the public. What actually do you require from Government? What would be nice to have from Government? And what could we possibly either stop doing or do differently? How can we approach these problems? And say, well, there are a lot fringe services and benefits that we provide. Can we get the third sector or private business to take those on without being bound by the strictures of the way our administration, our bureaucratic systems work and be more creative in how they are delivered? Possibly delivering better services for less?

1330 Then we look at the actual problems. Deputy Ferbrache has said, 'There are no other options and this is a fact.' Well, the fact is, there are always other options. There are different ways of doing things. And yes, if we go the route of the hard conversation I want to have, there will be no sacred cows. We need to look at everything we do as a government and everything needs to be on the table to be done in a different way, limited, reduced and changed.

1335 We talk about our two big problems that we are told every meeting of the Assembly: health and pensions. The ageing of the population. But apparently, there is no option. We just have to keep on increasing our Social Security contributions and increasing our taxation.

1340 Well, let me see. There are plenty of other options. Singapore. When I worked in Singapore, I paid 20% of my earnings into the Central Provident Fund and the employer contributed 17%. Thirty-seven percent of everybody's earnings goes into the Central Provident Fund. And in the Central Provident Fund, they have a MediSave account where you save money for your future medical needs when you grow older. That Central Provident Fund, you can borrow, you can take assets out of that to pay for your property, to buy a house. And the Central Provident Fund takes a lien on your property, so when you sell it you have to pay back the Central Provident Fund.

1345 So these are ways where you could actually look at the tax system that helps people become home owners, helps pay for medication and their medical bills in the future and is done by restructuring the pension system. What have we done? We are basically telling people that our existing pension system is bankrupt and we are trying to force everybody – we are effectively trying to force people to take secondary pensions to look after themselves.

1350 But if we look at it, so we have a fundamentally flawed system. We know it is flawed. We know it is failing. But are we actually looking at it and making the really hard decisions, or making the hard conversation, to do something differently?

1355 Pensions were introduced in 1909 in the UK, in the Old Age Pension Act. Oh sorry, 1908. At that time, you had to be 70 years old to get a pension. The pension was means tested. The pension could be reduced if you had, for instance, too much furniture. The pension might be refused if you had been sent to prison in the previous 10 years. There was a character test on it as well as a means

test. And you could be denied a pension if you were habitually drunk or had never worked when able to do so or were of a bad character. That was a UK pension system when first introduced in 1908. In 1948, it became a universal pension and became more of what we know now.

1360 But, interesting facts: anyone reaching the state pension age now is expected by the Government to live another 24 years beyond the stage when they reach their pensionable age, compared to just nine years back in 1908. So in fact, for those who have reached the pension age, you are expected to pay nine years of pension. We are now expected to maintain 24% pensions. But it gets worse. A quarter of all babies born now are likely to live until at least 100 years old.

1365 In 1909, there were 500,000 pensioners. Now there are approximately 12 million pensioners. In 1909, there were 10 workers for every pensioner. Now, it is just under four. So, not only have you gone, you had 10 workers paying into the system to help pensioners retire at what, 1/24th of the number of pensioners retire and they were only expected to draw down on the system for nine years. Now we have less than four workers working to maintain 24 times more pensioners, living 24 years instead of nine. It is a system that is broken. It cannot succeed it. We have to revisit it.

1370 But unfortunately the easy answer: increase Social Security. We are running up bills in other areas like healthcare: increase taxes. No, I say, I want to go back and have tough conversations about what we do and what we do not do and look at fundamental change in the systems that we know are broken, but this is just a sticky plaster on an existing problem and we are not facing the big issues.

1375 So how would this work? This sursis motiv   is quite a unique sursis and not one that I have seen here before. And it came about from advice from officers and the Law Officers after I went to them and said, 'Look, I do not want to delay work on making cuts, restructuring our taxes etc. and our social services. I do want to stop us going down the easy route of introducing a tax and reaching into other people's pockets to pay for what we have got now without revisiting the big issues and what we can change'.

1380 So they said could sursis just certain Propositions. And that is why if this sursis is passed today, you will still get to debate Deputy Soulsby's amendment, Deputy Parkinson's amendment and those amendments can still be passed as well as many of the others – the ones that address new Propositions. So Deputy Matthews, for instance, all of those can still be debated. We can still progress with work.

1385 What my sursis is simply saying is that I want to direct P&R to go away and come back and have a conversation with us and the population about what they absolutely require from Government and what is nice to have, and what we do not need to do and should not be doing. So we can stop this growth of our Government and the expectations of our population, an ever-more entitled population who will expect Government to solve every problem for them. I do not want to be that Government. I want people to have resilience and self-confidence. I want people to look after themselves as previous generations did; and we have got to stop that expectation. That expectation is bad.

1390 So if you support my sursis, it does not stop debate. It does not defer anything other than the decision on GST. It instructs P&R to go away and work up three different models of different sizes and styles of government, in consultation with all of the committees and yourselves and the public, and come back with those options no later than the end of next year. My hope is it can be done much quicker. Treasury has already told me that all of the costings of all of the individual services have been done. What needs to be done is the prioritisation and looking at the way that certain services and benefits or functions are interlinked with each other. So there is complexity for this but a lot of the costing of it has already been done.

1400 I sincerely hope the Members will support this sursis. And after all, why not? Why wouldn't you support just simply looking at this problem top-down, rather than going bottom-up as Deputy Soulsby's proposal does, where you look at rearranging things on the taxation side or the delivery of services and benefits to try and make up some of the shortfalls. This is a top-down approach as you would do in business, or as a householder would do if they do looked at their own personal

lifestyle, taking big decisions of what I really need and what I want, and what I can afford to pay for and working the way down.

1410 Basically, I would hope that even P&R might support the sursis, because at the end of the day, I do not think the GST proposals will survive this debate, but at least with a sursis, they are a fall-back position if nothing else comes forward out of this other discussion.

1415 So I ask all Members to support the sursis. Add it to the mix. Allow us to take another look, if we are on a different direction, a different perspective which I think will be far more productive and enable us to look at the big issues we deal with in a different way, by saying that none of the services and benefits and functions of government now are sacrosanct. There are no sacred cows. We have to look at all of it and engage with the public. And yes, it will be a terribly hard discussion.

1420 Every time we look at something we want to reduce, cut or outsource we will have somebody or some group in the community screaming because *that* is the piece of Government that they really value at this time. But that is a conversation that we have to have with all the people because we simply cannot carry on doing things the way we are now.

Thank you, sir.

The Bailiff: Deputy Blin, do you formally second this sursis motiv  ?

1425 **Deputy Blin:** Yes, sir. And if I may reserve the right to speak.

Deputy Inder: ... [*Inaudible*]

The Bailiff: Yes, certainly, Deputy Inder.

1430 Under Rule 24(4), we can see whether or not there should be a debate on the sursis motiv  , so I am going to invite those Members who wish to proceed to a debate on the sursis motiv   to stand in their places, please.

There is clearly a greater number than seven, and therefore that motion cannot be pursued any further.

1435 Deputy Prow.

Deputy Prow: Thank you, Mr Bailiff.

1440 I am mindful of Rule 24(5) and the strict limitation of debate. And probably like most of the Assembly I would like to say more, particularly in reply to some of the things that Deputy Meerveld has said. But I will try and restrict myself to the extremely adverse effects of removing four of the Propositions of the policy letter and the baffling, confusing direction contained in the sursis. The intent completely circumvents a proper, healthy debate as the policy letter is clearly a fiscal package, a theme that runs through all the Propositions and especially the four the sursis seeks to kick into touch.

1445 In my view, sir, this offends our democratic system, where we should listen to *all* the arguments in an open debating forum and then vote. Sir, again, in my view, this is politically motivated and is irresponsible. (**A Member:** Hear, Hear.) By cherry-picking and leaving *two* of the Propositions which in themselves do not address the massively serious fiscal challenges and cancelling any debate on how we as an Assembly address what many see as the largest challenges the Bailiwick has seen in many decades.

1450 In my view, sir, it is opportunist and a narrow device to leave us in a position where the debate will be driven into a cul-de-sac of agreeing what we all know or should know, which is that the projected fiscal position of the States of Guernsey is unsustainable and must be sorted. And there is a need to engage with industry and other Crown Dependencies without unduly negatively impacting Guernsey's competitive position. You can get the gist of this by reading the very scary Standard & Poor's Report and from what Deputy Meerveld said in his opening, I do not think he has read it.

1460 In my view, the motivation for this sursis, in our so-called consensus committee government system is making Guernsey ungovernable. I will, sir, not develop this now as I need to stick to the matter of the damaging consequences of the sursis.

If the sursis is successful, the very Propositions 2, 3, 5 and 6, aimed at finding the solutions coming from both P&R and importantly collaboratively with ESS, are kicked out of the stadium. We need to urgently make decisions, not go away and come back with a set of principles. I find this unbelievable, sir.

1465 It is one thing to whip up a campaign that describes GST as the work of Satan, ignoring the progressive impacts of the overall package of measures in the discarded Propositions. But, sir, the movers of this sursis do not even want to debate an alternative. In fact, it is very easy to generally identify what they do not want. But what actually *do* they want, and why do they not want to debate this with their colleagues in this Assembly? What are they scared of? In my view, it is because they
1470 know they do not have a credible silver bullet alternative. If they did, they would not have moved an amendment.

Sir, I turn very briefly to the only direction contained in the sursis and its wishy-washy vague intent to establish three different sets of principles. And I quote:

... to help determine the appropriate size of government and consequential level of services

1475 That is all it says. Based on what? What are the golden aims of these principles? What do you benchmark them against? Jersey? Isle of Man? The UK? Or perhaps a Third-World developing country? Not a clue sir. But the explanatory note merely suggests 'a broad discussion' is needed. Really? *Really?* Clearly the movers of the sursis have no idea of what needs to be done and do not want to listen to a debate in this Assembly on fiscal challenges. If these words are supposed to mean, 'Come back to the Assembly, with options to brutally cut public services' then at least have
1480 the courage to say so. (**Two Members:** Hear, Hear.)

And sir, what next, in place of the Propositions discarded by the sursis? The Assembly must have a full debate. And today. We need to make very difficult decisions.

1485 Sir, *nobody* wants GST. Instead of a debate mulled by the sursis, if successful, a further series of no complaints? Nobody wants 3% added to Income Tax; or an uncompetitive damaging Corporation Tax regime. Nobody wants capital gains tax, nobody wants an inheritance tax, nobody wants a UK TRP equivalent. Nobody wants to pay parking, nobody wants Scandinavian excise rates on booze, nobody wants emission taxes, nobody wants CAPEX in the Government Work Plan. Nobody wants huge rises in fuel duty *or* motor tax.

1490 But they do want full and informed fiscal debates on how we can afford the provision of neighbourhood policing and safe streets. They want adequate harbours and airports and coastal protection. They do want social services as they get older, they do want a pension. They do want a positive Moneyval outcome. They do want decent affordable healthcare and education and affordable homes.

1495 I urge this Assembly to throw this sursis out and let's get on with debating all the amendments and all the Propositions and let's start making those difficult decisions.

I would just mention one thing from Deputy Meerveld's speech, where he was extolling the virtues of Singapore and their tax structure. Singapore has an 8% VAT.

1500 Some have said this is the most important debate this term. I would go further: it is the most important debate of the last two terms, at least, and since Zero-10. I urge Members to vote this down.

Thank you, sir.

The Bailiff: Deputy Queripel.

1505 **Deputy Queripel:** Thank you, sir.

I am sure my colleagues would be delighted to hear that one of my New Year's resolutions is to make my speeches short (*Interjections*), snappy and concise. (**Several Members:** Hurray!) Now,

having said that, all three of those are subjective. (*Laughter*) But I am sure everyone realised that as soon as I said it.

1510 But what I want to say about this sursis motivé in front of us. To misquote Shakespeare: 'To GST or not to GST?' My answer to that question is an emphatic 'No'! And it is a no because we are being asked to introduce GST without hearing the answers to the questions that should have been asked, that need to be asked.

Deputy Meerveld and Deputy Blin have said in the media, they believe:

1515 a discussion is needed about public expectations regarding the benefits and services [the States] provides and [all] the associated costs before a decision is made which will fundamentally change the way Guernsey raises taxes for generations to come.

And they said, this sursis motivé:

[will] enable this Assembly to engage with the public in a [broad] discussion regarding the size and style of government they want, the levels of services and benefits they expect and how much they are willing to pay for them ...

I resonate with every single word of that, sir, which is why I will be supporting this sursis motivé.

The Bailiff: Deputy Kazantseva-Miller.

1520 **Deputy Kazantseva-Miller:** Thank you, sir.

I want to speak in support of what Deputy Meerveld is trying to raise in terms of one of the key issues which I believe is one of the fundamental flaws of their approach that P&R has taken. And that is to focus the Assembly's and the Government's attention on public expenditure. This is the fundamental flaw of the P&R proposals, because they can see that the deficit and how we solve the deficit only to be an equation of how much money we raise to fill that black hole.

1525 There is no consideration given into the expenditure side of the equation which is, if you are able to constrain expenditure, if you are able to review potentially what service and how you are providing some services, the efficiency of providing those services, is that you put less pressure on what that black hole is. And so with that, I think Deputy Meerveld and Deputy Blin are absolutely right to put that fundamental attention that this is something that needs to be looked at.

1530 There is the question about the size of Government. It is an interesting question because the statistics we have been given from Policy & Resources are that the current size of Government, we are about 22%. Okay. And when something is said many times, you know, we believe it is true.

1535 Well, I am looking at the Standard & Poor's Report which I have read properly and which obviously we take very seriously their recommendations. So if you look at the back and the fiscal indicators that they have considered, they have considered that the revenue to GDP percentage in 2021 was above 24%. At 2022, it is expected to go above 25% of total GDP. Expenditure to GDP ratio is actually even higher than that. It is at 26.8%, going up to nearly 28% in 2022.

1540 So this is an independent body looking at the public statistics we publish and is already saying that the size of our Government today is above 24%. While we are led to believe that we still have some room for growth and we are the lowest among Crown Dependencies. That is not the only independent body that has published this statistic.

1545 Another research institute, with Dr Andy Sloan has actually confirmed exactly the same, 24%. This is the size of Government we are today. And perhaps P&R and others could come up with a slightly different statistic because we could include different figures. But according to the independent analysis, the size of our Government already today is at the threshold of our fiscal framework. And frankly, I would like perhaps to hear some responses to those statistics because they come from the S&P Report and Dr Sloan's report.

1550 So I think there is a really interesting question that Deputy Meerveld is putting to us, is about the size of Government. So I think he is absolutely right to bring the Assembly's attention to the fundamental issue and the need for us to demonstrate and continue demonstrating that we are

able to run public services and deliver the range of services that the community needs and wants. I think he is absolutely right in that regard.

1555 I think where I am probably starting to part company with him is in terms of the approach taken in the format that he has laid his Proposition. So, I think the format is obviously that we do the work, we undertake the work to look at Government spending and the size of Government. And I do believe that we cannot just look at that as the only thing that we need to do.

1560 So I do believe that we must consider both the spending side of the equation but also the opportunity to undertake some of the measures such as Social Security reform, the opportunity for the need to raise some revenue today and I think this is action that we absolutely should be taking now. So I think this is where I part company with him in terms of I do not think we can just afford to do one thing. We cannot just afford to delay for a couple of years looking at the size of Government.

1565 The second part is, the approach that Deputy Meerveld has presented in terms of coming up with three options of what that size of Government could be, I think, is probably too simplistic in my head. I am just trying to think, whether is it going to be Option A – small Government; Option B – medium Government; Option C – large Government. I think is probably too simplistic and I am not sure it will be a constructive and productive approach to undertake.

1570 So I am very supportive and grateful that he has brought the importance of this debate on spending to the Assembly, and to the public, because actually and importantly the public has consistently – and he is absolutely right with Deputy Blin to say – challenged the Government. And that in order for them to have the trust to accept their proposals, we have to walk the talk to demonstrate that we can run public services efficiently. We have not left any corners untouched. We are reviewing, we are looking at commissioning etc. And the public does not have that trust. 1575 They do not. It is a fact. And just with that in mind, they will not accept the proposals that come from this Government.

So I am supportive of their approach, but at this stage, I am not supportive of what the sursis is trying to achieve.

Thank you.

1580

The Bailiff: Deputy Brouard.

Deputy Brouard: Thank you, sir. I probably will not be supporting the sursis as such.

1585 Deputy Meerveld asked the question, what style and size of Government we want? Well, history has shown us it is exactly what we have got today. That is what the people have elected people for over the last decades, to come up with the size of Government we have got now and the services that we have got now.

1590 I would also say to him, I think he has been here long enough that if he wanted to change it or thought we had it wrong, that we should not have Education offered as a service or we should not have a prison or we should not have this that and the other, then obviously there is a mechanism to bring a requête or to amend policies along the way.

1595 But the answer I get from people, the size of Government they want, they may not shout it out from the parapets but they do tell me on the telephone, they want it bigger. (*Interjections*) They want smaller class sizes; they want more cancer care drugs; they want more community policemen. We just had that at our Douzaine the other day. They wanted more community policemen to come round to our area, to our neck of the woods.

1600 So although we hear the sound that we do not want GST, I have those calls that say we want *more* Government services. I will appreciate that there are some people who will say, 'Well, I do not really need to, I am not worried about the school because my children are well past that', or, I do not want to, I am not interested in how much we spend on the Prison because I am never going to use that service.' (*Interjections*) I hope! Yes, fingers crossed. (*Laughter*) It is early days at the moment.

And Deputy Meerveld: a nanny state. Stop doing this; stop doing that. But he does not actually tell you what those things are. He just throws that spectre up in the air like dust that we are meant

1605 to pick up and think, 'Oh, there's something magical there'. Anything that he says now he could have said yesterday, the day before, last year, six weeks ago, two years ago. That could have all of been done. And now, we are going to have these hard conversations – oh, dear, dear. What is required? What is nice to have? What a dilemma.

My experience has told me that you will have a devil's own job taking a service away that we are already providing today. I am not saying that we cannot be more efficient and I take Deputy Kazantseva-Miller's point. Yes, we can always do better. We can always make it be more efficient. And there are things to do. We have got pension things to change, lots of things.

1610 But, at the end of the day, we are going to struggle to start to actually reduce and take services away. And I think Deputy Meerveld's other point was use of the third sector. Would you believe it? The third sector comes to us to ask for money to provide the services that they are already providing! So, that is going to be a really difficult conversation.

1615 So, I will be fairly brief, sir. But, Deputy Meerveld's call to arms is to have those hard conversations. I would say to him, what does he think his job is? It is to represent the people. So, rather than have those hard conversations, let's do our job and make those hard decisions.

1620 **The Bailiff:** Deputy Inder.

Deputy Inder: Sir, just briefly. I think both Deputy Brouard, parts of Deputy Meerveld and Deputy Kazantseva-Miller's contributions have saved some of my speech.

1625 I agree with Deputy Meerveld inasmuch as that I am personally driven by efficiencies. We have seen it in our own Committee: Deputy Kazantseva-Miller, Deputy Falla, Deputy Vermeulen and Deputy Moakes. When we took on the job – and this what I am going to get to – it is actually usually driven by your Committee. But it is not driven by Policy & Resources. Policy & Resources cannot make the Committee Presidents actually do anything. It can probably draw budgets and make their lives a bit difficult but the job to look for those efficiencies come from the president level all the way down to the committee members.

1630 Your job is not to go native as soon as you get a job on a committee. Your job actually is to still continue to be a scrutineer. That is entirely your job. You are elected to be representatives to a degree. You are not delegates. But you are elected ultimately as scrutineers. Just because you take the presidential position or an ordinary Member's position, you are not elevated beyond how you were voted into this Assembly. (*Interjections*) Your job is a scrutineer and that is always your job.

1635 Now, in our Committee, we have got a certain type of characters led by a certain type of character. And it was fairly clear to me, practically on day one, we had a problem with Tourism. And I will tell a very brief story.

1640 I got some resistance. We had something like 14 or 15 members of staff buzzing around the Visit Guernsey account. Now, it was a £1.6 million account. That looks like an awful lot of money. I was 23 years old when I was running those sizes of accounts, and I was running them for three people. A £1.6 million account, which looks like an awful lot of money, most of that is media buying. Entirely media buying. There will be a bit of print, there will be a production.

1645 Now I explained to the officers that there are far too many people managing this account at FTE level. Now, I was told that obviously you cannot walk in and start shooting people. You cannot pick out Janet, John, Bob and Karen, not that they were necessarily members of it, but I am just trying to use rough names. I said, no, that is true. And I got a certain amount of resistance. There are no two ways about that. Resistance comes very subtly. Suddenly your phone does not get picked up any more and your emails do not get responded to as quickly as you want them to.

1650 So, my Members will remember that I stepped back, and I thought, you know what, you are right. I cannot go in as an older advertising man saying what are you doing? What are you contributing to the organisation? Well, actually, I have no hire-and-fire abilities. But what we did do very quickly was I sat back, thought about it. I smelt the resistance and I called a very quick meeting. I think it was on Teams with our Members and said, 'Here is the problem. I know what the problem is. We cannot go in and hire and fire, but what we can do is reduce the budget.'

1655

That is what we could do. So very quickly we had a Teams meeting, I think it was, amongst ourselves. We added something, I think it was an AOB, and basically I got agreement from my Committee and we reduced the FTE element of our budget. And that is the only way we could do it.

1660 Now, Deputy Meerveld, Deputy Blin, neither of them are actually on high-spending Committees. And I will get to Overseas Aid in a minute.

1665 So I agree with Deputy Kazantseva-Miller that our Government could be more efficient and look for efficiencies, because an organisation this size is almost certainly going to have efficiencies. But it is very easy for me because my budgets are very visible. I have got a tourism budget. You can see it. We have got a Guernsey Finance budget. We have got a budget for digital skills. We have got a budget for Locate. So they are very visible.

1670 They are not so visible when you get into the slightly more technical stuff like doctors, nurses, probably Home Department and Police. You could effectively walk into our Committee and say, that is it, we are going to slash Locate Guernsey by half the budget. You could do that. There is a danger in that, but you cannot necessarily walk into Home and say, we are going to slash the Police budget by half or 20% because there are real impacts in that.

1675 Now, moving on somewhat. I did a bit of a test actually. And it just ended up being a trap which I did not know I had actually made. Members will remember some weeks ago, I shared with you the notes to the accounts. And on that was what Guernsey spends effectively, grant-funding out. So everything, if you remove the COVID-19 Business Support and Social Insurance Fund grant, everything from Overseas Aid grants at £2.2 million a year down to things like the Guernsey Enterprise Agency start up, we fund the community at effectively a commissioning level, at around £35 million a year.

1680 The point of that email to you guys, you Members, was to effectively say, 'Actually, that's not too bad.' Because within that, we employ a lot of people. It covers other things like the Guernsey Finance thing, I just happened to pick that up; Elizabeth College grant; Guille-Alles Library; Ladies College; Social Investment Fund; Guernsey Training Agency; Action for Children; Priaux Library; States of Alderney, generally; the PSO for Alderney at about £2 million; 2023 Guernsey Retail Group LBG. And so I sent that and said, 'I have been talking with another Member. Look, this is what we do. Isn't that quite interesting, in light of this debate?'

1685 Now, in that email, somewhere someone came back, 'Well, these are things we need to start looking at!'

1690 **Deputy St Pier:** Sir, point of order.

The Bailiff: Point of order, Deputy St Pier.

1695 **Deputy St Pier:** Sir, may I raise a point of order under Rule 24(5)? Whether this is strictly related to the sursis?

The Bailiff: Why do you suggest, Deputy St Pier, that it might not be?

1700 **Deputy St Pier:** We seem to be going everywhere other than in relation to the topic of the matter of whether we should be postponing debate, sir.

The Bailiff: Yes, well, the sursis part, I agree with, that we have not really addressed the four Propositions to be sursised. But I do think Deputy Inder is giving some examples, in his inimitable fashion, of what would be the motivé side of it, the direction.

So to that extent, I will not ask him to concentrate too much on the matter in hand.

1705 **Deputy Inder:** Thank you, sir.

1710 What I am trying to expose here, is that what Deputy Meerveld – I have got to pick on him because it is quite easy because he has opened this debate. What Deputy Meerveld thinks is important will not be important to everyone else. He will focus on one thing. He may decide that, I do not know what it is this week, that you have got to rid of the tourism budget.

1715 Deputy Blin who seconded it I remember in that email exchange, I set a bit of a trap. I said, well, we could all look at the Overseas Aid budget. Overseas Aid, £2 million. Well, much like the Visit Guernsey budget, you could knock off half of that. Well, how about that, Deputy Blin? If you want a right-sized Government, why don't we knock £1 million off the Overseas Aid budget today? There is £1 million saved.

And I set it as a little bit of a trap in my inimitable style, and what did I get? I got four paragraphs of why we cannot touch it.

1720 The point I am trying to make. It is almost impossible – I am referring back to the sursis itself – to get 40 Members in a room to even start *agreeing* what they think the right size of Government would be. Because it will start with silly stuff. It needs to be sustainable – well, that is easy. It needs to be equitable – well, that is easy. It needs to be, oh, I don't know, some other word. There is always three words of something. Because they are easy three words that you can stick at the top of any strategy and they mean absolutely nothing. They mean nothing at all.

1725 You need to be inclusive, equitable, sustainable and, I don't know, face the environment or something like that. Actually, you will never get down to it, because as soon as you step over the line into the Overseas Aid budget, Deputy Blin will kick off, because he does not want his Overseas Aid budget. And actually, I agree with him. I do not actually. But that is what is going to happen.

1730 Your Overseas Aid budget, he will protect it. I will protect the Guernsey Finance Budget. (**A Member:** Hear, hear.) Deputy Kazantseva-Miller will protect the GWHDCP. It is not possible. And sir, I will not be supporting this because it is just not possible. What you see today, what looks good on paper, just will not happen tomorrow. I have been here long enough to know, you cannot do it.

You cannot get 40 people to agree to anything. We will all protect our own areas because they are all important and everyone will do that. It is them that has got to do it, not us. So sir, I would ask Members to reject this sursis.

1735

The Bailiff: Deputy Matthews.

Deputy Matthews: Thank you, sir.

1740 I believe Deputy Meerveld, at one stage, when developing this sursis, had mooted the idea of presenting these ideas in the form of a referendum and that in fact the sursis that we have here before us is a cut-down version of that because a referendum would have presented some practical difficulties in terms of how to proceed with it. And this is the next best approach to calling a full referendum on the three options that were presented.

1745 Sir, we are very lucky to live in a democracy and we are all here today because we have a mandate and that is the mandate that we gained when we stood in the election (**A Member:** Hear, hear.)

1750 Now what does that really mean? Because what does a mandate give us? And it is a question that is not always very clear. Sir, many years ago, I have forgotten how many years ago it was, but it was quite a long time ago, I did attend a course. It was a course, really, to teach us how to be a politician, organised by the Worker's Education Association. There were some figures there that would teach us about politics and how systems work. The former Deputy Roy Bisson was one of them. He has recently been awarded the British Empire Medal, so I extend my congratulations to Roy for that. And there was Caroline Bowker who was the NASUT Local Secretary and Deputy Parkinson also provided some input to those lessons.

1755 One of them was about the difference between a 'delegate' and a 'representative'. And we had a long discussion about what the differences are, and a delegate is somebody who receives an instruction from the people who elect him and has to carry out that instruction. He does not have the authority to make up ideas. It is purely to represent the wishes as they are described. Whereas a representative can make up the ideas for themselves in response to situations and circumstances

1760 as they are presented. So they will go to the electorate to gain a mandate or to present some ideas
in a manifesto, but then they will use that to generate their discussions and their decisions as they
go along.

And of course, that is what we have, we have a representative Government. We are all
representatives, we are not delegates. Because we all stood in this Island-wide election where
electors went through and they looked through this big book of all the candidates – and most
1765 people had not heard of them, and they just went through and had to try and choose which
candidates they wanted. Very different from the former parish-based elections where people
probably knew the half dozen or so candidates. We had hundreds – 120 or so candidates.

And how did people choose? Well, some people say, and quite a lot of people have informed
me, they specifically chose candidates who opposed GST because that was one of the election issues
1770 that concerned people very greatly and people were going through that book and looking to see
what people's attitudes to GST were. And if it was very positive, they would cross that person off, or
if it did not say anything, and if it was negative they would lend a vote to that person.

Of course, because we are a representative democracy, it is sometimes acceptable and
unavoidable to go back on a manifesto commitment. That is just what happens. And there are
1775 occasions when that has to happen. If it is an emergency in times of war and when there is a very
different situation to the situation that presented itself. Or something just happens that changes
things.

So it would be tempting to say, are we in type of situation now? Because we have had many
things that you could call an emergency. We have had COVID, we have had Brexit, we have got the
1780 war in Ukraine. Are we in an emergency?

If we look at the policy letter, the first item in it explains the reason for the Propositions. And it
says:

The States of Guernsey faces a growing structural deficit. As our population ages and the demand for pensions, health
and care services grows, the gap between income and expenditure will continue to widen.

Well, now that does not really sound to me like an emergency. I do accept that it has probably
been brought forward by emergencies that the spending that we have done on COVID has probably
1785 brought forward decisions that could have perhaps been pushed down the road if it was not for
that. But the population ageing, to my mind, is not an emergency.

I think that many people in the electorate will say that there is no case really for people to be
changing or going back on the principles and the values that they expressed during the election.
For example, the 'Say No' campaign which has been demonstrating outside and on Sunday, is a
1790 grass-roots campaign. It is not a political campaign. It is from people who have concerns about the
introduction of GST. And many people can see, or their view is, that if GST comes in, it will
fundamentally change how Guernsey is. The character of the Island.

Some people will say, for example, following the cost-of-living rises, we may well generate an
Island where the only people who can afford to live in this Island are people with very high incomes,
1795 or a big inheritance, or lots of money. Workers who are provided with accommodation or rent
subsidy or relocation, or those who were just lucky enough to purchase their home while homes
were still affordable. And for everybody else, the Island will just be too expensive to live on. And
that will fundamentally change the character of Guernsey and what Guernsey is like. And many
voters do not want that future.

I think that has been very clearly expressed. And to my mind, we do not have a mandate to bring
in a change to the Island of that type. So, for that reason, I would have supported a referendum,
actually, to try and establish that but as a second best, I think that the very least we could do would
be to sursis this and try and establish really what it is that we are trying to achieve here and what it
1800 is that the people want us to do. So I will support a sursis.

1805 Thank you, sir

A Member: Hear, hear.

The Bailiff: Deputy Le Tocq.

1810

Deputy Le Tocq: Thank you, sir.

I am not going to support the sursis, but for strangely some of the reasons alluded to by Deputy Matthews, but also Deputy Brouard.

1815

We quite often hear, sir, quotes, from Deputy Ferbrache from Churchill, and I am an admirer of Churchill as well, but my political hero of real note is Edmund Burke. And Deputy Matthews was getting to the point of referring to something that Burke is famous for and I will quote it verbatim because sometimes I paraphrase. He said:

Your representative owes you, not his industry only, but his judgement; and he betrays you instead of serving you if he sacrifices it to your opinion.

1820

Now, he is talking to the electorate. He is talking to the voters. Essentially, he is saying that an elected representative, such as we are, is a trustee and should consider an issue. And after hearing all sides of debate, we should exercise our own judgement in making decisions about what should be done. Trust, that of course is something that is not in big supply in the political world here in Guernsey, but generally in the West, and probably right across the world in general.

1825

This sursis, I think, is well intentioned and I think it offers some degree of hope to people who want to believe that there is an easy solution to the problems that we find ourselves in. What encouragement I take from it, and indeed from other amendments we may come to, is that there seems to be general agreement – and I would say general agreement by all of those who I have interacted with – that we are needing to find solutions to a growing issue. It may not be a crisis as yet, but it will quickly become an emergency, a crisis, if we do not deal with it because, as others have said, it was something that was flagged up certainly by the then President of Social Security, the late Deputy Owen Le Tissier, 20 years ago during my first term in this Assembly.

1830

We have a demographic that has been rapidly changing. At the same time as people are ageing and there are more people to support in older years. There has been a diminishing of the number of people in the working population. That is not going to change quickly. And when I have interacted with various people on this issue, they want to believe that there are simple solutions.

1835

Now, Deputy Meerveld in his sursis motivé, is basically focusing on the need for us to exercise restraint in the size of the public service. I will say that because the word ‘government’ can be used in different ways, and I have currently taken over from Deputy Soulsby in chairing Reshaping Government. That is not to do with the public service. That is to do with us as the Assembly and the way in which we do political business.

1840

But, Deputy Meerveld’s sursis motivé, basically focuses attention and therefore gives hope that by some means – in what I consider to be an incredibly short period of time – that we will find quite huge amounts of saving.

1845

I have been involved in a number of attempts in this Assembly, sir, and in the States in general to see savings. Deputy Inder eluded to a number of the problems that we always get in our system of Government. And indeed, probably every system of government has it to a greater or lesser degree. But it is very easy in this Assembly to say, ‘Yes, we can do this, we can make some savings’. But when it comes down to it, individual Committees will point the finger at a different Committee and say, ‘But it is not us that needs to be making the savings. It is you.’

1850

Of course, as Deputy Ferbrache has already eluded to, the size of our Civil Service is certainly very small indeed. So even if we were able to reduce that to some degree, and I do not disagree that we should do some of that. In fact, the reason that as Deputy Meerveld pointed out, that we can do some of this work is that we should be doing this anyway. But it is not going to produce the huge amounts that are needed in the future. In other words, it is unsustainable.

1855

We fool ourselves. And to be honest, we are not being frank with the public if we think we, or indeed any new Assembly ... If the public threw us all out and if all of us stood again in the next Assembly and elected new people would they, if they were being true to Edmund Burke, come in

on a 'No GST, we are going to cut this, that and everything?' And then, once they are elected and they are sitting on a Committee, would they honestly say, 'Oh, yes, I am willing to cut my budget my 30%.' No, it will be the same as any other. They will say, Well, I think this is harder than I thought.
 1860 It is a little bit more complicated than that.'

So, that is why I cannot support this, because whilst it is well intended and it looks good, sir, the financial transformation programme that happened during a time that I was Chief Minister, took *much* longer than was imagined at that time. We saved less than, but not much less than 10% at that time. The bulk of that, inevitably, had to come from our largest spending committees, from
 1865 Health, Education and from Home, because they are the largest of any committees. If you going to do that, you need to effectively focus on those. And those are the committees, those are the departments, that the very same people who will possibly support this sursis and are possibly asking us elsewhere to make cuts, will be demanding more services from (**A Member:** Hear, hear.) You cannot have it both ways.

And so my fear is this looks good. In other circumstances, I am not against sursis motivés. But we are dealing with a highly complex issue. I am really fearful, sir, that very few people have actually *read* the policy letter (**Two Members:** Hear, Hear.) completely, because the focus has been towed along.

Certainly, the media does not seem to have done that, but I understand if the public does not do it and they take the information from a headline in newspapers and on blogs and the like. But we, sir, owe it to our public to look at the issues properly and fully.
 1875

Now, sir, I am not foolish enough or perhaps I am long enough in the tooth to not promise things in my manifesto that I know cannot be delivered. And we do not have a party system like elsewhere, but obviously when people stand in a party system, they have a party that does a lot of work and comes up with credible policies that hold together.
 1880

Every part of Government is affected by what a different part does and that effects every pillar of Government as well, not just the political and executive parts, but also the judiciary and all those things. Everything that happens has an effect on the other. So when you are focusing on one particular aspect it inevitability has an effect, for good or for bad, on a different aspect. And that is why it is very important that we look at things in the round. In the bigger picture as a whole.
 1885

We have got to do this together. It is painful. It is not the time for political gains. I am not suggesting, sir, that Deputy Meerveld and Deputy Blin are actually trying to play games with us here. I think they are being genuine. But I think it is naïve to think that this will manage to solve the problem or get anywhere near it.

Yes, we need to make savings. We need to do the sorts of things that are hinted at here, but we need to do that in *addition* to the things that are already there in our Propositions.
 1890

Thank you, sir.

The Bailiff: Deputy Trott.

Deputy Trott: Thank you, sir.

I just want to make three observations. The first is: the data around the size of Government is absolutely crucial to this debate. So, when Deputy Kazantseva-Miller rose to tell us what S&P think, the first thing that went through my mind is, well, why didn't S&P tell us at the same time that we had broken our own fiscal rules? Because the fiscal rules of this Assembly are that the amount that we take from our economy, from our GDP in tax, must not exceed 24%. And interestingly, if we chose to introduce GST, it still would not exceed 24%. This is absolutely crucial because these comparatives matter.
 1900

If you take the amount of tax we take as a percentage of our economy and if you take the amount of tax that Jersey takes as a percentage of its economy, the same for the Isle of Man, the numbers are 22% for us, 26% for Jersey and 29% for the Isle of Man. Those are simple arithmetic calculations. We could stand here today and argue until the cows come home whether our GDP is accurate or not. But on a reported and fiscally independently verified basis, those are the numbers.
 1905

1910 So, whilst I accept that 23 years ago, when I was first elected, the electorate of the day believed the States was bloated and inefficient. The general public today believe the same thing. I do not have any issues with that perception because I believe it is accurate. But the truth, the facts, do not support that.

1915 Now, the other thing that is worthy of mention, which is why I wanted to speak after Deputy Le Tocq because he talked about this, is how quickly Members who are elected change their view. They come in from the outside, from the world of perception and they have a look under the bonnet. And they see inefficiencies. Of course they do because they exist. But what they do not see is the levels of waste and inefficiency that they believe existed beforehand. And that is partly because they have access to this sort of data from people we trust. Not just civil servants, but people who in the past have been asked to look at this fiscally independently.

1920 Professors of Economics and people with PhDs in Economics, including incidentally a former civil servant who was mentioned, who for years advised that fiscal panel and confirmed that their findings were accurate. But sometimes people change their views when they move into the commercial world, particularly if they are seeking to make a name for themselves. I will say no more than that.

1925 But the truth is, sir, that the amount we take from our economy is significantly out of kilter to our competitors. Now, I personally do not favour the GST route. I think there are other measures that are potentially better. I say 'potentially better' because this is a really complex area. But what I am absolutely certain about is that, on a comparative basis, we are absolutely at the bottom of the league table. So logic, if it prevails, would be that clearly we are not taking enough out of the economy in tax in order to sustain public services at the levels that people currently want.

1930 This now takes us to the sursis because if we had a referendum asking three questions: do you want the public sector smaller, the same size or larger? I do not think you have to be Elon Musk to figure out – he is a rocket scientist, incidentally – I do not think you need to be a rocket scientist to figure out that the general public would probably automatically want a smaller public sector. So to your quote earlier through you, sir, Deputy Trott's quote about a former politician's duties, to be honest.

1935 So, where I think we have failed – this is probably more a matter for general debate, but I will say it now and probably elaborate on it later – is we simply have not invested enough time and effort in *explaining* to the general public how much public services genuinely cost. **(Two Members: Hear, hear.)**

1940 Deputy Ferbrache, in this opening remarks, quoted the one that I have used many times because I think it is such an eye opener for people. That if you are on average earnings and you have got two or three kids, your taxes do not go far enough to educate one child in the secondary system for one term. And straight away, people take a sharp intake of breath and suddenly realise what fabulous value for money they actually get from public services in Guernsey.

1945 So, I hope that helps. Let's not be under any illusions. There is a 4% disparity between the amount we take out of our economy and the amount Jersey takes; and there is a 7% disparity between us and the Isle of Man. These are very material figures. And even if GST is approved, all the other range of measures that I personally favour at this moment in time – the so-called Soulsby/St Pier amendment, we still would not exceed 24% of our GDP by way of tax take. And that is partly because of the other mitigating measures that exist in both approaches.

1950 So, I hope that helps, sir. I think it is fundamental not only to the debate on the sursis, but also the debate around the size of the public sector now and how it will look at the end of this debate.

1955 Thank you.

The Bailiff: Deputy Gollop.

Deputy Gollop: Thank you very much, sir.

1960 We have had some really good speeches today. Deputy Prow, I have rarely heard him so passionate and intense. Deputy Trott with his usual high standards and Deputy Ferbrache, perhaps, in his opening speech as well.

1965 The one that grabbed me the most, actually, was Deputy Matthews, because he reminded us of the WEA. I sat on the committee for many years. Roy Bisson – I congratulate him too – the courses he ran. Every year for about 30 years, he ran or attended on one Economics. I am not sure I took everything in. And he ran frequently, 'How to Be a Politician'. And I did it every term. Maybe I did not learn very much, but never mind.

1970 But I think Deputy Brouard too was effective in talking about the cost of care and the cost of services. And Deputy Le Tocq went quite intellectual with Edmund Burke. Of course, in Burke's time as an MP, I think he was an MP for Bristol, he was, of course, in the late 18th century, whereby the electorate of the day, although quite robust at times in terms and elections in that era were frequently overturned, the results, because of alleged treating the voters, fights, beers and everything else. And skittles.

1975 But, their point was the electorate was quite volatile then, as well. And Mr Burke was making a very profound statement that we do have to balance somehow our job as a representative with our job in managing the Island.

1980 Now, I come at this very much in the similar position, I think, to Deputy Trott, Deputy Prow and other Members. And as one of the longest-serving Members, it is quite interesting that perhaps many of the Members who have been identified for GST have been in the States a fair time. And also, in the anti-GST campaign, but perhaps the anti-GST has been more strongly advanced by newer Members. And I would say Deputy Le Tocq is right about electoral promises. They can be dangerous.

1985 I remember that perhaps I was not very clear in my 2020 manifesto. But in the 2016 manifesto, the last time we sat for Districts, I did flag up that in terms of tax reform, we do need a fairer tax system, but we also need more money for essential public services, and said we had to look at consumption taxes. Now, that might be green. It might be a significantly improved sales tax model, or what the Isle of Man had and they have had for generations now, the Value Added Tax system. I can imagine that is why they are so much higher than us, because they give back more to the electorate in terms of services and in tax allowances. But nevertheless, the cost of living there is potentially higher than Guernsey.

1990 I have certainly heard that one of the reasons so many members of the public have written to us and demonstrated is the cost of living in Guernsey. The cost of housing, the cost of rents. They are matters that the States have had to work with, but they are independent from this debate in a sense, because even if we throw out GST today – and I am going to align myself with that at this point – we will still have to look at not only improving rents and housing availability to stop younger people leaving the Island, another argument frequently raised, but also at reducing the costs.

1995 I must admit I am drawn to the sursis. But I am drawn to the sursis for a particular reason. I like to say I am very friendly with Deputy Meerveld and we have shared votes and views on similar issues. But in this respect I am diametrically opposed perhaps to the thrust of his speech or the implication that Government needs to be substantially smaller. He made an interesting example of Singapore, but then the counterpoint was made about 8% VAT. If Singapore are in the business of having a much more sophisticated secondary pension-type scheme, with 37% of it in kind, significant corporate ...

2000 Actually, that is one area of tax I would like to look into. Perhaps a joint Social Security system where employers, employees and others contribute. But that is a long way away. But Singapore is quite a state-centric kind of place. And it has been a leader in many things from offshore finance to of course intellectual property. But it is possibly not as liberally democratic as Guernsey and its traditions are and it has a different structure.

2010 Now, Deputy Meerveld and some of his supporters want a right sizing Government of going smaller. When I listen to the many people, thousands, who are opposed to GST, they actually have quite a myriad of reasons. Some are small business people, some not. Some are concerned the

wrong people will end up paying more. Some are concerned about the future of particular industries. Some would like to see more tax raised through Income Tax or through high net worth people or well-off people. Others might like to see less tax.

2015 But I think a debate that we have not had – and I think this has been probably the failing behind the Policy & Resources campaign, despite a lot of good work and mitigation and a very powerful speech about the need to ensure we have a competitive finance sector earlier from Deputy Ferbrache. The weakness has been the lack of public engagement. Not in two months, but over two years on these issues.

2020 What is the appropriate size of Government? What is the consequential level of service? What are the really issues? Because people have had wonderful suggestions to me, of closing Beau Séjour when nobody is there, to not buying electric buses. But many of these suggestions, valued though they are, would fill the black hole about 10%. A popular one is reducing States' Members' pay. But I mean, that is 1% if you are lucky.

2025 But the scale of this is basically based on Health, Education to a degree, and Pensions. And Education has restrained its expenditure for the last few years. Health and Welfare for different reasons have gone up, for demographic and other factors. So I would welcome, actually, and I know it is a crude mechanism, that Policy & Resources would come back with three separate options, hopefully not in April 2025 but certainly by 2024. Look at the reasons on the back page.

2030 The proposing seconder, Deputy Blin, shared the overwhelming public concern regarding the introduction of Goods and Services Tax. Well, the concern has been enormous. In Jersey, I recall 18,000 demonstrated. So, it was difficult there as well. They believe it would be folly to implement it just prior to the next election. But in electoral terms, I can understand, that is a valid argument. And they believe a discussion is needed about public expectations regarding the benefits and services that our Government provides and the associated costs before a decision is made.

2035 We could do with the three separate offers. Why it is costed at £500,000 to £750,000, I do not quite know, because surely most of the expertise could be voluntarily given by able people in our community or by able staff who are already employed and they would just be transferred from other things. But I accept that there would be a cost.

2040 I would like these three models, in fact I am attracted like Deputy Matthews is – I am not quite sure what the questions would be – to a referendum, which is not unknown in different places, because I was a cheerleader for the Island-wide referendum. I was leader of the group and we nearly won, we were 1% away. But that was an interesting situation. Deputy Meerveld's group won and people predicted that they would not win. People predicted to keep the system as it is would win. In fact, it only won in only one of the seven districts in the west. And other people thought that a hybrid would win.

2045 But the option that people have poo-pooed, actually won. We can argue whether it worked or not but it certainly did in maximising turn-outs and candidatures.

So that was public engagement and I think we need the same here. And if this amendment, the sursis, goes through, I will be happy to see the back of GST for the foreseeable future.

2050 Listening to the public, I want efficiencies, I want savings, I want to grow our economy. (**A Member:** Hear, hear.) But believe you me, I would be a champion for the public sector and public expenditure that is sensibly done and would love to be a part or lead a group that would make clear that, as Deputy Brouard said, many people – possibly not most people, but many people in Guernsey who are socially vulnerable – would be happy to –

2055 I will give way.

Deputy Oliver: Thank you.

I am finding this really interesting but I was just wondering with your comments that you have made, what would you actually cut?

2060

Deputy Gollop: I think at this level, if I am reading this right, it sursis some Propositions but not others. But it is a theoretical exercise. (**A Member:** Hear, hear.) It is a hearts-and-mind to establish a set of principles to help determine the appropriate size of Government.

2065 And the Policy & Resources, in conjunction, hopefully, with all of us, it would be like a super-Government plan, would have three different templates, one model might be slightly bigger than what we have got because as Deputy Trott reminded us, we are extremely efficient and we are extremely lowly taxed compared to many places. One model would be about the same but a bit less and third model would be a much more libertarian American Republican-type model which would perhaps put forward some quite strong suggestions of people having to pay their own way for services ...

2070 But it would probably be resisted. I would probably resist those ideas. But I think that would happen. What would be cut and what is not would actually come at a later point than this. This is just a trawling exercise. I think that is the main argument that we need to have, before we radically change our tax system, a consensus from the population, as best we can, on the need to raise money.

2075 Then the question becomes, as Deputy Trott reminded us, because he knows what he is talking about, what mechanism of taxation we use? What format? Because all kinds of taxes, as Deputy Prow says, hit people, in one way or another. And many would be opposed by interest groups. But we need to know what we can raise and what levels of taxation and kinds of taxation would be efficient and what kinds of taxation would be inefficient. But that is the direction of travel.

The Bailiff: Deputy Blin.

Deputy Blin: Thank you, sir.

2085 I would like to come back to the reason why, in effect, sir, I am seconding Deputy Meerveld for this sursis. So why?

2090 First of all, I am going to avoid going to general debate on GST. But this is one of the key things, as it has been highlighted with others. I was opposed to GST in my manifesto, but it is not something I am going to change. I am aware that without that action the magic bullet is ... 'Deputy Blin what are you going to do different?' Well, I am starting off the other way round. I am starting off with, I am *not* going to change my position on GST.

2095 This sursis gives us the chance to actually continue debating the other amendments that give the option to not include the GST there. The question would be natural. What do we do then? How else are we going to fix this? Well, we know that there are other areas. We know that we can look at expenditure. We know that we can look at the actual way ...

Everyone talks about how much more can we cut our budget? We have tried everything. We have done this, we have done that.

2100 I am sure the Members will be all aware of the volume of emails we have received over the last days or weeks from members of the public, business people, interested parties, who actually *did* give specific examples of cuts. All comments like, 'Have you seen how, when we go and spend and we have other options to buy but we cannot because they are not on the preferred suppliers list and we ended up spending on this or that.' There are all these other ways. We need to look at that. We know there is a dire situation, a dire problem with the recruitment and the HR. We know it is an essential service.

2105 I am just going to refer back to respected colleague, Deputy Brouard, when he spoke about this sursis. Talking about, 'Well, why do we need to ask the public? Why a referendum? Why the public in any case, about what we need, because they are bound to say they want more and more.' Well, I am a parent, I have my children asking me for more and more, but it does not mean that I just say yes. It is a case of explaining the outline of what we can do and how we can do it and what is in our pocket, as the Asda advert goes.

2110 So, association of costs. The sursis comes back to the question. It is a fairly fundamental question of what size of Government. What – I don't know – user level? Whether it be enterprise level or

2115 business level or standard level. But we have to ask those questions. And at the same time, we are not just stopping everything and ending up in a situation, which is possible, that actually we just vote for Proposition 1, we admit there is a problem and nothing else happens.

2120 Also, I would like to again refer to Deputy Brouard and also Deputy Ferbrache. We have a very hard job to do. We have to make decisions on behalf of the people and we are elected by the people. I know that when seat belts came in, I am sure people were not very happy about it. Or no smoking in places etc. So there are moments like this. But this one was truly stated by a lot of people about what the effects are to their businesses, given the fact that they are already going through inflationary, we are going through secondary pension, we are going through supply issues, we are going through war issues. All these things there. So we do not want to top it up.

2125 Above all I believe, and I am sure others believe that the other lever, which is not always that handy, is the lever of growth. And that lever of growth comes down to Economic Development's opportunities within Tourism: pushing the Victor Hugo, pushing the Atlantic Wall, pushing Renoir, all of these areas. That growth encourages people to push their businesses. When they are making more money, they are happier to put more money in, but when we keep on pushing it down it gets harder.

2130 So, what I would like to summarise here is that the sursis is an opportunity for us. I know there are a lot of Deputies and a lot of people of this Island who are not wishing to support the GST. And therefore, this sursis allows us to continue looking, to continue the other amendments – and I do appreciate Deputy Kazantseva-Miller who spoke about the sursis for Deputy St Pier, Deputy Soulsby, Deputy Parkinson. All of these, we can look at. But the fundamental part is, this is one strong part which eliminates the main part of the GST.

2135 So, I do see this as a prudent and responsible approach, allowing us to continue to work towards what we need to achieve. And although there is no direct magic bullet, we can get there through other means as well.

Thank you, sir.

2140 **The Bailiff:** Deputy Moakes.

Deputy Moakes: Thank you, sir.

2145 I have got to disagree with a couple of things that Deputy Blin just mentioned there. He said that business might invest here, might invest there, it is a great opportunity. But one thing is very certain, and that is business *hates* uncertainty (**Two Members:** Hear, hear.) Absolutely hates it. And the fact of the matter is that if we want to retain existing business on the Island – and more importantly, or as importantly, attract new business to the Island – we cannot have uncertainty. This sursis is a minimum of two years uncertainty. Probably much longer.

2150 In every business, whatever sector it operates in needs certainty to be able to thrive. And importantly, they need to know that Government will maintain fiscal discipline. That it will invest in infrastructure. That it will invest in people and that it will develop and implement a workable tax system to fund spending.

2155 What this does is just delay that for a period of time, gives uncertainty to business which will do exactly the opposite to what you just said and potentially pause people's investments and decision-making. So I cannot agree with this sursis whatsoever. I think it is really dangerous for the economy and for the Island. I am sorry.

The Bailiff: Deputy Le Tissier.

2160 **Deputy Le Tissier:** Thank you, sir. I am not going to speak for very long, but I am just going to make two points.

Now, Members here in this Assembly and commentators all say we can only provide services that (1) We can afford; and more importantly as well, or equally important, they are appropriate for a population of 66,000 plus or minus.

2165 Now, everyone here, they have got their view. They expect UK level of services, but they only want to pay Guernsey rates of tax. I think that those two points of view are mutually exclusive. So we *do* need a public debate on what people want to pay and what services they demand. So, leaving aside the practicalities, this sursis motivé does seem to address that.

2170 The other point – and I will refer back to Deputy Moakes and the uncertainty – it is the delay. Well, if we are to believe that the States can bring in GST on the projected date, that is not actually a given, it may be delayed, but let's assume it does come in, I think it is in March or April 2025, it will be just before the next election. And although I am not a gambling man, I can guarantee that it will become an election issue.

2175 So, what happens then? We are going to have a lot of candidates that are anti-GST. Let's assume that a significant number of those people get elected. It is quite likely, I think. And they get elected on the promise to revoke GST. The problem occurs when they are successful. Now, if that happens, say, in September, when the new States meet, all the businesses in Guernsey will have spent their hard-earned income on altering systems to collect and pay GST. That cost will be lost. And who, knows? Will the States be sued for that? For changing their mind? I do not know.

2180 So a short delay will be the better option, I think. And it removes uncertainty until after the next election. So I would ask the Assembly to please support the sursis motivé.

Thank you.

The Bailiff: Deputy Mahoney. *(Interjections and laughter)*

2185

Deputy Mahoney: Thank you, sir.
Can I give way to Deputy Le Tocq?

Deputy Le Tocq: Thank you, Deputy Mahoney.

2190

I was –

The Bailiff: Just a minute. I do not think you can have a give way before you have started speaking. So you have at least got to start, Deputy Mahoney. *(Laughter)*

2195 **Deputy Mahoney:** Sir, some of us of a certain age will remember the TV personality, Mr Motivator, a Lycra-clad character on TV. In Deputy Meerveld we have our own version of Mr Motivé. If it moves, he will sursis motivé it!

I find this –

I give way to Deputy Le Tocq. *(Laughter)*

2200

Deputy Le Tocq: I thank Deputy Mahoney for giving way and for such an amusing analogy just then. I was going to comment and I do not know whether Deputy Mahoney would like to comment on this, on what Deputy Le Tissier has just said, because he painted a scenario that may well happen, but it could happen with this sursis motivé *as well*.

2205

It is always a risk that something becomes an election issue. That is the world we live in and we are not going to remove that. Similarly, as Deputy Le Tissier had eluded to, if there was a brand new Assembly – and I think I mentioned this earlier, with everyone elected ... they would have to face the same issues and you would get the same results you have this time where you have got people who were voted in on that. Seeing the facts, seeing under the bonnet, as somebody referred to before, and saying, 'Actually this is the best way forward.'

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Deputy Mahoney: Thank you, Deputy Le Tocq.

I find this sursis motivé somewhat odd given a comment that Deputy Meerveld himself made during his opening comments, and it really concerns the target market for this.

2215

Those of us who feel that we should do the responsible thing and face our financial problems now, however unpopular they may be, presumably we will not be supporting it. I will not be

supporting it. But given that Deputy Meerveld just said himself about his own sursis motivé and I quote, because I wrote this down as he said it: 'All it does is defer the decision on GST'.

2220 So given that, presumably all of those that marched yesterday that are sitting here should not support this because the one thing it does not do is definitively take GST off the table. He said it himself. It does give it a mighty boot into the distance, I will grant that, but I do not recall seeing the badges. There are some of them in the Assembly at the moment. There are some of the 3,000. Thank you, Deputy Haskins. I do not recall them saying 'No to GST (for the moment)'. But maybe that was on the back of the badge. I do not know. I have not seen one. It is not, Deputy Haskins.

2225 So I just wonder how many of those walking on Sunday knew that all the sursis does is actually defer the decision rather than kill it dead, which perhaps an amendment would try to do.

2230 I did wonder whether the funds that Deputy Meerveld has spent on all of these badges, ribbons, car stickers, etc. should go some way towards his 2025 election budget, given that it seems to be a very popular measure. But it is odd that Deputy Meerveld suggests that this policy letter is the easy route. Again, a comment that he made in his opening. Easy, like hundreds of hours of officer and States' Member time. Easy like a professional report from Deloitte's. Easy like a highly detailed tax analysis from EY. I will tell you what easy looks like. Easy looks like just deciding to decide later. That is what easy looks like.

2235 So, Deputy Meerveld is substantively saying, let's boot all this into the long grass and pick it up again in April 2025 – I think I have got that right, which is of course the final States' meeting for this term of office. Now, the cynics might say that the timing of that is just so that he can wheel out the banners again, and others, just in time for another electioneering bump. Just the cynics, not me. But the cynics might say that, of course.

2240 Deputy Meerveld asks the Assembly to direct P&R to determine the appropriate size of Government. Just as this Assembly has already done, when it agreed it should not be more than 24% of GDP as set out in the States' fiscal policy framework. But not just that, we need to note, we need to decide. What do we need? Small, medium or large a version? Perhaps economy, premium and first class, whichever takes your fancy. But let's face it, everyone likes to turn left when they get on the plane, but no one wants to pay for it.

2245 But back to my earlier point. What if none of the three flavours are able to achieve the levels of service that we actually want? What if the options that come back are bad, really bad and terrible, given that we will not have GST? Will he then accept at that point that GST *is* required? So I just wonder, (*Interjection*) when he sums up, could he actually just reply to that? That would be very useful for me. Thank you.

2250 He has again, in his opening actually, finally broken cover and suggested that Singapore social security contribution rate is 20% for employee, 17% I think it was for employer, might be a way forward. A 5% GST is too much, but a 20% social security is not. He had a great opportunity to air any of his views in the hour-long podcast that he did with Deputy Ferbrache, but I did not hear any solutions at all, even though he was actually asked to provide some during that conversation.

2255 I do have to mention the explanatory note as well, which notes in paragraph 1:

The proposer and seconder ... believe it would be folly to implement [GST] just prior to the next election ...

But do not believe it is folly to bring it back for a decision on service levels just prior to the next election. It is the same thing, just dressed up in different clothes. It is a *terrible* decision and no one will want to make it.

2260 A decision that would seek to choose between at one end *loads* of services, the first-class option; and at the other, far fewer services, economy class. This would be a decision that comes just before an election, and could someone tell me the likelihood of the correct decision for this Island being made given those choices just before an election.

2265 Before I sit I just want to pick up on, there is no emergency point. I think it was Deputy Matthews who raised it. All I would say is that if there was a car five miles away heading towards you at 20 miles an hour, it is not much of an emergency. But if I ask you that question when it is 50 yards away, I will wager that you would give me a different answer.

Someone raised a point, I think it was Deputy Blin, about some of the comments. And we have received lots of comments. A huge number of them just saying, 'No' or 'No GST'.

2270 But a couple of those suggestions here that perhaps the new body should look at: 'No to a £96 million harbour'. We have already covered that, we are not doing that.

'Increase Income Tax by a penny'. It does not do anything. 'Stop wasting money on your fancy trips and banquets.' I am not sure what they are. 'Deputies should take a pay cut'. Again, it is fractions of per cents that it would save.

2275 And one there that I have noticed: 'For goodness sake, start thinking outside the box. How much could we save by omitting the Governor and the Bailiff?' I am not sure how we feel about that one in here.

2280 So yes, we have had some, but frankly nothing – I was going to say, that has not already been considered – that the working group in the last two years has not already looked at. As I said, we have had hundreds of hours of officer time. Myself and Deputy Helyar, Deputy Roffey and Mr Thompson from ESS have all looked at this. There really is not any golden thing.

What I do just want to say, just before I finish, sir, is the point raised by Deputy Kazantseva-Miller. It was a good one re the S&P. I am just going to read straight from officers, if you do not mind:

S&P take all the revenues, including trading assets plus the investment income and look at that as a percentage of GDP. The fiscal framework principle says we should calculate the percentage based on our revenues, general revenue plus social security and exclude investment income. We always use that calculation and also do the same when comparing to others.

So that is the explanation of the difference there. I was just happy to clear that up. So, as I have said, I will not be supporting this, the *sursis motivé* and I hope others do not, too.

2285 **The Bailiff:** Deputy Dyke.

Deputy Dyke: Thank you, sir.

I will try to avoid making a speech on the main Proposition. If I could comment on a couple of points, I thought Deputy Aidan made an excellent point in terms of ...

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The Bailiff: It is Deputy Matthews, Deputy Dyke.

Deputy Dyke: Deputy Matthews, sorry.

2295 Deputy Matthews made a good point regarding that we do have ... When we make our decisions, we must bear in mind, to a point, what we have said to the electorate at the last election when we are elected. We are only two years on. I know and understand what Edmund Burke said, but you cannot just turn round and say to everyone, 'Well, it is two years on and Edmund Burke says we can do what we like now'. There is a point there. Although, obviously, we cannot slavishly follow precisely what we said in every circumstance if there is an emergency.

2300 Now, I would say that, the situation we are in is serious and it needs consideration but it is not actually, technically a crisis. We do have some time to deal with it; there is no need to rush and make the wrong decision. There are a lot of things to think about which we can talk about later.

2305 Deputy Moakes made the point that business prefers certainty to uncertainty. Well, I would take issue with that. There are different types of certainty and uncertainty. If there is a certainty of making a wrong decision, that is worse than the uncertainty of whether we might make a right decision or might make a wrong decision. So I think you cannot simply say that.

2310 The other point that is serious is our direction of travel on our expenditure, *vis-à-vis* our GDP growth. I admired Deputy Kazantseva-Miller for picking that point up from the S&P report. I am not totally satisfied that it has been explained – the difference between what S&P are saying and what our Treasury seems to be saying. But we do seem to be on a track where a few years ago we were spending 19% of our GDP and it has now drifted up and it seems to be heading – or *is* at 24%. Or

is it at 26%, or is heading to 28%, or is it *at* 28%? Whatever these figures, the direction of drift is very clear and we must make a sustainable set of solutions to reverse that drift because we cannot go on and on and on.

2315 The last point I would make is the actual comparisons between Guernsey, Jersey and the Isle of Man are quite difficult. I think they have been made up in slightly different ways, and the Isle of Man has a slightly peculiar economy. I has a very strange VAT deal with the UK which I do not fully understand, but I think they do very well out of it. So there is a factor there that is a bit of wild card. So I just wanted to make those points.

2320 Personally on this, even at this point, I am not quite sure how I am going to vote on this. I am inclined to vote for it, but the three-pronged response expected from P&R is quite difficult to do, so I will leave it there.

Thank you.

2325 **The Bailiff:** Deputy Murray.

Deputy Murray: Thank you, sir.

2330 Along with Deputy Queripel. I made a resolution this year to try and be more temperate and more patient. I am finding it increasingly difficult with the sursis at this point in time. But I will be brief.

2335 The first thing I would like to say is that I am absolutely astonished to hear somebody from the HSC Committee to suggest that we do not have crisis. We are in a crisis with health. We have been for a long time. We have huge waiting lists. We have hundreds of jobs unfilled. We are paying a fortune for agency staff because we cannot find the solution to that particular problem. But we are not in a crisis. That is madness. I am sorry, emergency. That suits, perhaps.

2340 **Deputy Matthews:** Sorry, Deputy Murray. We have a situation that we need to deal with. What I am suggesting is that the crisis or the emergency that we have is one that perhaps has a longer timescale that needs to be resolved immediately before the election. It is probably one way that you could express that.

2345 **Deputy Murray:** Sir, we are in a crisis at the moment insofar as we cannot afford our Health Service, even now. And we need to make arrangements for a worsening of that situation which is coming upon us. It is inevitable. You can cost it. But there seems to be denial that actually we do not have to worry about that just at the moment. That is only *one* of our problems at this point in time. But it is frankly, in my opinion, probably the most serious issue for us, facing us as an Island, as an economy. Because we will not be able to afford the existing level of services that we have currently got, with the existing level of people using it. That is the reality.

2350 Now, if we are going to do any kind of investigation, that is what we need to investigate, because that needs to be sorted. But in terms of this sursis, I have sympathy for the direction of travel that it is suggesting. But had there been terms of reference in here, had somebody spent the time and effort to not just submit, 'That's a good idea, we'll leave it to you to sort out.' If somebody had put the time and effort into say, 'How on earth you take government, three versions of government, and decide how you can present that'. The actual sursis does not suggest we even involve the public. 2355 The explanatory notes may go into some detail but that is not what we are being asked to do at P&R.

2360 We are being asked to come up with ... I listened to Deputy Meerveld's podcast. And he likened this suggestion to software. We would have three versions. We would have I think it was an enterprise version, a standard version or a professional version, I think he said. Well, it is nothing like software. This is people's lives that we are dealing with at this point in time.

Whatever we cut, somebody is actually going to suffer. Now, at the end of the day, you have got to pay for that or you cut it. I get that. But what are we going to come back with? What will suit one family may not suit another family or a pensioner. This is almost an impossible task to ask us to do.

2365 It is impossible to deliver and it would take, even if we could deliver it, *way* beyond the timeframe that is suggested here. It is just completely impractical. And we have spent now, nearly two hours talking about something that, frankly, is undeliverable.

Now, I know why it is here. The suggestion is that if we actually look at this, we will not have to pay much more tax at all. That is the implicit suggestion in cutting down the size of Government. That is always assuming that we find that we *can* cut anything from Government and I would suggest that it is going to be *very* difficult to do that.

2370 Now, as a newbie in here, I have had probably the unique situation of being on three Committees in the short period we have had this term. And in each committee I have been on, resources has been a critical issue. We do not have enough resources already.

2375 I can forgive, to some extent, Deputy Blin who has not actually spent some much time yet on any major committee. He perhaps has not had that experience. I cannot forgive Deputy Meerveld. He understands from being in office the last term, the extent of the services that we provide to this Island. And yet he comes up with a banal suggestion that somehow we can come up with three variations that inevitability you would have to take to the public.

2380 I think it was Deputy Le Tissier who said, 'regardless of the practicalities'. Well, the practicalities are huge, they are enormous. They have been downplayed at this point in time. I do not for one minute say we should not *always* – and we always do – be looking at the value of what we are providing or whether it is realistic for us to provide it. In the last 10 years, I believe, we have saved about £40-odd million off the public sector. That is quite an enormous saving. It is ongoing, it is always there. It is not as if we are sitting in a position whereby we have got oodles of civil servants doing very little and could be cut. It is not as if we have got services, but if we cut them then basically at the end of the day, private sector is probably going to have to pick them up. So somebody will pay.

2390 Now, I have come into this Assembly on probably exactly what Deputy Trott has described. I assume that the popular myth, that actually we have a bloated Civil Service. Therefore, there is the immediate saving. It is not actually the case when you get down to it. We do not have that. And in fact all of the civil servants I have come into contact with they work extremely long hours, time and time again. They are *very* conscientious. And if we are talking about resources, we have 450 vacancies in Health. And a lot of those, some of those have been taken up by the only choice we have got to keep on delivering those same services, which is agency. And it is costing us far more than if we actually had those resources. I get that. But we are going to have to solve that because that will just get worse and worse.

2400 Deputy Ferbrache has just told us our expectation is that we might be about minus £47 million in the red. Is that not a crisis? Is it? Do we honestly think that we can carry on in this vein? We cannot. So putting this off, just a few months before a general election, even if we can deliver this, and I suggest that we cannot because we do not have the resources. Whatever resources we put behind this initiative will stop doing something else. Or we will employ more civil servants which everybody seems to believe is the whole root of the problem. So we go round and round and round. And I urge Members just to look at what is practically being asked of here and consider: will this deliver *anything* tangible at all other than staving things off for another two years? What is the point?

2405 So, I would urge all of us, just *throw* this out and let's get on to the substantive amendments as soon as possible.

Thank you.

2410 **Two Members:** Hear, hear.

The Bailiff: Deputy Aldwell.

Deputy Aldwell: Thank you, sir.

2415 This sursis asks the States to reflect and cogitate over the next two years reporting back with findings on 31st December 2024 with costs up to £750,000 for this work stream.

When I stood for election in 2020, I was told in walking areas of the 10 parishes that one of the main irritations or vexations for the public was the lack of decision-making, leading to very little every getting progressed.

2420 Sir, over the last few days, this has actually felt like an election campaign. When some Members in 2020 spent thousands on printing and leaflet drops and campaigned on social media, which has generated many emails to Deputies against GHT. GST? Oh, it was not, it was GST. *(Laughter)* I do apologise, I do not even know what GHT is actually! Probably a chemical.

2425 We had many of those emails and a great deal were about manifesto promises. My manifesto did not actually comment on GST. I thought as many of those people around the parishes thought that income taxes would need to go up by 1p or 2p as this would do the trick; and maybe an internet tax on purchases would be worth looking at. But now having far more understanding of what funds are required, consequently I now know that 1p equals about £12 million which is not enough. Also, I understand because of international agreements, I now know we cannot charge an internet tax without charging on the Island the same.

2430 As for holding Deputies to account which has been made much of over the past few months, my manifesto promise was to work as hard for the Island as I had done as a constable for my parish. And I can assure you, sir, with two major Committees and 18 sub-committees, most from ESC, I have absolutely kept to my promise.

2435 The knowledge I have gained on those committee budgets enable me to understand the value of the partnerships we hold across the States with the third sector, with grants which affect the whole Island's wellbeing cannot be understated. Our partnerships give us double bang for our buck which is why we have these partnerships. We could not possibly afford to offer what is delivered today without the third sector; and the third sector could not deliver without the Government grants. Those grants come with service level agreements and KPIs and they are fully scrutinised.

2440 As Deputies, we have access to privileged information in many areas which we would not have had access to before we took up these roles. Deputies who had served in the previous term would certainly have had a clearer picture of the problems within the States. Though I remember on many occasions while listening to the States' debates, Deputy Roffey saying that there was going to be a monumental problem with ageing demographics and the Assembly was running out of time and we must not kick the can down the road.

2445 Before coming into the States, I probably had a preconceived opinion on cutting budgets. Whereas now, I know the full value of them within each of my committees and what cuts would actually mean to this Island. This is not just GST. This is about a suite of measures where 60% of people will be better off. Cutting grants to partnerships we have in place will affect every single person on this Island.

2450 We have an enormous amount of work to get on with during the next two years in both ESC and Home Affairs. And right across our States, P&R have – and we have been exploring every avenue and I have no intention of deliberating and cogitating for the next two years at the cost of £750,000.

2455 We simply do not have the time to waste. We absolutely need to kick on.

Thank you, sir.

The Bailiff: Deputy Vermeulen.

2460 **Deputy Vermeulen:** Thank you, sir.

This sursis motivé is interesting. It is quite appealing. There is bits in it I like. Although, I am not a fan of kicking things down the road. I also like P&R's Amendment 9, I think it is, which has just gone through which takes GST out and looks at everything else.

2465 **The Bailiff:** Can I remind you, Deputy Vermeulen, that Rule 24(5) refers to keeping your comments limited to the sursis (**Deputy Vermeulen:** Sorry.) and no other issues relating to that matter, including proposed amendment. So you have no need to refer to proposed amendments

Deputy Vermeulen: But I felt that there was a similarity between this and perhaps other suggested amendments.

2470 Sir, recently, I had something come across my desk which was about terms and conditions of redundancy and it made the front page of the paper. And it was how much was being paid out in redundancy for people with 20-years employment. It was 100 weeks. I felt that was beyond the pale and it was more than I had ever encountered when I had a proper job out there, sir. When I worked
2475 out there in a proper job, in industry. I had never heard of anything like that. Six months I had heard of, but never two years and it did make me wonder, sir.

I think the question for the forthcoming tax debate: what else needs to be exposed in the terms and conditions, perhaps? More importantly, how do we perhaps dismantle that? Who has put it together and how do you make the change? How do you effect change when it needs to be made?
2480 Because, let's face it, these are different times that we are living in compared to 10, 15, 20 years ago.

How do we dismantle it? What is the appetite there amongst Deputies for getting to grips with it? And that is the kicker, sir. What is the appetite for the Deputies getting to grips with those terms and conditions? Well, the truth is that we simply cannot afford not to.

2485 So, like my colleague in the Guernsey party, I am still uncertain but there is a lot in this which could perhaps give us the opportunity to look at things like just those things alone. I am aware that there are other savings to be made. I am not negative, I am not a fantasist. I have come from industry and business and that is what we did day in, day out. That is what we did week in, week out. And I see savings – I will talk about this later – but I do see the possibility of savings. But I question Deputies' appetites and it will be interesting to see which way we vote on this.

2490 I have certainly got the fire and the appetite to make those savings and I think the public expect us to make those savings.

Now one of my colleagues, Deputy Moakes, talked about certainty. Well, I can tell you, sir, following 600-odd emails which I have received recently, that businesses certainly do not want GST. There is no doubt about it. But again we will get on to that a bit later.

2495 So, this sursis does give us the opportunity to look at other things in perhaps a different way. Thank you, sir.

The Bailiff: Deputy Roffey.

2500 **Deputy Roffey:** Thank you, sir.

I really was not going to speak on this sursis, but Deputy Vermeulen has brought me to my feet. Because he stands there and says, the attraction of this – and indeed some other amendment which we are not allowed to mention coming along later – is that there is new savings out there that could be made that is an alternative to the tax-raising measures.

2505 Deputy Vermeulen, I think, is on Home Affairs. I think he may even be Vice-President of Home Affairs. Now, we have all seen in the Billet all the Committees were asked: 'If you had to make savings on your budget, what would they be?' We all answered, they were pretty unpalatable things in there. But Home Affairs of which he is custodian, said, 'We just cannot make any. There is no savings we can make' – .

2510 Oh, go on. I will give way to Deputy Vermeulen. *(Laughter)*

Deputy Vermeulen: Thank you, Deputy Roffey. That is very kind of you to give way.

2515 There are savings to be made on Home Affairs and we are looking at making those efficiencies. But, blow me down, I was surprised to see how many more staff we would need if GST was to be introduced.

Before GST we were looking at opportunities of perhaps merging a couple of departments and making efficiencies, making those savings within that department. We did a similar thing on Economic Development. We made savings, we made efficiencies. And there is always more.

2520 It is not easy, Deputy Roffey, sir. This is a harder route, be on no uncertain term. This is the harder route. The proposals overall have been described as the lazy option. We have not made those hard decisions.

2525 I am sorry, Deputy Roffey, that is my background. I had to make those hard decisions. I had to look people in the eye and say, 'I'm sorry, I'm going to have to let you go.' You have to make efficiencies and there are efficiencies to be made. Quite substantial ones.

2530 **Deputy Roffey:** Well, I do not doubt that. That is why in the original package that is sitting in the policy letter £10 million of ongoing savings is an absolute key feature of that. But the point is that we are now being asked to spend £750,000 in an investigation which Deputy Vermeulen believes clearly. He must believe it to be a much *bigger* quantum than that £10 million, otherwise, what is the point of doing the exercise. But, as I remind Members, when all committees were written to uniquely, the one that replied and said, 'No, we don't really think there is any savings to be made here,' was the one for which he is one of the prime custodians.

2535 It is so easy to say when it *suits*, that something could happen. I do not like what is on the table so there must be something else. But when that something else is on the table, no it cannot be done. And I think that is an absolute classic example of what is going on here now.

2540 This is just absolutely provocation of the worst order, this sursis. It does not surprise me, because I think, whenever there is a bid decision to be made, Deputy Meerveld's reaction is, 'Let's make it another day.' That has become a pattern. However, I think, yes, his sursis may not prevent other amendments being discussed, but those amendments may or may not be passed.

2545 And if we pass this sursis and then those amendments are not passed, what we are left at the end of the day, on the table, is the results of this sursis, which is clearly just an absolute fudge of a delay. It would be an appalling abrogation of Government.

2545 Let's get on to the more substantive amendments with people who have actually given it a bit more thought and put a bit more effort into addressing it and put forward, and get rid of this motion straight away.

The Bailiff: I do not see anyone else rising. I will invite Deputy Ferbrache as the President of the Committee to speak on the sursis motivé, please.

2550 **Deputy Ferbrache:** I would just like to take up Deputy Roffey's point which caused Deputy Vermeulen to get to his feet. So I looked up paragraph 3(20) of the policy letter, and it says – and I am a great fan of the Committee for Home Affairs, I think they do a good job on a limited budget. But this is what they said. And their Vice-President must have put his name to it:

The Committee for Home Affairs has not provided any new initiatives to the £300,000 of potential savings opportunities it identified at the end of 2021. The Committee has advised that "the Committee already operates exceptionally lean services, and believes strongly that further budget reductions risks damaging the infrastructure that ensures the safety and security of the Bailiwick" and "the Committee would describe any cost cutting exercise that would see budgets reduced by 5% as unachievable and potentially dangerous for the community."

2555 So, that is the Committee that he is Vice-President of. And in relation to that, the proof of the pudding is obviously not in his eating. And also, until Deputy Aldwell spoke, we did not have Deputy Meerveld or Deputy Blin – both of whom I respect – talk about the explanatory note which is under 4(1) information at (d):

d) It has been estimated that the completion of the additional workstream required will cost £500,000 to £750,000.

That is £500,000 to £750,000. And the two – I think they might be the only remaining Members of the Guernsey party, they might be the only remaining Members in the Island, let alone the two

2560 Deputies – that say that they are not sure about this sursis. So they may, these cost-cutting kings, these cutters of the cloth, might want to spend £500,000 to £750,000 on, frankly, a waste of money.

How often? There were friends of my father's and they broke the world dance longevity record at the magnificent hotel called the Carlton Hotel, which was then called the Bailiwick. Delia Duncan and her brother, Alex Duncan, they danced the night away and the day away for 24 hours. That is what this sursis is effectively seeking to do. It is seeking to delay matters for two years.

2565 I do not question the good faith of Deputy Meerveld. I know he has got good faith. I know he believes in it and he did talk to me about referendums and things. And then I thought well, that would be a bit difficult squeezing all this juice into that lemon.

2570 But in relation to that, people are already worrying about the election and we are not half way through this term. They are worrying and putting dates out until April 2025, and report back by the end of December 2024, but we are not even quite half way through the term that we were elected on. We were elected to make decisions.

2575 Now, certain of my grandchildren still believe in Father Christmas. I wish I was their age and I believed in Father Christmas. I wish there was somebody coming over the hills to give me a present and to take away the difficult decisions that you have got to make in life.

As Deputy Le Tocq says, people are looking for an easy answer. There is no easy answer as was challenged by Deputy Mahoney to Deputy Matthews to say that Health is not in a crisis – 400-odd vacancies. We, P&R, deferred the decision as I referred to in my speech about Phase 2 of the Hospital where they are going to spend £180 million to £190 million. We cannot defer things any more. We

2580 *have* to make decisions.

If we had a vote, if went out to the public tomorrow, and somebody said they would vote for the smallest package of government measures they could. And then when you told them, well I am sorry, your grandchildren are going to have 35 people in their class from next year, you are going to have to wait eight hours at A&E, you are going to have to not have the roads cleaned. The sewage, well, we have not got any sewage drivers now because we cannot afford to employ them so you are going to have to do your own sewage if you are on cess pits. I think they might regret that.

2585 So this sursis, well-intentioned, is flawed and it does just defer matters. And also, it does not really give any solutions because it says, come back in a couple of years' time or whenever it is. Come back by 30th April 2025 and come up with your stuff by the end of 2024. It excludes GST but it does not say that your tax bill might be any smaller, that your costs will be any less. I would ask Members to reject the sursis.

2595 **The Bailiff:** Finally, I turn to Deputy Meerveld who is the proposer of this sursis to reply to the debate.

Deputy Meerveld: Thank you, sir. There have been a lot of comments. I will try and do what I can to consolidate them.

2600 Deputy Prow said that this sursis was cancelling debate but as Deputy Sasha Kazantseva-Miller said, it is only a partial sursis. Now, this is quite unusual. It is the first one I have seen and certainly the first one I have laid. It was actually more of a partial sursis earlier because the conversation I had with our Treasury Officers and then the Law Officers was, I do not want to stop good works in progress.

2605 There are other decisions in this policy letter that I do not want to get in the way of. And I do not want a sursis motivé that kicks the entire paper down the road while further work is done. Is it possible to do a partial sursis? And the answer was yes. But actually, my original suggestion was only to sursis certain sections of Proposition 2, the ones that were related to GST and leave other ones of the A, B, C, D in place. But I was told that I could only get rid of the whole Proposition. I could not do Sub-Propositions within a Proposition.

2610 So, it went a bit further than I liked. But it did what I wanted to do, which was actually give us a time to do what I have been saying for the last two and a half years. And I was challenged, I think,

by Deputy Brouard, who said, why didn't I bring it here earlier? Well, it is a little bit rich from somebody who previously said, I have been thinking about bringing an amendment for 17 years and have not got round to it.

2615 But, it is quite simple. If I had brought this earlier, I would have been told to wait for the Tax Review. This Assembly would have turned around and said, it is not the right time for that conversation. So, I was inputting that conversation into every time Deputy Ferbrache and others said, come to us with your ideas. I was saying, you are asking the wrong question. And I am going to come back and explain why that is.

2620 So, other people picking up on the same theme. So, it is a partial sursis. I did, as Deputy Matthews said, on one side suggest the idea of a public referendum because the issue is that anything that the people do not agree with, will end up being an election issue. And effectively, the next election will be a plebiscite on GST. Or other decisions we might make here today if the public do not like it and they will elect people, overturn it as they did with the incinerator debate twice. We signed two
2625 sets of contracts to build incinerators. We cancelled both of them after elections and we paid £11.2 million in contract cancellations because that decision was marginal.

But the thing is, half of the Island supported it. Half of the Island did not and the opinions seemed to flip. I do not see that many people out there protesting on the streets demanding GST. I have got a feeling it is a lot more one-sided this time.

2630 I think Deputy Trott made a *very* salient point here. He said, basically P&R has not explained this to the public and has not brought them with us. And that is the big failing in this campaign. It is another thing I have been feeding into P&R. You are not bringing the people with you. You are not explaining and justifying these costs.

2635 So, while everybody stands up here and shouts, 'Oh yes, well these services, we have got to pay for them. We are running out of money. We have got to do it now'. That message has not got across the public and they have not been faced with the facts of how much everything costs; and given that option, that top-down approach, your lifestyle you have now is unaffordable. I either have to take more money out of your money to pay for it, or we have to reduce your lifestyle. A *very* simple equation. Everybody can understand that. But it has not been presented to them in that way.

2640 Yes, when I was on the radio, I used a software analogy for how you would present your size and styles of Government. You would list the services, benefits and functions of Government in a table. You would have, using a software analogy: basic, standard, advanced; and your standard would have half the circles ticked and at the bottom it would have your subscription cost. In this case, a package of taxes to pay for it. Your standard package would have three-quarters of the circles ticked
2645 or boxes crossed, and at the bottom would have a higher subscription cost, greater taxes, and the full-blown works would have a list of everything ticked and at the bottom a very high price attached to it.

Deputy Ferbrache is right. I said on the radio, I believe the majority of people in Guernsey are quite liberal and quite generous. I would accept higher taxes to maintain better levels of service, but I want to know what I am paying for. I want to be involved in that discussion. What I do not want to do is have somebody just say, we have run out of money, let's reach into a pocket and by the way, next month I am going to bring something else in and invent some other way to expand the scope and breadth of Government.

2650 I think this brings me to another salient point which was, Deputy Inder. It is almost impossible to agree cuts. Yes, it is *very* difficult to go to people who are now receiving a service or a benefit and say we are actually going to reduce it or we are going to change it or we are going to get somebody else to provide it rather than us. That is a difficult conversation. It is so much easier just to say, I tell you what, we have run out of money, I will reach into your pocket for some more from everybody to carry on maintaining it.

2660 But there is another element to that. I will not be giving way, sir.

How do we stop growth? Even if we agree that what we are providing now is what we provide, how do we stop special interest groups, petitioners saying, UK has got this piece of legislation or they have got this piece of benefit. I want it in Guernsey. And there is somebody bringing it to the

2665 Assembly and convincing us of this. We have got to do this if we are a caring society. We have got to have this if we want to be international standards of being measured against the other nations, we need this. And implement it again –

Deputy Inder: Point of correction, sir.

2670 **The Bailiff:** Point of correction, Deputy Inder.

Deputy Inder: I did ask to give way but I was going to help Deputy Meerveld on this rabbit hole that he has gone down.

2675 He started off saying that in response to me, that Deputy Inder said that the public could not agree cuts. That is not correct. What I said, and it is in reference to the first paragraph of the sursis where it says:

... with all States Members to establish a set of principles to help determine the appropriate size of government.

What I actually said is, it is not the Island you have to worry about, it is this *Assembly* could not agree which services could be removed. That is very different to what he is suggesting.

2680 **The Bailiff:** Deputy Meerveld to continue, please.

Deputy Meerveld: Yes, we have to have the same conversation the public do and I am quite sure that if pitched properly we can get our heads around it.

2685 So, how do you stop growth? Again, if you defined your size and style of Government, you can measure all new initiatives against that. Does it fit with the style and size of Government, what we have planned we are going to do? If it does not, we do not consider it. If you persuade us that it *does* fit in this style and size of Government, where are you going to get the money from is the next question? Because you have to take the money from somewhere else because we are not going to be increasing a bit, taxes to carry on growing Government.

2690 That kind of basis budgeting that any individual can do, is the conversation that we as a Government will be having. And yes, it is harder than just saying, we have run out of money, let's increase taxes. Yes, it will be more controversial. Yes, we will have people on the streets rioting or picketing because their particular service might be one of the ones cut. But we have to have that conversation.

2695 We cannot keep on growing into a nanny state as we are. We cannot keep adopting things from England or other jurisdictions because it is nice to have. We physically cannot afford it. We are going down the same route that other countries are going, but the difference is that they have got larger economies, the ability to raise debt and the ability to print money. We can never duplicate those things. We have to draw a line in the sand somewhere and say this is what we are and we are not changing unless there is a conscious decision to change that definition.

2700 Other things that were said. Deputy Prow went through a list of what people want, all the functions and services of Government that we provide. Deputy Brouard said 'We have the Government that people want. It has come about because of public demand over time'. Yes, I agree with both of those statements. I agree the list of what we provide. But what they are now saying when the reality bites is that we do not want to pay for it, at least not with GST.

2705 So, the question you go back to the public with. It is not a case of let's reach into your pocket and take the money out, we have to go and have a conversation with them. Okay, what can we do differently? How can we change? What can we maybe not do to reduce the cost as well as increasing the taxes?

2710 I would be willing and most Guernsey people would be willing to pay a bit more tax, preferably *not* a sales tax, I think we have very clearly heard that message. But we would pay a little bit more tax in some other forms for a defined size of Government. But a size of Government that is possibly a bit smaller than we have now and is limited in its future growth.

2715 Deputy Prow said we need to listen. Deputy Brouard said we represent the people. We do: we need to listen and we do represent the people. When are we going to start listening to the 4,000 to 5,000 people who marched on Sunday or the several hundred outside this building? And the general sentiment in the community.

2720 Now, that is a provocative statement and I do not want people railing against me because I am waving that in their face. But the reality is, you go out on the streets of Guernsey and the general sentiment, the people do not understand the nuances and I will give credit to P&R of a balanced approach to introducing GST, and having done an incredible amount of work. But the public do not appreciate all of that because the failing is P&R has not sold them on it and explained it enough.

2725 There was not enough lead-up time between publishing the policy letter and debating it. And it was over Christmas. And a whole load of other issues I could mention. But the fact is, there is a visceral negative reaction to GST out there. Any decision by this Assembly to introduce GST will be overturned.

Why are we going down potentially massive disruption and cost implementing a tax that is so massively unpopular, that in the next election it will end up being, we will elect anybody who will throw this out. We should not do that. We should look at alternative ways of doing this.

2730 If you want to persuade people to pay more taxes, the way you start saying it is by, this is what you have got and this is how much it cost. I am going to have to reduce that. Oh, I do not want to lose that. Okay, then you will pay more taxes, won't you. That is the conversation that is needed and that is what this sursis is trying to get at. (**A Member:** Hear, hear.)

2735 So, just a flick through. Singapore. My Singapore analysis of the Singapore pensions and Health Service funding, two of our biggest expenses and issues are pensions and healthcare funding. I gave an example of how other countries do it differently. I gave an example to refute the fact that there is *no* option than to do what we doing now. The fact is there are plenty of other ways we could do things.

2740 I was *not* suggesting that we should adopt a Singaporean tax system, a Singaporean democratic system or anything else. I was simply using ... so Deputy Gollop and Deputy Mahoney were misrepresenting what I said. The fact is, there are plenty examples in the world of doing things differently and I want to say that we will explore those things.

2745 Deputy Moakes said this was not creating certainty. (*Interjection*) Oh, sorry, I will not be giving way. The uncertainty is inherent. We have uncertainty all of the time. We had a Resolution in 2012 that was proposed by Deputy Parkinson that we were going to adopt international accounting standards for the States' accounts. We are still waiting for it to be done. I hear complaints every time we talk about financial issues in Guernsey, I have accountants complaining to me that they have no way of understanding our accounts. They make no sense at all.

2750 Our own accountants sign off on our audits saying the accounts have been compared. They do not say that they have audited the accounts. They say they have been compiled according to States of Guernsey rules. And they once actually declined to do that until things were done.

2755 So, basically, a couple of other comments. Deputy Mahoney's speech generally, as a marketing man, I can say he was very consistent and toed the company P&R line. We are right, you are wrong. That is about all I have got to say about that.

2760 At the end of the day, I am more than happy, as I am sure other people will be, to volunteer to work with P&R, or anybody else to come up with this idea of how you present to the public this top-down approach, size and style of government with costs attached. I do not want those cuts. Well, in that case, your costs go up. Oh, I do not want to pay that, what can I get for it? And I can see these three models being put on the Assembly of this house and we would debate what goes in each one.

Oh, we want to take this one out of that one and move it into this model. Well, in that case, you are over the budget on that one and you move something else out. We can do that. We can then take that to the public and engage the public on that and find out the discussion.

2765 That is how you get people to buy into tax increases on the basis they understand what they are getting for it; and then you do not have this visceral reaction and this constant sniping about size

of Government, what Government does and what Government wastes. People understand what they are paying for.

2770 Let's have that conversation. It is going to be difficult and it is going to be bitter at times but we need to have it. All Western countries need to look at what they are doing, particularly our pension systems and things like that. With the ageing demographics we are facing, we all need to have this conversation. Let Guernsey lead for once instead of following. Please support the sursis.

2775 **The Bailiff:** Well, Members of the States, we now come to the vote on the sursis motivé proposed by Deputy Meerveld, seconded by Deputy Blin. I will ask the Greffier to open the voting, please.

There was a recorded vote.

Sursis motivé:

Not carried – Pour 10, Contre 29, Ne vote pas 1, Did not vote 0, Absent 0

POUR	CONTRE	NE VOTE PAS	DID NOT VOTE	ABSENT
Blin, Chris	Aldwell, Sue	Kazantseva-Miller, Sasha	None	None
De Lisle, David	Brouard, Al			
Dyke, John	Burford, Yvonne			
Gollop, John	Bury, Tina			
Le Tissier, Chris	Cameron, Andy			
Matthews, Aidan	De Sausmarez, Lindsay			
McKenna, Liam	Dudley-Owen, Andrea			
Meerveld, Carl	Fairclough, Simon			
Queripel, Lester	Falla, Steve			
Vermeulen, Simon	Ferbrache, Peter			
	Gabriel, Adrian			
	Haskins, Sam			
	Helyar, Mark			
	Inder, Neil			
	Le Tocq, Jonathan			
	Leadbeater, Marc			
	Mahoney, David			
	Moakes, Nick			
	Murray, Bob			
	Oliver, Victoria			
	Parkinson, Charles			
	Prow, Robert			
	Roberts, Steve			
	Roffey, Peter			
	Snowdon, Alexander			
	Soulsby, Heidi			
	St Pier, Gavin			
	Taylor, Andrew			
	Trott, Lyndon			

The Bailiff: In respect of the sursis motivé proposed by Deputy Meerveld and seconded by Deputy Blin, there voted in favour 10 Members, against 29 Members, there was 1 abstention. Everyone who could vote voted. And therefore I declare the sursis motivé lost.

2780 As I indicated earlier, the marshalling of the various amendments, in my view, we should take Amendment 4 next. If you wish to move that at this point, please, Deputy Soulsby.

[Amendment 4](#)

To delete all the propositions and substitute therefore:

“

1) To agree that the longer-term financial position of the States of Guernsey is unsustainable and effective measures must be implemented in a staged approach; and to agree that the work

associated with this issue is a very high priority for government and resources need to be re-prioritised accordingly.

2)

a) To agree that the States must determine the role and size of government to establish the revenues needed to fund the services that are required by the community; and in order to do so, to agree that a States' Investigation & Advisory Committee (SIAC1) be established with terms of reference as set out in the Report entitled, 'A Fairer Alternative' attached to this amendment and to report back by the end of the current term with proposals and recommendations; and to agree that SIAC1 should comprise:

- i) Five members elected by the States at the February 2023 States' meeting; and
- ii) Two Non-States' Members nominated by SIAC1 and approved by the States.

And that SIAC1 shall elect one of the States' Members to act as chair.

b) To agree that a States' Investigation & Advisory Committee (SIAC2) be established with the overriding objective of investigating changes to the corporate tax system, with terms of reference as set out in the Report entitled, 'A Fairer Alternative' attached to this amendment and to report back by the end of the current term with proposals and recommendations; and that SIAC2 should comprise:

- i) Five members elected by the States at the February 2023 States' meeting; and
- ii) Two Non-States' Members nominated by SIAC2 and approved by the States.

And that SIAC2 shall elect one of the States' Members to act as chair.

c) Pursuant to Proposition 1, to direct the Policy & Resources Committee to reprioritise and make the necessary funding and resources available to SIAC1 and SIAC2 to discharge their mandates.

AND ONLY IF PROPOSITION 2 IS APPROVED:

3) To agree that, before increasing revenues, it is essential to control expenditure and deliver savings; and, accordingly, each committee's baseline general revenue cash limits for 2024 should be subject to a 1% real terms reduction, excepting the budget of the Committee for Health & Social Care, and to direct the Policy & Resources Committee to reflect this when preparing the 2024 Budget Report.

4) To agree that the total general revenue budget for 2025 should be subject to a further 1% real terms reduction and to direct the Policy & Resources Committee, after consultation with SIAC1, to make recommendations in the 2025 Budget Report to achieve that outcome.

5) To agree that, bearing in mind the islands' capacity to deliver infrastructure projects, Principle 6 of the Fiscal Policy Framework should be amended to state, 'Capital expenditure over any States term should be maintained at a level which reflects the need for long- and medium-term investment in infrastructure and direct capital expenditure by the States should average no less than 1.5% of GDP per year averaged over a four year period.'

6) To direct the Policy & Resources Committee to introduce a new 'Community & Infrastructure Contribution' from corporate entities as set out in the report entitled, 'A Fairer Alternative' attached to this amendment, to raise up to £10m annually by 2025.

7) To approve the development and implementation of the following changes no later than the end of the current States' term:

a) A restructure of the Social Security Contributions system, as outlined in section 8 of the policy letter, save for a reduction in the employer contribution rate to 7% in respect of any employee over the retirement age for States Pension purposes.

b) That for Income Tax and Social Security Contribution purposes, the totality of each individual's allowances and withdrawable deductions are reduced at a ratio of £1 of allowances and withdrawable deductions for every £5 that that individual's calculated income is above £80,000 (such limit being pro-rated in the year of arrival or departure, based on the proportion of time spent in Guernsey in the relevant year).

8) To direct the Policy & Resources Committee to review the structure, application, and rates of TRP on non-domestic, non-public parking areas and to include appropriate propositions in the 2024 Budget Report to raise a minimum of £500,000 per annum.

9) To direct the States' Trading and Supervisory Board, having regard to comparable systems internationally, and in accordance with the Scope 3 element of the States' net zero target, to investigate the potential to implement an emissions levy on visiting cruise ships sufficient to raise a minimum of £500,000 per annum and report back in sufficient time to inform any recommendations in the 2024 Budget Report.

10) To direct the Policy & Resources Committee, to investigate the options to ensure that high net worth individuals make a minimum tax contribution.

11) To direct the Policy & Resources Committee, in the absence of GST, to investigate options to ensure an alternative contribution is made from visitors to raise up to £2m annually and to report back in sufficient time to inform any recommendations in the 2025 Budget report.

12) To direct the Policy & Resources Committee to investigate the potential to raise capital for eligible projects through the issue of a sustainable bond and to report back by the end of the current States' term.

13) To direct the Policy & Resources Committee to investigate the viability of investing the States' reserves in local projects that align with, and are in support of, States' policies as set out in the report entitled, 'A Fairer Alternative' attached to this amendment and to report back by the end of the current States' term.

14) To note that the Committee for Employment & Social Security is investigating what further measures will be required in the coming years to ensure the sustainability of the Long Term Care Insurance Fund and the Guernsey Insurance Fund and will be reporting back by the end of the current States' term.

15) To direct the Policy & Resources Committee to provide an estimate of the structural deficit, if any, in future annual budget reports.

16) To direct the Policy & Resources Committee to report back on the impact of the measures arising from the above propositions by June 2026 and, if required, set out any measures necessary to address the sustainability of the financial position.

17) To agree in principle that the public servants pension scheme should be closed to all new entrants with effect from 1 January 2025 and direct the Policy & Resources Committee to deliver an appropriate alternative. 4

18) To agree, that to better enable commissioning of services, legislation should be introduced in relation to the Transfer of Undertakings (Protection of Employment) in respect of the public sector and to direct the Policy & Resources Committee and the Committee for Employment & Social Security by 1 January 2024 to bring to the States proposals for such legislation.

19) To direct the Policy & Resources Committee to prioritise the actions arising from the above propositions in the Government Work Plan.

20) To direct the preparation of such legislation as may be necessary to give effect to the above decisions."

Deputy Soulsby: Thank you, sir.

2785 The Greffier will be pleased to know that I am not going to ask him to read out the amendment. (Laughter) Similarly, this is a long speech, but I make no apology for that. This is one of the most important debates I will have participated in, in the last 10 years that I have been an elected representative. Deputy Ferbrache referenced COVID, but of course, COVID decisions are made through emergency powers by the CCA and HSC.

2790 What we are considering and debating goes to the heart of what we are here for, with our decisions impacting directly the lives of every member of our community. This amendment in front of Members today represents a credible, comprehensive but most importantly, fairer alternative to that put forward in the policy letter. It takes account of the fact that the tax burden on households has grown in comparison to corporate since Zero-10. That families, who until recently could make ends meet, are struggling to put food on the table, heat their homes and make enough money to live independent lives as increases in wages have not kept up with price increases.

2795 But the public believe that Government can and should do more and that more can be done before bringing in a new tax that will be easy to increase for years to come, with what any mitigating effects there may be, being eroded over time. It is a properly costed staged solution that enables thought-through evidence-based decisions to be made at the right time rather than all or nothing options that cannot be achieved in the timescales that are set and could lead to years of uncertainty.

2800 I was questioning the quantum of the structural deficit. It does acknowledge the need to raise revenues, agrees the changes to Social Security contributions and offers a variety of alternatives to GST that are easier and faster to implement than a new tax requiring considerable work and expenditure before it can be introduced. It provides time to properly assess our position and whether there needs to be a more radical approach, rather than just bolting on a new tax and increasing existing taxes to fill a hole.

2805 The last year has really made me feel like I have been living in an episode from *Yes Minister*. I have heard Sir Humphrey Appleby's fine words and the mellifluous tones of the late great Nigel Hawthorne echo in my ears quite a few times. The fact that it was a sheer inevitability that the solution provided would involve GST, is just one example.

2810 As Sir Humphrey said:

... civil service options to cabinet is like a conjuring trick. Take any card, you will always end up with the card the magician forced you to take.

Now, I do commend Policy & Resources and the ESS President for the work they put in trying to explain these proposals to the public. Of course, I did participate in those events until recently. I did my bit in trying to explain why it was the solution. However, it was my experience of those sessions where we met with members of the community, one to one, that made me more and more convinced that the approach being taken by the Committee was wrong.

2815 It became clear quite quickly that the vast majority of those I met were happy to accept that more revenues were needed to be raised. However, it was also evident that the overwhelming number believe that Government could do more to restrain spending. I did not necessarily agree with all they said but this was the perception which was backed up by personal experiences. Now this has not changed and I think has worsened over time which is understandable when they constantly hear about grand plans.

We were provided with material that gave examples of how fictional people would fare under the proposals. What became apparent was that either of those profiles did not fit any of the examples. If they did, those I talked to would be worse off.

2825 These are people who are not well off. Far from it. I became more concerned about the impact on those just above the benefit threshold in particular. This only intensified as it got into the New Year and we saw the combined effects of post-COVID, Brexit and the war in Ukraine impact the cost of living with the wage increases not keeping pace with price rises.

2830 The final straw was when we spent over an hour fiddling around with the contribution rates and tax allowance levels and whether to have a lower rate of tax or not. It was clear to me that such mitigations to the extent they were, had little impact on those just about managing and could easily lose their impact over the years if they did not keep up with inflation, which I believe will be the case should we bring in GST.

At the same time, Policy & Resources say the deficit is likely to be much bigger than being accounted for in their proposals. So the only implication there is that GST will go up.

2835 It has also become increasingly clear over the last year that Policy & Resources has not won the hearts and minds of the public. In fact, quite the opposite. Early sessions showed quite a bit of interest, albeit from familiar faces, but this evaporated by the time of the presentation last week with not enough members of the public to play a game of football, except perhaps five-a-side.

2840 Remember, the Policy & Resources Committee's proposals will directly impact every single person in these Islands. Look, I am a chartered accountant. I totally understand why GST is seen as a silver bullet. It is a means for Government to raise a lot of money easily, but it has consequences for every household and business. For such a change, we have to take the people with us, and it has

2845 been obvious from the emails that we have received, the march on Sunday and then people outside this building today, unprecedented in my time in the States, that demonstrates quite obviously they have not.

Sir, this did not happen in 2015 when we debated GST at that time. Deputy St Pier was unpopular for putting it forward but probably not as unpopular as he is now. (*Interjection*) I am not sure I should have said that about my seconder! The policy letter has just done what the resolutions to the States asked and really no more. However, it was obvious that the public would expect Government to have done more. But during this time, we have seen funding given to some committees without challenge and support for capital projects when we say we have no money. There is no consistency. And these mixed messages lead to a lack of trust. (**A Member:** Hear, hear.)

Sir Humphrey Appleby said:

Prime Minister, the Treasury does not work out what they need to spend, and then think how to raise the money ... They pitch for as much as they think they can get away with and then think how to spend it.

2855 That rings true for many of the public. Whether it is true or not.

Now, the Policy & Resources Committee say there is no get-out-of-jail-free card. No, this is not a game, but I do believe that this policy letter should not pass Go or collect £68 million of GST. It is obvious to me that Government can and should do more than is set out in the policy letter. There are a number of options that can be explored. Before raising additional revenue, it is essential to show the public that we can control expenditure and deliver savings in a structured way. That includes having savings targets in the immediate term, but more importantly we need to show the public that it is providing what the community needs. This needs to be done properly, looking at what Government is doing, looking at what it needs to do, what it does not need to do and what can be done by others or with others, and what could be ceased altogether. We do not want tactical changes. We need to think strategically.

2860 In the commentary Policy & Resources gave to the amendments, they now claim to be making savings of £10 million which, I thought, *that* came out of nowhere. I was surprised at that. It is not shown against the current position or our proposals. And there is nothing in the commentary which explains what it is, but I did get a response from the Treasurer who says it is apparently through the transformation and reform through the GWP; and it is over what was supposed to be the remainder of this term, from the funding investment plan and the GWP. So there is no reason why these should not be included within our proposals. So that makes our position even better.

2875 Now, short-term cuts can lead to longer-term expense so we need to understand where value can be added, but we need to do so by speaking *with* rather than to the community. In many ways, the public feel disenfranchised. We need to engage properly to listen and not just hear. That is why we are proposing an investigation and advisory Committee comprising five Members of the States and two non-States' members. Now, someone said to me, this is taking the work away from the public's Policy & Resources Committee. Well that is not true. It will be up to this Assembly who should be on it. And I would expect that at least one Member of Policy & Resources should be put forward. The terms of reference go to the heart of the questions people have been asking over the last few weeks (**A Member:** Hear, hear.) and need answering.

2880 And then when you come to P&R's comment, which again reads like something from the Sir Humphrey Appleby play book. As he said to Prime Minister Hacker:

There are four words in a proposal if you want it thrown out. Complicated. Lengthy. Expensive. Controversial.

2885 And low and behold, we have it here. The work will be enormous. These are large, complex and controversial projects. The costs are likely to be material. For me, this goes back to trust again. We have had email after email from people questioning what we are spending their money on and we cannot actually tell them. If we do not know what we are doing and how much it costs, how on earth do we think that the public believes that we are in control of our expenditure? (**A Member:**

2890 Hear, hear.) The data should be there. We need it not just to look at revenue, but capital too. And that leads me to the proposals regarding changing the capital requirement.

The current figure has been calculated in accordance with the rule the States set last term. The direct capital expenditure should be a minimum of 2% GDP per annum over an eight-year period. There really is no science behind this figure. It is not even what P&R last term wanted, or what was recommended by the same staff who had been putting forward this tax review. They said that direct capital expenditure should average no less than 1.5% of GDP over a four-year period. This has changed due to a successful amendment by Deputy Roffey.

2895 What we are proposing in the fair alternative is to change the policy to that which was originally intended. The effect is that using a GDP figure higher than at present, by the way, is to reduce the structural deficit by £90 million taking the minimum required spend under each rule.

2900 Now we hear some talk about chronic under-investment in capital. That is questionable but whether true or not, it really cannot all be done at once. There is a limit on what can physically be done and how quickly.

Under the fairer alternative, we are still saying that the States need to spend £57 million every year on direct capital expenditure which it has not done since the runway was resurfaced over a decade ago. It should also be remembered that we need to contract with an off-Island company to do and bring in a lot of workers to get it done. The more we want to do, the more we will have to seek contractors from outside Guernsey, and more money will leave Guernsey. I am sure it is not just me that has been told that work needed on our house cannot be done for six months. Well, it might be me but I am pretty sure that others are experiencing the same. Why should Government be any different?

2905 Indeed, with Government trying to do more, taking up the resources on the Island, it could be in danger of crowding out the private sector. But then Government cannot cope with doing so much as it currently recommended it should be the minimum. Remember that capital expenditure includes IT programmes as much as buildings. We often have the same staff trying to juggle more than one programme along with their day work and struggling.

2915 Neither the States, nor Guernsey and Alderney more generally, have the capacity to meet the level of expenditure set under our Rules. Indeed, the more we try to do, the more likely we are to fail. And it is also worth pointing out that the £76 million only covers capital spending anyway, from general taxation reserves. It would not necessarily include other capital requirements from its trading entities.

2920 We believe we need to look at how we plan and fund capital projects differently. That is why part of the terms of reference for the Investigation & Advisory Committee is the review of the existing capital portfolio, to assess which projects should be continued and on what timelines, and how each would be financed, including consideration of alternative sources.

2925 Now, much play was made by Policy & Resources about the Standard & Poor's Report, referencing capital expenditure and apparent chronic under-investment. What it really wants is assurance that Government is in control of the issue and has a plan to deal with it. These proposals do not cut capital expenditure but instead seek a grown-up solution that makes it more likely that we make the investments we need in a timely manner.

2930 As I said at the start, this amendment, the fair alternative, takes a balanced approach looking at both sides of the equation, spending and revenue-raising. We believe and agree with Policy & Resources that revenue-raising measures are needed now and that work also needs to be undertaken to investigate opportunities in the near future.

2935 But our proposals achieve a better balance between households and corporate entities. Corporate taxes are still not back up to levels before Zero-10. In 2007 they represented 47% of general revenue. In 2021, they were 39%.

Whilst Policy & Resources proposals reference investigating opportunities, we believe that this should not just be for that Committee to do. Instead, we believe an Investigation & Advisory Committee should be formed that is accountable to the States, that looks at specific areas where

2940 there are opportunities and reports back by the end of term. Again, it will be for this Assembly to decide who should sit on that Committee and might consider those with experience in that area.

But we believe more can be done now. EY reference the ability to raise a corporate levy in their report appended to the policy letter. And the levy has been included as a GST-related measure to ensure international financial services entities pay some contribution given their services will
2945 generally be exempt from GST.

Whilst EY have stated that such a levy could raise around £20 million, we have suggested £10 million, with a primary focus being raising revenues from businesses that would otherwise not make a tax contribution with the finance and professional services sectors. So the levy meets a criteria for raising revenue in the immediate term, prioritising revenue from corporates, diversifying
2950 the tax base and being sensitive to Guernsey's competitiveness.

Members will see that we support the progressive change to the Social Security system and propose that these be brought in, say, for a tapering allowance in the same way as Income Tax and reducing employer contributions for those to encourage greater participation in the workplace with those over pensionable age.

2955 However, saying that, we do have concerns of the level of increases being placed on employers at the same time that they are having to consider secondary pensions. Although our GST-free alternative means that they do not have to contend with that. But we know that the long-term sustainability of the social insurance fund still needs to be addressed. This is true of P&R's proposals as much as ours. And will it be believed that when Employment & Social Security come back with
2960 options, it should not be addressed by increasing these contributions. And more on that in a bit.

I am not going through all the revenue-generating measures other than to reference one, the Cruise Ship Carbon Emissions Levy which has received some feedback. Whilst there maybe concerns expressed by a small number in hospitality, it is not a concept unique to Guernsey which various jurisdictions realising the environmental impact of cruise ships. They probably only amount to about
2965 £3 or £4 per head and are likely to have less of impact on hospitality and retail and tourism than GST. Do we not think that we should be getting more revenue from these ships?

Now, I have a friend who is an accredited guide and relayed to me how they take some passengers on a tour of the Island which includes a visit to the little chapel. As Members may know, there is a box there asking for those visiting to give a donation. Well, they have told me that they
2970 do not see anyone from the cruise ships ever putting money in that box. The people who make the money from the trips are the cruise liners themselves, selling trips at a premium. I do not think that adding up to £4 per head, which they will pass on, will be the end of the cruise ship industry.

The amendment does clearly go beyond the Propositions. That was a conscious decision. This is such an important issue, we need to see what else we can do and that includes how we raise capital
2975 other than just through general revenue, which the Policy & Resources approach seems predicated on.

I attended the Guernsey Finance Annual Update last Thursday. Indeed, I went and sat next to Deputy Ferbrache and he did not walk away. Anyhow, we heard all about what the industry regulator and Guernsey Finances itself were doing with respect to sustainability. It is clear they are walking
2980 the talk but the same cannot be said for Government. We are serious about green finance and we should be, because not only is it an agreed strategy in terms of Economic Development, but the world is demanding it. Then Government must demonstrate that it meaningfully supports its own policy.

Fifteen months ago, the Isle of Man listed a £400 million sustainable bond on Guernsey Stock Exchange. Yes, Guernsey Stock Exchange! They are using it for projects covered in their sustainable
2985 financing framework including clean transport, energy efficiency, affordable housing, education and healthcare. If they can do it, why can't we?

It is much a part of raising funds as is needed to mitigate future risk. That is why we are proposing that in principle, the Public Servants' Pension Scheme was closed to new entrants. Whilst it was
2990 changed in 2016 to a career average scheme from a final salary scheme, it is still a defined benefit

scheme. It places all the risk on the employer and more accurately the tax payer. While it has been talked about for a long time, we believe that action needs to be taken to address it now.

2995 So, the amendment sets out a clear course of action over the next three and a half years. Once approved, the Membership of the States Investigation Advisory Committee, as far as States' Members are concerned will be agreed at the next meeting by this Assembly, and both will begin work according to the terms of reference. They will report back by the end of term with their findings and this Assembly will agree the course of action it wishes to take. During this time, the revenue-raising measures agreed to be implemented will be brought in, and others investigated.

3000 At the beginning of the next term, work will begin to implement the Propositions of the States, and a year later the next Policy & Resources Committee will report back to the States on the impact of measures and what further actions is needed, if any. That is not delay or kicking the can down the road. The only can that is being kicked is GST because it is not needed, and not needed now. It might not be needed at all but this amendment means GST will not be brought in this term. And that is as far as we *can* say because we all know that no States can bind any future States.

3005 Deputy Le Tocq quoted Edmund Burke, and I know from previous debates how much he has been an inspiration to him. But I would give a quote from Edmund Burke too, and he says:

Our patience will achieve more than our force.

And that is fundamental to what we are saying here. But there is a more fundamental point here. The policy letter asked us to bolt-on another tax to a pre-existing system. We are told Jersey has it but our Social Security rates are higher than Jersey. And Policy & Resources are proposing even
3010 *higher* rates. If the approach is wrong, and I say *if* we see in three years' time that we need to do more, we should not be doing it in such a lazy manner that just adds more bureaucracy to an already bureaucratic system.

As I am sure everyone knows, the get-out-of-jail-free card is found in a game of Monopoly. Not everyone might know that it was invented 120 years ago as a way to demonstrate that an economy that rewards individuals is better than one where monopolies hold all the wealth, and to promote the economic theories of Henry George. He was a 19th century American Political Economist who believed that a single tax in his case on land would lead to a more productive and just society.
3015

Now I am not saying that is right, but there is certainly an argument to look to simplify a system of taxation, not make it more complicated. This has been a thing that I have picked up from those with a background both in economics and finance over the last few months too ,and I think worthy of consideration.
3020

Someone came up to me the other day and said our tax system reminded him of the house of a friend he knew somewhere in the West. Deputy de Lisle may know which one it is. Apparently it was originally some sort of barn or outhouse converted to a house many years ago with rooms and a staircase added over subsequent centuries, to the extent it was a real hotch-potch. It did not really do anything particularly well for the owner and was not an efficient use of space.
3025

If we need to raise more in taxes, we must look at a more efficient way of doing so fit for the 21st century. (**A Member:** Hear, hear.)

This amendment has not been thrown together at the last minute. A lot of research has been undertaken to arrive at an alternative that is credible, comprehensive and fair. It is a balanced approach which recognises the burden on households and needs the Government to do its share through for a strategic approach, the need to raise revenues now and opportunities for the future.
3030

It puts in place an achievable plan of action and demonstrates to the community that we have listened, we do understand and *will* do our bit. There is a German proverb that says:

A single penny fairly got, is worth a thousand that are not.

3035 I would ask Members to support this amendment that represents the more credible, comprehensive and, most importantly, a fairer alternative for the people of the Bailiwick.

A Member: Hear, hear.

3040 **The Bailiff:** Deputy St Pier, do you formally second that, Amendment numbered 4?

Deputy St Pier: I do, sir.

3045 **The Bailiff:** Thank you very much.
Deputy Inder.

Deputy Inder: Sir, I am going to forego my speech in general debate because I have got to land this somewhere and this is as good as any.

3050 Members of the Assembly, please indulge me and let me paint you a picture of the future. It is a dark January in a year not too far ahead of us. A tired and weary President of Economic Development rises to their feet. As has become common in recent years, they begin the report to the Assembly with an apology for the five consecutive years of negative growth, for the rising unemployment and the increased cost of capital which is needed to shore up the economic stimulus package and fill the hole in pension, finances and healthcare provisions.

3055 She/he continues with an apology on behalf of their previous Island representatives from an Assembly not too long ago, who had the hubris to ignore advice from experts in the community, from independent advisers and from external agencies who encouraged them to reform the taxes, to address their structural deficit and to adopt measured fiscal prudence.

3060 Members of this Assembly, I will do everything I can to encourage our Assembly today to listen to the sound advice we are being given in 2023 so that my successor never needs to apologise to our Islanders on our behalf. Now, sir, Members, an imaginary scenario where perhaps not an unlikely one.

3065 Not getting our house in order on public finances has led to another credit-rating downgrade. We have to deal with that this day. Ducking the issue again this week worsens matters, creates uncertainty and does nothing to tackle the challenges or issues identified by the Standard & Poor's Review. That creates uncertainty for the delivery of public services and Government planning and for economic investment and decision-making in the Island. We have to deal with this today.

3070 Guernsey's offer to the finance sector is a stool with three legs: quality, innovation, stability. Again, we have to support that today. We are in danger of breaking off the stability leg of the stool; and if we do that, business will not hang around or turn up and wait patiently for us to get our house in order. They will vote with their feet and we cannot do this to ourselves this day. We cannot delay the decisions.

3075 Now, last week, sir, Members, I was a guest at a Guernsey finance presentation and what a difference in trajectory of its significant public funding into the industry that supports our largest industry has made. Our Committee, along with Policy & Resources, has granted our largest industry £2 million per annum to continue the promotional activities of this Island as one of the foremost international finance sectors. (**A Member:** Hear, hear.) And why is it important to promote that industry? Why is it important that the Government of this Island – you elected the representatives of our Assembly – are behind our largest industry? The industry that contributes most to our tax take, the industry that provides custom to our professional services, fills our restaurants, buys in our shops and supports a real economy.

I will tell you why that is important: because without that industry, this Island is in serious trouble.

3085 I have told an anecdote of the time that myself and Deputy Trott were in the taxi rank in Town and we were informally chatting about the benefits that the finance sector brought to the Island. He does not remember that conversation as, unlike me, he was looking very pleased with himself. Members, not the normal resting-face pleased that we often see on Deputy Trott's face, it is the pleased with himself that showed he had had a good evening.

Now, I digress, but something that stuck with me was the fact that he said to me – and he still does not remember – but it is the only thing that I do remember that he has told me before – his

3090 words were, 'Lose 20% of the finance industry and we start closing hospitals and schools'. And if he does not remember saying it, and if he did not really say it, he should have said it.

That has stuck with me over these years. I knew about what the industry had done for the Island and I was happy for have it confirmed by one of my contemporaries and now who is now one of my colleagues. We were only reminiscing the other night about where both of our families had come from. Very similar paths, in fact.

3095 Members, when I left school, tourism was in very serious decline and it was the end of the growing industry. In that period, we had something like 800 unemployed. It went up to 1,600 at some point. Unemployed kids were going to the parish for a top-up and the only real opportunities in the Island were some apprenticeships, hairdressing and probably a bit of retail. And there was something called 'States Relief' where those out of work were given manual jobs to clean cliff paths, shovel gallow from the tops of beaches and generally find work for people who had none.

3100 Now, it is true, the past was a different country. And I am not reminiscing about the good old days, what I am trying to do is illustrate how far this Island has come in the last 40 years.

3105 If you listen to *BBC Guernsey* and some of the look-backs, many of our older folk reminisce about what they call the good old days: 600-foot of glass in the back garden, mum working in the kitchen, dad out trimming, picking, packing and the children grading in between. Halcyon days of fishing, potting and cycling all around the Island on summer days with crab wheels strapped to their backs, hoping to bring a feed back to the family from the wells at Grande Rocques. All *Railway Children*-like lifestyles and everything was perfect and the Island basked in endless days of carefree sun. And every single one of those stories, as nostalgic as they might be, do not tell the true picture of life in Guernsey for the common man in those days.

3110 Not everyone got that interview on the BBC because not everyone's story was so lush and perfect. There is another side to that story, as not everyone was a grower with 600-foot of lead-painted glass and putty fill sprayed with lime-wash windows. There was poverty in Guernsey. There were families on what we called 'the drip'. In modern times, it is called 'Finance' or 'Hire Purchase'.

3115 There were labourers, too. Hard-working labourers, breaking their backs, digging ground, running steam boilers, often on piece work, not always with stable jobs. Slum landlords abounded, some children in schools. As we only look back now and remember, were clearly from very difficult families and suffered from a lot of trauma and probably abuse. But they were the stupid kids in the huts in the playground. We really did not understand what was going on.

3120 The drinking culture was big in Guernsey. There were far more pubs and the working Guernseyman was not a well-off man. Life was hard for many. Jobs were often seasonal, we lacked tourism or what was left of the growing industry in Guernsey was in decline. And that is when I left school.

3125 Now, I left in, thankfully, a transitional period, between the old agrarian and tourism-based society that had served the Island well and this new world of something we had started to hear called 'banking'. That was the word that was used. It was not the finance industry. It was not international. It was something called banking. Well, that was my memory of it, anyway.

3130 Me, I was happy as that journeyman I described earlier. Very carefree teenage years. The only things I cared about were fishing and shooting, and sometimes I wish I still cared about just fishing and shooting.

3135 My father moved from Leale's Yard to Bougourd Brothers and eventually to a firm called Slater Walker. The book-keeper became the accountant, come company director. The DC9 turned up. Suddenly, the family holidays became further abroad and the Inder family benefited from this new thing called banking. We moved from a States' loan, built a bungalow in St Andrews to the Castel, big house, more room. We were socially mobile.

3140 And there are many Members in this Assembly that who will recognise that. That out of the blue, in one of Guernsey's darkest hours, a new industry was emerging: Kleinwort Benson, Guinness Mahon, Slater Walker, Dixcart, Royal Bank of Canada – Canada being built in Upham Road when Deputy Trott and I were at school. And a very odd business, that no one really talks about any more, opposite the granary selling Krugerrands. I am sure I did not imagine that.

3145 The College of FE was fairly new at the time and was in a transitional phase itself. Courses in catering were generating year groups of 60 pupils – 60 pupils, you can only dream of that nowadays. La Grande Mare Hotel was being built around the same time, or shortly thereafter, the St Pierre Park was being finished off at the old Vimiera college. I cannot remember which of them came first. But around the same time, two of the newer hotels were being built.

3150 A bit of the background in the College of FE, there were new courses: the AAT, BTEC General, BTEC Advanced, typing courses for this new enterprise. Very quickly to pick up the needs of this new industry, was then the fairly new built College of FE. Girls were learning typing, coming from flower-picking and grading and tomato-picking were their jobs, there were in typing pools which had emerged in the banks. My contemporaries, well, the ones who could count, anyway, became stock market traders. They started their careers in trusts, banks, private banking and funds. Becoming an accountant was actually a legitimate career.

3155 Now, the point of this part of my speech is to illustrate that by luck – and I mean *by luck* – that industry was the one industry that created the social mobility, not Government-driven. There was not a policy letter that changed this Island that put us to where we are now. It was the merchant class who found opportunities and created this Island where it is today. That is a fact and we have to understand this. And my family, along with every Guernseyman in this Assembly who is in their mid-50s and over were direct beneficiaries. It is a fact.

3160 Now, this is not a Government enterprise designed in the smoke-filled boardroom of what I assume was I assume was the then Advisory & Finance. It was opportunity and luck. Nothing designed by Government. Nothing. Guernsey doing what it has always done best, taking opportunities where it can where Government gets out of the way.

3165 Now, 40 years on, as I stand before my colleagues today, I watched that change and I benefited from it. Although, accepting that it has brought its own social challenges, I get that, the benefits to my generation were vast and entirely measurable. I was there when it happened. I and many Members of this Assembly and thousands of Guernseymen and women are benefiting from that industry today. From an Island of growers, hoteliers, retailers and a bit of export industry elevated the Island to where it is today. A centre for global excellence and financial services. It is the main show in town. And risk that at your peril.

3175 Why does that back story matter? Well, I opened my speech, I mentioned my invites as President of Economic Development to the Guernsey Finance Annual Presentation. I probably had a reserved seat up front, but purposely I sat at the back and watched and listened. This Island spends no more small amounts, and rightly so, on the promotional agency and I wanted to see how far that they had come with Government sponsorship. And it was impressive.

3180 To a packed audience over just over 300, the Chief Executive of Guernsey Finance opened the event, illustrating the key objectives of the very important promotional agency. And it is worth a mention here that these objectives were agreed by every single Member of Policy & Resources and the Committee for Economic Development, of which Deputy Falla is our nominated board member on Guernsey Finance.

I will read some:

Stemming the loss of market share to the likes of Luxembourg, Cayman Islands and Jersey, our competitors.

Attract more business from our key strategic targets of the UK, South Africa, Middle East, Asia.

Augment opposition as a leader in sustainable finance. Encourage new entrants to the Island with particular focus on banking, institutions and investment. Engineer a supportive view of Guernsey amongst the global community.

3185 And to achieve these goals, they utilised this additional funding throughout the agency to enhance capabilities to meet these strategic goals. Everything they do is informed by the industry representatives bodies: the GIIA, GIFA, GAT, GAPP and GIBA. Every single one of these bodies have written to you over the last week. Every single one of them; and have warned you.

Now, with their new mandate, they report quarterly to their stakeholders for transparency, they create high-quality research documents and have published a number of reports which include the Guernsey Green Finance Strategy, Women In Family Office, the Captive Insurance etc.

3190 Now, the Sustainable Finance Week has grown in stature and there are many instances where Guernsey Finance have improved their reach, have made headway into new markets, along with attracting guest speakers to their podcast channel such as Tim Speak, Mark Halle and the United Nations Development programme.

3195 Now, it has turned a critical corner, Guernsey Finance. The promotional agency that supports our largest industry has turned a corner. There is no two ways about it. It has set objectives, it is clearly far more integrated into the industries it represents. Now of course, Members, it is all well and good a promotional agency singing to its own choir but I was looking for demonstrable success. Clicks are great, so are speakers; page impressions are interesting but they do not put business in Guernsey.

3200 The appointments of new business development managers is paying dividends; and I can inform this Assembly that the investment in the agency has generated two new banking licences, two new wealth managers and two new life branches. These are all very large blue chip businesses for Guernsey. However, the Chief Executive did summarise that despite the perceived challenges, referencing the loss of one business – and, I am afraid, the Standard & Poor's reassessment of Guernsey. He said that Guernsey was in a very good shape and it is in very good shape.

3205 So, what does finance mean to Guernsey? Let's look at this for a moment. What does modern finance mean to Guernsey? A brief look through the facts and figures 2021 is revealing and I am aware every Member in this Assembly understands this, but it is worth repeating and expanding upon and putting on the record.

3210 Finance accounts for 40% of our GVA accordingly to the green book. Median earnings in this sector are around £48,000; 6,000 of the people of this Island are employed in the sector. There are some 300 employers. It employs some 25% of our 16- to 18-year-old school leavers and if you include the companion industry, professional business and scientific and tech – something I think Deputy Ferbrache alluded to – it could be argued that figure rises to some 50%.

3215 Then, of course, there are 18,000 companies registered in Guernsey that contribute some £9 million to the exchequer every year via the Guernsey Registry. Risk that at your peril. And that is just a direct benefit. That does not include in any detail on the companion sector of the finance business services, household, retail and wholesale, not to mention the contributions to the charity sector and the arts.

3220 From my own career, that is in advertising – and I have had two really in advertising web development – we simply would not have existed without the financial-based clients. And there are many in this Assembly that would not be where they are today without the development of that industry over the last 40 years. Its employment of Islanders, their spend on real estate, the construction industry, retail, food and beverage, wholesale-related support services. Everything rotates around the finance industry. You may not like it but that is Guernsey's pay dirt. And risk that at your peril.

3225 Now, in the little green book, we are informed the finance sector employs 6,000 of a 30,000-working population. The hard reality, Members, although correct, it patently drives the whole economy. And I mean all of it.

3230 Can anyone imagine a Guernsey with a depleted Financial Services sector? It is not the only show in the town but in terms of our Island, it is the most important show in town and must be protected and supported by all of us. It pays for everything. I wonder who in the Assembly will really put that at risk.

3235 Now, there has been another significant event over the last week or so and it has coincided, unfortunately, with the Guernsey Finance presentation. And I am going to read from the January 2020 Standard & Poor's global ratings. But I am actually going to read from the January 2022 report, not this year's. And I quote:

... we estimate the government balance will remain in a structural deficit of about 3.2% of GDP on average over 2022-2025, well above historic norms. We also do not yet incorporate any new meaningful tax measures into our projections, despite the ongoing GST discussions. We note that previous administrations have attempted but been ultimately unsuccessful in implementing a GST due to strong local opposition. Another avenue mooted has been to cut current

spending. However, given the already very small share of central government spending relative to GDP in Guernsey, particularly for its development level, we are less certain such measures would have a meaningful impact.

They are not saying they could not be done; but they would not have a meaningful impact.

3240 Now, Guernsey cannot claim it has not been warned. As members of my Committee will know, particularly in regard to our Moneyval evaluation which starts in Spring this year. And I have said it before and I will say it again. First, they come to test your strength, now they come to test your weaknesses. We were warned in 2022, we did not listen. We have been warned again this month. Are we listening?

3245 Now, in 2022, off the back of the same report, Deputy Helyar said, and I cannot say – I probably was *not* listening in 2021 – so what Deputy Helyar’s response to the 2022 report was:

However, their revision of the outlook from stable to negative is a warning that we must not ignore our financial challenges. This year we must address the shortfall in funding public services that we will face as a result of our changing population. We’re living longer and having fewer children and that means fewer people working and paying taxes. It also means more people using services, especially pensions, health and care services, which pushes the cost of public services up significantly. We need to safeguard our future for generations to come and we’ll be talking about that a lot more with Islanders in the weeks and months ahead.

3250 That was over a year ago and I doubt that Deputy St Pier would have said anything different because it is often the case that these things are written by the same people. Had he been in the same seat, he would be saying exactly the same thing, promoting the same policy letter, saying the same thing, making the same warnings. But unfortunately, it looks like Deputy Helyar is the wrong person in the wrong seat.

Anyway, January 2023 is here. On 13th of this month Standard & Poor’s tested our weaknesses and we were found wanting. They said:

Guernsey’s fiscal deficit and drawdowns from its financial assets are likely to remain elevated throughout our forecast and period to 2026, as this Government pushes ahead with its significant CAPEX programme. At the same time, global markets have eroded Guernsey’s significant asset buffer.

3255 We have already heard this morning from Deputy Ferbrache what that has meant in real terms. And I think it was £47 million. We are warned on 13th January. We are told again today.

Despite the possibility that the States Assembly could soon pass the tax package, halting asset drawdowns, we do not believe this will be enough to return assets to above our rating threshold of 100% of GDP.

Members, are we listening?

We therefore lowered our long and short-term average credit ratings to Guernsey.

However, in some good news, the outlook, however, is stable. They have even told us what has to happen. What we have to do to improve our ratings. Some of which we can control, some of which we cannot. And I will go on:

To combat these long-term pressures, the States will soon debate the new tax raising measures outlined in the tax review. The budget proposed that including the introduction of goods and services tax moving to a territorial regime and is using a flat levy on the financial service. As well as being naturally controversial, believe that such measures

... would not be adequate or timely enough to reduce the significant erosion of Guernsey’s asset buffer.

Our ratings on Guernsey are based on our view of the island’s strong and flexible institutions, wealthy economy, and considerable fiscal buffers. These strengths are offset by the external risks to Guernsey ...

3260 So, S&P, they have effectively told us to do what we are doing today, but they do not even think that is enough and some in this Assembly want to delay it for another two years. Well, good luck with that.

They came to test our weaknesses, Members. We were warned. We have not addressed it. We cannot leave this Assembly with nothing. And delay is *nothing*. It does not matter how you look at

3265 it, delay is nothing. And it will come as no surprise to Members that our financial industry groups have a view on the matter, many of whom were represented at the most recent GF update. Some Members are board members of Guernsey Finance itself, and I will quote from the letter:

We recognise that these are challenging issues for Deputies to consider. However, the policy letter does contain a combination of elements that offer a sound basis on which to move forward.

The previous quote was from GIBA. And from STEP and GAT:

The trust industry body that employs some 10% of our high earning workforce and 70% of all activity on the Guernsey registry.

3270 And to remind Members, that is £9 million contribution to the Exchequer in total, and by some very bad maths, roughly, STEP and GAT contributions to the Guernsey revenue incorporations will be some £6 million or so. Straight in the back of Policy & Resources' pocket. Not as personal Members but, you understand ... *(Laughter)*

Now, what they go on to say is:

We recognise that these are challenging issues for Deputies to consider. However, the policy letter does contain a combination of elements to offer a sound basis on which to move forward. The proposal also attempts to rebalance the Island as a source of tax revenue, in line with other jurisdictions such as Jersey. We welcome the opportunity to engage directly with Deputies who wish to understand more about the potential impact of the different tax options being proposed in the policy letter and in the various amendments of the coming week.

3275 Interestingly, both of GAT and GIBA wrote to us and at the end they said, ' Look, if you want to talk to us, give us a shout'. Just out of interest – it was last night actually – I wrote back to the email addresses and from GAT anyway, only Deputy had engaged with them. One Deputy from the whole.

The most significant piece of work we have got to do to our greatest industry. Only one Deputy wrote back to them and engaged with GAT and STEP. And you think I am the problem.

3280 Right, Members, at the Guernsey Finance update last week, I told you I was sitting at the back of the audience watching, and I have explained that I went into a meeting largely as an observer to what is largely an end-of-year show for its industry which I am not necessarily a part of. I have never pretended to, but I will always support it. I do not need to be up front. I am the boiler-suited guy at the back, happy to help. I do not need to be in the front, it is not my scene.

3285 As is normal, the Chair of Guernsey Finance did his round-up of the event. I am disappointed actually that he did not tell the joke he was going to tell on that morning and I am equally glad he did not tell the alternative joke that I had suggested to him either. *(Laughter)*

3290 But anyway, Deputy Trott and I do regularly pick up the phone to each other on various matters, particularly related to the promotion and well-being of our Island over our joint mandates. He explained that Guernsey's illogical choice for wealth, insurance and funds, how much effort had gone into the work on attracting family offices. And to remain competitive, we had to innovate, imagine, be diverse and approachable. We need to keep up the flow of business into the Island and keep up the shoe leather and the face-to-face meetings. He went on to explain that our competitors are still the Isle of Man, Jersey, Switzerland and Mauritius.

3295 Now, Guernsey's advantage being we are a jurisdiction of substance, we have legislative agility, regulatory flexibility and are in lock-step with our financial partner, the City of London. Then he finished with a message of confidence and of course could not avoid the mention of disparities in housing and staff.

3300 He said: 'Guernsey, nowhere better to do business. We are connected. We are Guernsey. We are open.' A great ending to a very positive morning. A warm applause, a coffee upstairs and a mingle. A really good show. Great effort by this Assembly, investing into our primary industry. But, I did go upstairs for a while and thanked the Guernsey Finance team and was taken aside.

Now, as you go through what is a political debate over the next few days, much of what I say today will be brushed off or downplayed because it does not suit the political narrative. That is a

3305 fact. Some of us have nailed our colours to the mast and we cannot back down from it. It is as simple as that, and they are not going to want to hear these realities.

But, I was taken aside for a discussion. One of the heads of a certain company *sternly* and politely – you know when the mafia tell you they are concerned, it means they are really *very* concerned? This member of this firm told me he was concerned and he was told that decision today or no decision today is a serious matter (**A Member:** Hear, hear.) There can be no delay.

3310 Now, as the President of Economic Development whose job, I suppose, is to support all sectors of the industry, whose largest industry is the finance sector. I am listening and I will vote primarily for that industry because if we do nothing I am actually scared. Lots of things are quite funny in this business, but I am starting to get worried now. And I mean seriously worried.

3315 Now, sir, Members, I have spent most of my life being slightly better than the other advertising firm or web-development firm and I smell weakness and opportunity everywhere. I know, mainly, when a brand looks good, and instinctively I can see when a brand is in a trajectory or where there is an opportunity for me. And if I can see it, our competitors can see it as well.

3320 But of course it is true that there is not a new piece of business placed where the client asks, 'Well, what is your S&P rating?' But if I were in a competing jurisdiction, I know what I would be doing. I would be mentioning at the top of every single discussion. And as you go through the next few days of debate, many of these amendments are a form of delay and I will not go into each one of them now, even though I have said I have landed what is effectively a main speech in the middle of an or amendment whatever it is.

3325 What does a delay really look like in any variation of this? Two years takes us into an election year. Fine, okay. So we are in this election and no decision will be made. There would be a full year of a new P&R getting their feet under the table before they have a hope of presenting a strategy. So we are already looking at three years: two years' delay, one year for a new Policy & Resources Committee to get its feet under the table, and now we are barrelling into a third year, maybe even a fourth year before any implementation.

3330 Well, Members, that is four or five years of delay. That is five visits from Standard & Poor's. Is this Assembly that short-sighted that it would risk our whole economy and our future viability because of fear of an election defeat? Not getting our house in order on public finances has led to another credit rating downgrade. Them's the facts.

3335 Ducking the issue again this week worsens matters, creates uncertainty and does nothing to tackle the challenges or issues by S&P. That creates uncertainty for delivery of public services, in Government planning, for economic investment and decision-making in this Island.

3340 Guernsey's offer to the finance sector is a stool with three legs: quality, innovation, stability. We are in danger of breaking off that stability leg of the stool. And if we do, then business will not hang around or turn and wait patiently for us to get our house in order. They will vote with their feet or even a switch.

3345 Now, I would be kidding myself in my position. While I am here in this job as President of that Economic Development, I cannot do that. I cannot simply vote for uncertainty. I will not leave this Assembly and competently talk about the industry that feeds everyone in the Island. I would be kidding myself, my position as an elected representative and I would consider myself a fraud.

To protect our stability and to protect from our competitors, we need to make clear decisions. One which is based on the narrative set out in the Tax Strategy in relation to Corporate Income Tax, not on *ad hoc* amendments or kicking a can down a road so that we do not have to make a decision because it might be a bit tricky and it might affect our jobs.

3350 I can tell you now, this job I have now means everything to me and nothing to me. If I make the right decision today for this Island, I will do it. And if I lose my job tomorrow, I do not care, because I will have made the right decision for this Island.

3355 To close, sir, if you do not want the tax package as it stands, I get that. If some of you are worried about your election chances, I get that too. If there are others that genuinely believe that we can cut the Civil Service to fill the holes in Finance, you are allowed to hold that opinion.

But, Members, can I at least implore you not to vote for any of the amendments that set us on that path to uncertainty. Defeat the delaying amendments, move the policy letter and vote out Proposition 2 if you want, but at least leave Policy & Resources with something to work on. Delay gets us nowhere.

3360 Thank you, sir, and Members.

The Bailiff: Looking around, nobody is leaping to their feet. Is that because nobody has got a moderately brief contribution? Or is it that nobody else wants to speak on this amendment?

3365 **Deputy Inder:** Did I nail it? (*Laughter*) (*Interjection*)

The Bailiff: Well, we are not going to finish in five minutes, but if anyone has got a contribution of 5 or 10, 15 minutes I would certainly take it now.

Deputy Prow.

3370

Deputy Prow: Thank you, sir.

My speech can actually be a lot shorter because some of the points have been very ably made by Deputy Inder. So, sir, I have to say, I cannot vote for this amendment and I am speaking to Amendment 4.

3375 Sir, despite a green paper, fully debated in this Assembly in 2021, various presentations from members of P&R and appropriate officers and a very extensive policy letter, published and made available in November last year, this amendment turns up just before the deadline for amendments to remove all the Propositions of the policy letter.

3380 The effect of this is to remove – and Deputy Inder has covered this very well – the restructure of the Social Security Contributions scheme, the increase of Income Tax Support benefit, the state pension and other benefits, *and* introduces a cost support scheme. And to adjust contributions for increasing them outlined in the 10-year plan.

3385 Furthermore, it lowers the rate of Income Tax as that applies to the first £30,000 of income and increases the personal Income Tax allowance; and to limit the expenditure in the 2024 and 2025 budgets. And to re prioritise the Government Work Plan. Those Propositions have gone. It also removes the introduction of a broad-based, low rate GST scheme similar to Jersey. This is supported by a detailed and evidence submission, outlined in the extensive policy letter, containing data in no less than 33 tables with five appendices of supporting information.

3390 What is most pleasing to me about those Propositions that this amendment aims to kick into touch, is that it is a collaborative effort between employment and social security and the Policy & Resources. This is clearly evidenced in Appendix 1.

3395 I also note Appendix 3 of the policy letter which contains a 48-page analysis, again containing tables and graphic information, entitled Review of Corporate Tax Options, independently authored by respected accountants, Deloitte's. And more recently, we have seen – and I hope read – the alarming report from Standard & Poor's. I need say no more on that because Deputy Inder has very thoroughly analysed that.

3400 So many times do Members of this Assembly call for the collaborative working and cohesive joined-up policy formulation. But this amendment kicks all of this into touch. So just before we settle down to debate the second phase of the Tax Review, blow me, this amendment turns up hoping to rip the guts out of the package presented.

So what does it actually provide? A viable and tangible alternative to all of the Propositions it kicks out. Whilst I know it does not; it does nothing. What it craves is a new committee of the States. A full committee of the States. This is not a fiscal initiative at all. It is, in my view, an irresponsible political power grab.

3405 It destroys the package entirely. It glosses over the pragmatic and more flexible considerations regarding Corporate Income Tax, which recognises the OECD's progression but not completed

international agenda on the anti-base erosion and profit shifting, and the ongoing work P&R and officers have been conducting.

3410 But, most dangerously, the amendment ignores the significance of Proposition 4; and removes the direction to engage with industry and the other Crown Dependencies to increase revenues from the corporate sector without unduly negatively impacting revenues; and Guernsey's competitive position, or compliance with international standards. I urge all Members of the Assembly to reread Appendix 3 and the Standard & Poor's Report.

3415 Deputy Inder has *very* powerfully made in his speech that this work *must* be conducted at pace. It can only really be achieved through P&R's mandate. Read carefully the behavioural responses to tax changes and the potential damage posed by elevated fiscal deficits. Again, Deputy Inder has referred to this.

3420 This leads me on to another point which is about how this amendment will affect our competitiveness, not only regarding the points that I have just made but the removal of the Propositions which effectively form the tax review package?

3425 I will need briefly to talk heresy and mention GST which by some has been turned into the work of Satan. But I would ask Members to consider this: globally, it has been seen in a different light and only a very few countries do not have some sort of consumption tax. Singapore has been mentioned, 8%. Globally, 174 country's jurisdictions have implemented VAT or GSD. And a further 20 countries have a sales tax.

All OECD countries have GST or VAT, except the US which has a sales tax. The OECD is critical of heavy reliance on direct taxation Income Tax. They favour a tax mix away from income and in favour of consumption and to make greater use of efficient tax bases such as GST.

3430 The OECD view is that is comparatively an efficient way of raising Government revenue. It also acknowledges that those on lower incomes would need to be compensated in tax modelling. The OECD points out that a targeted conversation for this group is a better way to address fairness. These are contained in the Propositions in the policy letter.

3435 Most financial commentators believe our competitors are Jersey and the Isle of Man. In deciding your vote on this amendment, even if you have nailed your GST flags to the wall, please consider this. I have already referred to the Standard & Poor's Report. I particularly recommend noting the rationale section which refers to long-term structural operating deficit to be about £80 million to £90 million. And I quote:

Increasing pressure on health and care services is intensifying the squeeze on public finances while the shrinking working-age population also threatens tax collections.

It goes on to forecast a race to the bottom if we do not change our fiscal policy.

3440 Jersey and the Isle of Man competitors will be laughing their fiscal socks off. Nobody wants any tax rises but everybody wants an adequate provision of health, education and to live in a safe and secure environment. In fact, you will not retain or attract the professionals this Island needs without a tax structure that protects finance – again, Deputy Inder has dealt with this very well – and at least provides the level of comparable services across the Crown Dependencies.

3445 Please consider this: Jersey takes £1.4 billion in tax with £106 million GST. The Isle of Man takes just under £1 billion with £390 million VAT. We take our total is £574 million with *no* GST. Our competitors can do what they like on corporation tax and income tax, and provide much better public services.

3450 Furthermore, interestingly, our stores operating national chains also operate a sterling price policy which means they charge the same price for goods regardless of the tax payable in our specific jurisdictions in which they are sold. *Zero* in our case. This appears to be entirely acceptable to the 'No' campaign. I do not see any demonstrations outside those shops: 'Don't charge us 20% VAT!'

3455 In conclusion, sir, I believe that Amendment 4 is a sop. It removes all the Propositions and replaces them with nothing tangible except a new States Committee. In itself, it does not direct or propose any viable alternatives to which it removes. It does not in any way rule out GST and places

much more store around its timing. The fairer alternative – as it has been described in the brochure that accompanied the amendment – does not fully properly evidence; and despite the debate in October 2021 and the publication of the policy letter, a myriad of presentations ... and independent reports turn up just before the amendment deadline on a subject of this magnitude and importance. It does not address the OECD progression and has not completed international agenda on anti-base erosion and profit shifting, and the ongoing work P&R has done.

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Again, dangerously, the amendment ignores the significance of Proposition 4 and removes the direction to engage with the industry, other Crown Dependencies, to increase revenues from the corporate sector without unduly negatively impacting revenues Guernsey's competitive position or compliance with international standards –

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Deputy Kazantseva-Miller: Point of correction, sir.

The Bailiff: Point of correction, Deputy Kazantseva-Miller.

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Deputy Kazantseva-Miller: I believe Deputy Prow is misleading the Assembly because the fair alternative proposals do exactly that. If you could look at the terms of reference, they direct that engagement is, and any action is first the investigation taken in consultation with Crown Dependencies.

3475

The Bailiff: Deputy Prow to continue.

Deputy Prow: In referring to Deputy Kazantseva-Miller's point of correction and the assertion that I am misleading the Assembly. What I am saying is that what the amendment does is it removes the Propositions that provide a solution. What the amendment does is it sets up a committee with terms of reference that will have to come back to the States. So where we have firm Propositions to tackle the problems, these are replaced by a committee with terms of reference.

3480

Sir, we have a so-called consensus committee Government, where there are a few in the entire Assembly that sits every three weeks or so to a structured agenda led by those committees, is becoming not fit for purpose. The answer is that when we get into difficult conversations and decisions, we simply form another committee. We are in big trouble. Our competitor jurisdictions will trample all over us, our deficit will increase and public services will start to fail.

3485

Thank you, sir. *(Laughter)*

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The Bailiff: Members of the States, we will now adjourn until 9.30 tomorrow morning.

The Assembly adjourned at 5.40 p.m.