



OFFICIAL REPORT

OF THE

STATES OF DELIBERATION

OF THE

ISLAND OF GUERNSEY

HANSARD

Royal Court House, Guernsey, Thursday, 26th January 2023

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Law Officers

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People's Deputies

S. E. Aldwell	J. P. Le Tocq
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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
C. J. Le Tissier	

Representatives of the Island of Alderney

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

The Clerk to the States of Deliberation

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

Absent at the Evocation

Deputies A. C. Dudley-Owen and H. L. de Sausmarez (*relevée à 9h 50*);

Deputy M. P. Leadbeater (*relevé à 12h 09*)

Business transacted

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States of Deliberation

The States met at 9.30 a.m.

[THE BAILIFF *in the Chair*]

PRAYERS

The States' Greffier

EVOCATION

Billet d'État II

POLICY & RESOURCES COMMITTEE

5. The Tax Review: Phase 2 – Debate continued

The States' Greffier: Billet d'État II, Article 5, the continuation of the debate.

The Bailiff: Deputy Falla.

5

Deputy Falla: Thank you, sir. I intend to speak to general debate at the same as to the Soulsby amendments.

Sir, I was grateful to *The Guernsey Press* for publishing earlier this week the comments and commitments made by Members of this Assembly during their election campaigns with regard to a GST. (**A Member:** Hear, hear.) A few, but very few, of their responses left the way open to changing their minds to accommodate changing circumstances. The large majority said that they were against it and therefore it is unsurprising that the community has made its voice heard through emails, letters in the media and taking to the streets. (**A Member:** Hear, hear.) The electorate is questioning the trustworthiness of manifesto promises and who can blame them for that? For the record, I said:

I am completely against this regressive form of taxation.

15 I have not changed my mind.

We have been on the receiving end of every kind of tactic to get us to support the P&R proposal to bring in GST and I think I attended every States' Members' briefing. But ultimately, that approach has failed. P&R have patently not succeeded in taking colleagues in this Assembly, or the people, with them. They have failed to demonstrate or communicate effectively why this is the only way forward. And rather than moderating their approach, perhaps after reading the room, they have just continued to plough on regardless in the vain hope that their determination will win the day.

20 But what if there is another way forward? P&R throughout have said that they would welcome solutions, rather than just a rejection of GST with nothing to replace it. This what the Soulsby-St Pier amendment is delivering today. It is not electioneering. In fact, if it were, why would those behind

25 it say that they could not rule out that GST *might*, but only might, be needed at some time in the future? What they are saying is that right now, in the current circumstances, it would be wrong to inflict GST on Guernsey's community without trying something else first: a combination of savings and other charges which will be spread more evenly, more fairly, across the community. Deputies Soulsby, St Pier and their team have come up with a solution: a credible something else.

30 Jersey started with a GST of 3% 10 years ago and three years later it was increased to 5%. Even if enough Members of this Assembly supported the introduction of GST, how could the people of Guernsey be confident that it would not just increase at any time that more revenue is needed? It is often said in this Assembly that we do not have a money tree. But GST could so easily become the go-to money tree whenever we hit financial challenges.

35 Economist Andy Sloan, a former advisor to Guernsey's Government, says that he is convinced that a GST would inevitably climb to 10% and possibly more in future. Returning to Jersey, let's look at some of the comments of Deputy Sam Mézec, a member of Jersey's States. He says:

If I could sum up Jersey's experience with GST in just one word, it would be – failure ...
It was hugely controversial and provoked significant public opposition. But we were told there was no other choice.

Sound familiar?

If we didn't introduce zero-10 our economy would suffer, and if we didn't then introduce GST our public finances would be ruined.

To make this easier to swallow, two concessions were offered. The first was that the tax would remain at a low rate of 3%. The second was that a new benefit, the 'food cost bonus', would be introduced to offset the regressive impact GST would have for those households on the lowest incomes and prevent them from unduly suffering.

What followed was years of everything that we were promised would not happen happening anyway.

Jersey proceeded to have over a decade of economic stagnation. By 2011, we were told that the black hole in our public finances had emerged anyway, so GST had to be raised to 5% ... By 2015, the black hole was back with a vengeance, leading to a cruel austerity package being implemented which saw £10m. of cuts to the support provided to the most vulnerable in Jersey.

GST failed to achieve any of what we were told it was essential we introduced it for ...

I am more concerned about the constant squeezing of Middle Jersey to fund a greater welfare bill because we seem to think the solution to growing poverty is to just raise benefits, rather than address the root causes of it, like poverty pay and extortionate rent costs.

That is the end of him.

40 I also spoke earlier this week to a prominent pan-Channel Islands retailer who maintains that it is morally wrong to tax food. He also said that those in Jersey on lower incomes are generally impacted more despite the additional allowances and benefits designed to mitigate that. In Jersey, he said, they – the mitigations – are not simple and you need to know about them before you get them. It would be a lot simpler not to tax food in the first place. We have had instances where we
45 have heard of people who are not fully aware of the allowances and did not get the support they needed because it was complicated. We have the rising use of foodbanks yet we are still taxing food.

He also said that he would not want to see a form of GST in Guernsey that did not exactly mirror Jersey's, as this would further complicate doing business across the Islands. He said it had an
50 inflationary aspect the first year it was implemented and this should be borne in mind at this time of inflation. Pay rises were higher as a result and the company still pays its Jersey employees more than those in Guernsey because of this.

Sir, where is the spending restraint in P&R's policy letter? Have we given up too easily on trying to cut back on spending, trying to save money? It might not even mean giving something up. It
55 could just be a matter of doing things differently, better, more efficiently. And after all, most Committees do not even spend their budgets for one reason or another.

The Soulsby amendment does not recommend draconian cuts to Committee budgets. It proposes a 1% spending cut across Committee baseline general revenue cash budgets, excluding Health, in 2024 and the same in 2025. That is reasonable and proportionate. It shows an intent of
60 being more prudent without drastic cuts to frontline services.

As a Member of Economic Development, I was of course interested to hear what the business community had to say about the P&R proposals. The Guernsey Chamber of Commerce went to the trouble of surveying its membership. There are more than 700 members and there were 233 responses; responses from busy businesspeople who saw the importance of having their voice heard and in short, they do not trust the numbers.

65

Chamber President Diane De Garis said, and she is an accountant:

What seems very clear is respondents currently either don't find the government's argument that we have a deficit credible or find the quantum of the deficit credible. Equally if there is a deficit (which the [Chamber] Executive accepts there is), respondents agree with Chamber Executive that a mixture of fiscal reform from government to achieve savings, a policy platform to get more people working increasing productivity alongside some form of tax package that isn't GST would be the preferred option.

In publishing the results of its survey, Chamber said:

55% of those surveyed have been convinced by the government that there is actually a deficit. Of the 45% not convinced most cite the lack of accurate accounts, the conflicting surplus/deficit statements from successive budgets over the last 5 – 10 years and confusing capital spend decisions as the reason. Of the 55% that were convinced, many were not convinced of the size of the deficit for the same reasons ...

Only 8.9% of those surveyed thought GST was the best option. 47.8% agreed with the Chamber Executive that there needs to be a plan that included a mixture of civil service and pension reform to achieve savings, tax rises and, most importantly an increase in productivity in the workforce. 21.6% favoured a straight rise in income tax, marginally ahead of 20.7% of respondents who wanted to see large cuts to government core services.

Of the Soulsby amendment, sir, Chamber said that:

The Chamber Executive note this option most closely aligns with our member's views in that it does not include GST as an option but does include other tax rises and spending cuts and importantly addresses the public sector pension which needs reforming.

They go on to say:

What it does lack is any consideration of policy to increase the work force size and productivity which urgently need addressing. [But] Overall, this is a credible alternative to the P&R policy proposal, ... [yet] further work would be needed on workforce productivity.

70 Of course, the point about workplace productivity is a fair one and it is not addressed by any of the options on the table today. So Chamber's view is a valid one. More work would be needed there.

The Guernsey branch of the IoD also surveyed its members; 10% of the members responded.

79% are not confident that the deficit figure quoted is an accurate and sound estimate upon which the tax changes should be based, and nearly two thirds of respondents would support an increase in corporate registry fees as the ... [proposed] corporate tax option (from the options set out by the [States] of Guernsey commissioned Ernst & Young report).

Importantly:

Over 80% of respondents believe the tax burden should be shouldered more equally between corporates, individuals and the public service.

They recognise that the Soulsby amendment is the one that comes closest to achieving that.

Over 73% of respondents were either slightly or strongly against the introduction of a 5% GST. Feedback included a lack of confidence in how government would spend the additional revenues generated by GST, as well as the impact of introducing GST in [a] period of high inflation and during a cost of living crisis.

75 loD said:

There is also a clear desire to ensure that the burden of meeting this deficit is met by:

- Some measure of corporate reform within the confines of our existing, internationally approved system and in a manner which retains competitiveness
- [Secondly] Various income tax and social security measures to increase the burden on those that can afford it the most
- [Thirdly] Public sector efficiency with a particular focus on the perceived expense associated with the States of Guernsey public sector [defined benefits] pension scheme.

The Soulsby amendment addresses all of those points. **(A Member:** Hear, hear.)

80 The Guernsey International Business Association also issued a statement in the last few days, though it is not clear whether they consulted their membership. They said that they have not looked at the amendments in detail. They caution against the unilateral adoption of a territorial tax regime, pointing out the risks of doing so and the impact this could have on the perceived stability of the Island for financial services business in particular. From that perspective, they say that the P&R policy letter offers 'a sound basis on which to move forward.' But it is not as broad as the Soulsby solution and it does not propose a unilateral adoption of a territorial tax regime.

85 Deputy Inder echoed the voice of an industry figure who took him aside and said no decision is a serious matter. To vote for the amendment is not 'no decision'. It is making a decision to tackle the problem in a balanced way and take an informed view on whether the adoption of GST is right for Guernsey. **(Deputy Queripel:** Hear, hear.)

90 Deputy Inder rightly said we should listen to the business community. We have a rich seam of financial expertise in this Island, why would we ignore it? We all got a letter this week from a well-known senior banking figure in the finance sector and I was in touch with him last evening. He says the only real consequence of the S&P downgrade is that our borrowing cost will be slightly higher and it will make little or no difference to our ability to raise funds.

95 He says that there is absolutely no damage to the finance industry. He also says that most of the £85-million structural deficit is the 2% of GDP to be put away annually for capital projects. We have never managed to spend more than £42 million in one year and the average is around £28 million. Even with the Soulsby amendment reducing it to 1.5%, it is a meaningless figure because the States' accounting policy is to write off capital costs in the year in which they occurred, rather than adopting international accounting standards that write it off over the useful life. **(Deputy Kazantseva-Miller:** Hear, hear.)

100 In his letter to us all, his view is that Guernsey's reserves probably exceed £1 billion, but because of the way in which the accounts are presented, nobody knows. He says:

How many years' structural deficit would that cover, if in fact, it exists at all? Plenty of time to see what is actually happening in the real world before we need to do anything as drastic as GST.

105 He makes the point that a negative financial position has been overstated in the past relative to the actual outcome. For example, the 2021 Budget projected a deficit of £23 million, but the final account showed a *surplus* of £61 million, an improvement of £84 million. He adds that in eight of the past 10 years the actual outcome has been significantly, not just a little bit, better than Budget. It is hardly surprising that we have not taken the public with us on this when we have these almost contradictory headlines that we see from year to year.

Then there is the Guernsey Retail Group. Korinne Le Page, Head of Retail Development at the GRG, said:

We understand that the States has to find ways of increasing revenues to pay for essential services, which is not an easy task, but GST is simply not the silver bullet as it is made out to be and we need to look at ways of growing and diversifying our economy. Any rise in local prices through GST means retailers will find it harder to remain price competitive and lead

to lower levels of investment in the sector. We believe this would also act as a barrier to entry for new stores, either local or UK outlets, particularly at a time when retail is bouncing back. Tourists returned this summer and shops have reported a fruitful season, so the lack of GST is a selling point that other jurisdictions don't have. The probable outcome of such a tax on consumption would be a decline in retailing in Guernsey and a reduction in choice on-Island, at a time when we should be looking to provide diversified employment opportunities and retail can play an important role in achieving this.

110 Sir, I am of course also a Member of ESS and I could see the merit of mitigation for the poorest in our society were a GST to be introduced. But if we can find other ways of addressing the deficit, we will not need to do this. I am uncomfortable with forcing more people on to benefits or making existing recipients of benefits even more reliant on them. Why would we want that?

115 I am also concerned about those just above the threshold for benefits. We are just pushing that line higher and causing more people to struggle to make ends meet by expanding the squeezed middle. In any event, the Soulsby amendment keeps in place a restructure of the social security contribution system. The Soulsby fairer alternative puts less burden on households because it focuses on savings and prioritising revenue from the corporate sector at the same level – less reliance on households.

120 Moving to timing, April 2025, can GST really be introduced by then? The rush is on to try and get GST across the line during this political term, but whether we do or not it will still be the single most prominent issue in the next general election. We cannot bind a future States and it is too unpopular to expect a future States to suck it up or for future candidates to be elected if they say they support GST; and they will surely be asked that question.

125 The Soulsby amendment raises as much as P&R's proposals without GST. The public sector pension scheme needs to be tackled once and for all. (**A Member:** Hear, hear.) The Soulsby amendment does that. S&P say we need to live within our means and part of that is establishing a realistic capital expenditure. The Soulsby amendment does that. The only way to avoid GST is to vote for a credible alternative; for the Soulsby amendment, not a delay. In the words of editorial columnist Richard Digard:

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I'm not a gambling man, especially with taxpayers' money, but the S&P report, properly analysed, clearly suggests the alternative set of proposals is worth a punt with little to lose if not 100% successful. In short, if I were a States member, on this one I'd trust Heidi.

I am with Richard. Please vote for this amendment, regain the trust of the Guernsey community, lift the drain covers on more palatable alternatives and retain one of our treasured USPs as an Island before resorting to a lazy and deeply regressive GST option.

Thank you, sir.

135

The Bailiff: Deputy de Sausmarez and Deputy Dudley-Owen, is it your wish to be relevée?

Deputy de Sausmarez: Yes please, sir.

140

Deputy Dudley-Owen: Yes please, sir.

The Bailiff: Thank you very much. We will mark both of you as present.
Deputy Aldwell.

145

Deputy Aldwell: Thank you, sir.

This amendment makes me nervous. To identify provision and cost of services funded by the States through its Committees and to identify which services could continue to be provided by the States, which services should be commissioned to a third party and which services should be changed or ceased, taking into account the views of the community.

150

Sir, as I said yesterday, I am privileged to sit on two major Committees: Education, Sport & Culture and Home Affairs. And like most of my colleagues, I have a great many subcommittees.

Representing Home Affairs, I have sat on the Children's Law Panel, which gave an understanding of HSC's mandate on children's services and I was fortunate to meet people on the frontline and also being the lead on Domestic Abuse Strategy.

155 The reason that I mention this is to explain how, working in these areas, I have a full understanding of those budgets, within both of those Committees, and I understand how they are intertwined right across the public services. There may not be a budget cut in ... There is a budget cut in this amendment of 1% – no, I am wrong again. There may not be a budget cut in the amendment of 1% in HSC, but the budget cuts in ESC and Home Affairs will certainly have an impact
160 on HSC services.

All the services which receive grants give a presentation to the Committee and they are tied to a service level agreement and KPIs. The Sports Commission and Youth Commission, as an example, work with our young people, not only in activities but supporting emotional well-being and mental health, building self-esteem, team-building, supporting the Duke of Edinburgh, youth forum and
165 not only going into the schools, but making an enormous difference. But also out in the community after school.

Let's not forget we have reported 800 domestic abuse instances last year. The Sports Commission and the Youth Commission not only get our students fit and build self-esteem, they are also the places that may be the only safe harbour from a dysfunctional family life, making a
170 fundamental difference. Or the Guille-Allès Library. (**A Member:** Hear, hear.) All the opportunities that are on offer from early years and enabling lifelong learning; a community hub for all. Or the wonderful Safer and all the hundreds of people and their children they support on a daily basis each year. Or Victim Support, giving another invaluable service. These are some of the services commissioned out.

175 It speaks in Proposition 3 of a 1% cut in budget, but it does not apply to Health & Social Care's. With that analogy, when a butterfly flaps its wings in the Amazon, a knock-on effect can be found, the same could be said across the States' Committees. Cutting grants in Education or Home Affairs could have a detrimental knock-on effect, for example in supporting children's services in HSC.

Home Affairs' budget has changed little in the past 10 years. Nobody should be under the illusion that cutting budgets 1% will not have a detrimental impact. Deputy Soulsby explained very well in
180 her speech on 1st October 2021 how in 2009 a fundamental spending review took place, as we were facing a structural deficit before considering tax increases. The consultant found 107 opportunities claiming a possible £70-million saving over five years. But between 2009 and 2014, there was no buy in.

185 By 2021, Departments reported a £31 million saving, but concerns were raised for lack of consideration of the effects of the savings on Departments. She went on to say that the only way from preventing taxes from rising is through cutting services. She also went on to say that:

If you do not want to increase taxes, Health and Care Services cannot be off limits ...

Cutting services will have longer term impacts and unintended consequences on the health and wellbeing of our community.

I agree 100%. We look at our budgets very carefully every month with our accounts team and a
190 deep dive every quarter. Small underspends go back to the Treasury, but it is a constant battle because each area invariably asks for more money, but we are not able to give extra funds. We are *strict* in our budgeting. And as I stated in my manifesto, it is the case we always consider necessities over niceties. I do not believe that another Committee needs to be set up to do this.

We are told it would cost in the region of £800,000 to £1 million to external resources and extend
195 delays to this problem by another 18 months. We work diligently. We hold our third-sector partners to account and I know this because, as I stated, I work on two major Committees and I have worked across Committee, understanding the impact of these services on people's lives.

Thank you, sir.

The Bailiff: Deputy Gollop.

200 **Deputy Gollop:** Yes, thank you very much, sir.

I have not quite made up my mind which way I will vote on this, because a little bit of me, for reasons I will go into, is tempted to support it. But I will largely analyse it and question how effective it will be, much as I would not mind being involved with the work.

205 To comment on the first two speeches of this section, I thought Deputy Inder and Deputy Prow made brilliant speeches yesterday, I must admit, because I think they have set out the really serious nature of where we are at, not just with Standard & Poor reports, but on a wider spectrum of the necessity of Guernsey and our politicians, for the foreseeable future, to ensure that we have an extremely competitive environment for all business, but especially the financial and corporate sector. I think that point was – and for Alderney, too – very well made.

210 I do think there are risks with this package. The primary risks for me are giving out potentially ambivalent messages to some elements of our corporate and offshore financial sectors that change is imminent, uncertain change, and potential restructuring of profits, base activity and all the rest of it. That is one. Another is that we are not exactly making promises, but we are raising expectations that many of the workstreams contained within the amendment will be effective.

215 The third element is political, because I am going to say here, despite perhaps some of the shenanigans and media reports of the last few days, that I have every confidence in Deputy Ferbrache and the entire team (**A Member:** Hear, hear.) at Policy & Resources and I want them to continue.

220 All they have done is put across what in their view, on balance, is the right way for Guernsey to go in terms of both relieving some of the unfairness with the current tax system and hopefully trying to make 50% or 60%, in theory at least, better off, whilst taking consumption tax from predominantly, but not exclusively, the more affluent sectors of our society. And at the same time, not only ensuring that we comply with fiscal responsibility, a process started in the previous term by the then Policy & Resources Committee, that ensuring we not only tick the boxes with
225 international agencies, Standard & Poor, but most importantly, as Deputy Aldwell has pointed out very clearly, our commitment to well-regulated and necessary public services.

In fact, I will just comment on Deputy Aldwell's point. She said even 1% could be harsh. It all is a matter of relativity. I am sure if one taxed the sugar intake of, perhaps Deputy Soulsby, Deputy St Pier, 1% would be a very small amount. But 1% for me would be a larger sum of money.
230 And in the old days, when we had a Culture and Leisure Committee, our budget was between £3 million and £6 million if you included Beau Séjour's trading budget. And 1% of that budget would not be too painful, perhaps a magazine or bank holiday opening or something. Just imagine 1% on Education, nearly £1 million.

235 I make that point because that could be almost the entire Culture & Leisure spend on arts, museums, languages. I entirely agree with Deputy Aldwell's point about the usefulness of Sports & Health Commissions in other areas because there is a crossover effect. Deputy Queripel many times has argued how arts has a therapeutic, social and youth benefit as well as just in itself. So we have got to be very careful how we would cut, and I am likely to vote against that element of it.

240 Deputy Falla made a very well-ordered thought-out speech, but to check it a little bit, he mentioned the eminent economist and Sustainability Institute, former civil servant Dr Sloan's report. Of course Dr Sloan's report, I share actually some of its vision. I would like to see a reorganisation of tax at some point, I definitely would like to see a greater emphasis on growth, perhaps a greater emphasis on simplicity and up to a point a commitment to reduce the tax burden on the individual population.

245 It has been pointed out to me in fact by another economist that where Guernsey has lost its way in the last 15 years has because of the success of Zero-10 in maintaining our financial competitiveness, it was necessary to transfer some of the burden of taxation away from the corporate sector to the individual. That I think is one of the reasons why many hundreds and thousands of people consider they are overtaxed, when the analysis that Deputy Ferbrache and

250 Deputy Trott and others have brought out is, relatively speaking, Guernsey is one of the *least* taxed communities in the western world. (**A Member:** Hear, hear.) But for certain kinds of people, who are less well-off, or maybe so-called middle Guernsey, that is not the perception.

But Dr Sloan's point, it has to be said that his interesting ideas on bringing in a corporate tax that is acceptable and bringing in a lower income tax is accompanied, not just by a potential for
255 reduction of the rates of increase in the social fabric, but most significantly, not with a 5% GST, not with a 10% GST, or 8%, but 12½%. You cannot ignore that element of it.

Deputy Mézec – former Senator Mézec – a very able politician from Jersey who I think is certainly a friendly acquaintance of mine and we frequently exchange ideas and messages, he is a very effective representative for St Helier and he rightly challenged the putting the GST indirect taxation
260 on food. I do not support that – you see an amendment that may get debated later. I think it adds to the tension and problems of both social fairness and the impact it has on the public and the reaction to the public.

But let's think about it again. Deputy Mézec's party – and it is a party – of 10 members really did not get much beyond that in their questioning. And Deputy Falla raised the point of a senior retailer
265 who wanted it both ways, because he clearly does not believe, for social reasons, that it should be on food, but he also said that Guernsey should have the same system as Jersey. Of course, those aims are incompatible. And as I have already implied, Deputy Mézec gets really heavy support in St Helier, less support in the rural parts of the island. And that is because he does not hide behind political clichés. He and his team are quite open in their commitment to what you could call, not
270 just social democracy but a form of socialism. A mixture perhaps of old Labour, new Labour, little bit of Green.

He knows that GST has been a failure in curbing costs – look at the hospital project – but he also knows that GST is not as fair to the middle and lower middle earners as a progressive income tax. I believe that he and his supporters would prefer heavier taxation on high-net-worth individuals
275 and corporates. So would many people who have demonstrated and written to us – not everybody – but we have to ensure that despite that call, we need to maybe look at elements of it. We must not do anything which reduces our employment, reduces our economy, or undermines the gains of the last 50 years.

As Deputy Inder, said in 1970, in 1980, we were waiting for the then Cabinet Minister, Slater Walker to come here and Julian S Hodge. It was a small finance industry, now it is big. It replaced
280 horticulture and tourism. We cannot, because of ideological or well-meaning politics, abandon that. (**A Member:** Hear, hear.) So those are issues that I have.

This amendment, although it has got lots of points, I have got to say that the tax strategy one goes back to the era when Deputy St Pier and Deputy Trott were on Policy & Resources and some
285 of the issues in the fair alternative are like the greatest hits of the past, really, that were looked at at some stage and did not quite make it.

I worry about forming two Committees – the States' Investigation & Advisory Committee – although part of me would not mind being on them, in a sense. But I worry how would they be resourced and how would they work with Policy & Resources? One part of me is very aware that we
290 have some very able, titanic States' Members, who have held chief ministerships, ministerial positions, professional positions, and I have got to be honest, sir, I think they are underemployed politically in this States. And that in turn can lead to a degree of oppositional politics.

Maybe the answer is not in any way replacing the very able Policy & Resources team, who I think have got on with a lot of things that were left in the past and are working even now on civil service
295 reform and financial reform, but maybe for people to work together, so if the Committees were formed, then they could work in partnership. In fact, these Committees could come into being just as States' Members *ad hoc* groups as we have seen with energy, if you go ... And the decision-making must remain with Policy & Resources.

In a way, I want this Committee to go out and find positive solutions – these Committees – but
300 I also am aware that we should not raise expectations because I believe that it is not completely ... What is the phrase they used? The 'fairer alternative'. Because I do not believe, and I am sure that

Policy & Resources do not believe, that it will raise sufficient money and there will also be pushback on many of the issues.

305 We have already discussed the 1% real-terms reduction. We will discuss a Community and Infrastructure Contribution corporate entities. How will that work? I would certainly like voluntary taxation. Proposition 7 talks about restructuring the social security contributions system, but it is in a different way, and we ... Proposition 8 is a curiosity, because it looks on raising TRP on non-domestic, non-public parking areas. Some people have confused this with a call for all paid parking. But Proposition 8 was looked at, believe it or not, 30 years ago by the then Deputy and advocate
310 John Langlois and the Island Traffic Committee and it did not go anywhere. It was very unpopular; very angry public meeting at St James.

We have all been praising tourism. We have had the exciting news of a tourism development organisation being formed. We had questions about that yesterday and we have had people objecting to GST. Some of them have objected strongly that it reduced our competitive advantage
315 for tourism. But here we are, Proposition 9, is calling for £1½ million on cruise ships and also, later on, £2 million raising from visitors. I can see that not being popular.

We question the level of capital needed. I certainly would like to see more works on it. But we also have the potential to raise capital for eligible projects with the issue of a sustainable bond, as the Isle of Man reports. But of course they not only have a larger slice of money, as Deputy Trott
320 reminded us, there has in the past been resistance to having bonds in Guernsey, not just on the debt, but on the fact that if you are having a bond it needs to provide a revenue stream. This potentially does not.

Long-term Care Fund and Guernsey Insurance Fund is being done and I also know the Policy & Resources Committee are looking at future options for the Public Servants' Pension Scheme. The
325 one thing one can guarantee is if there are proposals to change it, there is likely to be pushback. I do agree that it would be useful to have a better enabling commissioning of services Proposition 18, TUPE, 'Transfer of Undertakings'. But of course that is likely to be unpopular in some quarters as well because when the States have traditionally not privatised or outsourced or commercialised, that will create resistance. And I cannot see in this package the golden sum that will raise £20 million,
330 £30 million, £40 million, £50 million.

Maybe, which is really my position, that because I think perhaps none of us have a mandate from the public to introduce GST, because of the election and the election promises, and because of its unpopularity, and because, as Deputy Falla and others will say, there certainly is a degree of scepticism from parts of the business community, that our duty, whether this amendment succeeds
335 or not, is to go patiently, both together as the States and as individual Members, with expertise, through all the other alternatives and options, and make sensible cuts and efficiencies. But I think when we come to the end of that exercise, especially with health and care, we will realise that we will need another solution. (**A Member:** Hear, hear.)

Not necessarily GST, not necessarily VAT. Maybe a luxuries tax, as one Member suggested, and
340 maybe a health tax or a different way of raising social security. But I believe that we will need to sustain Health and Care, and Education too, a much bigger tax flow. But this piece of work will be useful in at least to maybe raise other revenue, reform some things that need doing and to bring our States together.

I suppose a parting shot would be that many of the interesting and useful ideas in this
345 amendment could have been done by the previous Assembly and Policy & Resources and we got the budget, the first round in 2020, after four years and the ... And for one reason or another many of them did not happen. But maybe now is the chance we could do to get ...

And let's assume we have the brightest and the best on the panel but Policy & Resources stay
350 in place. Policy & Resources are working really hard on *everything*. External relations, international issues, property management, capital growth, hopefully the waterfront, staff, human resource, negotiation. And that should give the time, because the last ... I believe that Policy & Resources is too small at five Members, really, because there are not enough people there to do all of the tasks.

This will give the time for other groups, maybe, if this goes through, to get on with the work and be able to do think tank-ing, rather than firefighting, and hopefully we will get somewhere.

355 Because my biggest worry, because I said again and again I want to support Policy & Resources and get everybody on the same team, is not just political instability and division in the Chamber, but we will come out of this, this week, or maybe next week, with nothing. Because I am a little bit of a pundit and I have done the numbers and I think the maximum P&R can get for the proposals is 17 or 18 and that is assuming that I vote for them, which I won't. (*Laughter*)

360 So where are we going? I want to put my amendments, maybe I will not get a chance. I know that one of them will not fly, the other one has a greater degree, I think, of capability. I want to support Deputy Matthews' amendments, but I still do not guarantee any of them winning. And we must not give the message to the wider world, the business community, the people of Guernsey, our competitors and our analysts that we are incapable of making any decision and we walk out of
365 here with our tails down.

A Member: Hear, hear.

The Bailiff: Deputy Queripel.

370

Deputy Queripel: Thank you, sir.

Yesterday was the birthday of Scottish poet and lyricist Robbie Burns and it was Burns of course who wrote *Auld Lang Syne*, the song that became the traditional song for us to sing on New Year's Eve. Several Islanders have told me they did not celebrate New Year's Eve this year, because the
375 thought of GST being introduced was worrying them so much it not only ruined their New Year's Eve, it ruined their Christmas. They could not get into the Christmas spirit at all. In relation to this amendment, four of those people phoned me last night urging me to support it. They said it is their only hope seeing as the Meerveld and Blin sursis motivé did not get the support that it needed to succeed.

380 As we all know yesterday was the day when we started the debate on this amendment and my good friend Deputy Prow made his speech on it yesterday. In his speech he said he thought this amendment is a sop; it offers no resolutions whatsoever, but the policy letter does, which is why he is voting against this amendment. In essence what he was saying was this amendment seeks to kick the can down the road. I do not often disagree with Deputy Prow, but on this occasion, with the
385 greatest respect, I disagree with him completely. I do not see it as a sop, I do not see it as offering no resolutions whatsoever and I do not see it as kicking the can down the road. I see it as a lifeline for the members of our community who are worried sick about GST being introduced.

I see it as an opportunity – which it is of course – to explore all of the options available to us, that we need to explore, in an attempt to find alternatives to introducing GST. And I applaud
390 Deputy Soulsby and Deputy St Pier for laying these alternatives in front of us. They have obviously put a lot of work and a lot of thought into this. I suspect the two of them spent most of *their* Christmas putting this amendment and these Propositions together. And all credit to them for doing that. Because this is a genuine attempt to give our community hope that GST can be avoided, because there are other options available to us.

395 The public elected us into this privileged position of States' Deputy and the public have told us, in no uncertain terms, they do not want GST. Having said that, I appreciate that some people in Alderney are saying they *do* want it. But what that means, the way I see it, is it is our responsibility, as elected representatives of the people, to find other ways of raising the money we need to ensure their well-being in the future.

400 One of my colleagues – I forget who it was I am afraid, sir – said in a speech yesterday it would be dereliction of duty to *not* introduce GST because that is the only way that we are going to raise the money we need. Well, sir, in response to that, I turn it around. I say it would be dereliction of duty to not comprehensively explore all the options including this amendment, in an attempt to come up with a fairer alternative. Because ultimately no GST is the resolution I think our community

405 needs and this amendment puts us on the pathway to that goal. I ask colleagues to bear that in mind, sir, when they come to vote

To finish on the theme of yesterday, if GST succeeds, then the lyrics of the song entitled *Yesterday* written by Sir Paul McCartney will become even more profound for Islanders. Especially the verse with the following words:

Yesterday
All my troubles seemed so far away [but]
Now it looks as though they're here to stay

410 Thank you, sir.

The Bailiff: Deputy Roffey.

Deputy Roffey: Thank you, sir.

415 Deputy Gollop ended his speech by saying that perhaps one of the worst outcomes would be to walk away from this debate, however many days it takes, with effectively nothing. But then of course, there are two routes to nothing. One route is simply for everything to be voted out. Another route is for an amendment which basically delivers nothing other than extra layers of Government, extra layers of cost and extra delay. It may not appear like nothing, because you voted for
420 something, but it is an expensive version of nothing. And I am afraid that is how I see this amendment and that is why I am going to be opposing it.

I am going to talk to this amendment, but in many ways the first five words of it are the most profound bit of the amendment, and the first five words are:

To delete all the Propositions

425 Therefore, in speaking to this amendment, I not only need to address the new Propositions that it seeks to insert, but also the Propositions that it seeks to take out. So this will be my main speech on the whole tax debate

And I want to defend the Propositions that it is looking to delete. Why wouldn't I? I have spent more than two years' really intensive work in putting them together and I am convinced that they have a great deal of virtue. Virtue admittedly as a least bad option given the circumstances we face,
430 rather than something that we are all joyous about and wanting to cartwheel down the street over. But nevertheless virtues that I think need to be defended. (**A Member:** Hear, hear.)

It has been said, sir, that this debate is about as important as it gets and I agree with that. And to me, it is particularly important really for two reasons; for two things that are really close to my heart. First one, it is about maintaining decent core public services that any civilised society should
435 have in the face of steadily growing cost pressures brought on almost exclusively by Guernsey's changing demographics. That is the first thing that I think is really important.

The second thing that absolutely is at the core of my political ethos is it is about defending and protecting the position of Islanders on modest incomes and not throwing away an opportunity to actually put them in a much better financial position than they are at the moment.

440 Let's be clear, sir, there has been some discussion about it, we do not run a large Government. Quite the opposite. There has been some discussion about what percentage of GDP we may take in taxation and there are different interpretations whether you consider one approach or another. Let's take it down to more basics than that: despite being a micro-community with diseconomies of scale, where you would expect us to spend more per head of population than bigger societies,
445 Guernsey is just about the smallest Government you could find anywhere. Much smaller than our comparators in terms of the pounds – not pounds, shillings and pence, I am living in past! – in the number of pounds that we spend per head of population.

450 We have a very small Government. And if anybody thinks that we are going to solve the financial issues that are being driven, not just in Guernsey, but everywhere in the developed world by changing demographics by making that Government far smaller, then they are chasing unicorns.

You are not going to do it! (**Several Members:** Hear, hear.) And if you try the protests on the street are going to be forty thousand, not two and a half thousand, because of the structural damage you are going to do. (**A Member:** Hear.)

455 Not only that, but what is the direction of travel? The size of Guernsey's public service has actually *shrunk* slightly in recent years, *net* of health services, which has been, in terms of employees – that is what has happened – that has single-handedly driven the growth in the number of States' employees. So that is the growth in the number of States' employees being driven by Health, but it is not the only driver of increased costs.

460 Pensions is a massive increase and our liabilities there are well-defined. We know how many people are reaching pension age, we know what the liabilities are going to be going forward, unless of course we slash the size of the pension. I suppose that is an alternative, but you go and try and sell *that* to the people of Guernsey. Also social care. We may not be delivering the social care, but we are going to have to put far more money into social care in order to have a civilised society with our changing demographics. It is quite simple, with more older people, they do.

465 And nobody is blaming older people! I am born in the 1950s! I am a boomer, I am one of the people that is going to be responsible for this crisis! And it *is* a crisis. For those who are saying it is not a crisis, I heard yesterday, 'This is not an emergency, it's happening quite slowly!' So is climate change, happening quite slowly! It does not mean it is not something that should have been tackled 10 years ago – and this should have been tackled 10 years ago! (**Several Members:** Hear, hear.) We have left it far too long and kicking it further down the road is not the way to go! And I am afraid that is what this amendment does. All of those cost pressures are going to not only continue, but probably accelerate. And as I said, it does come down to demographics.

475 And it does mean, I admit, that this Assembly and indeed our society in Guernsey, the one we serve, faces some truly horrible decisions. Decisions, as I said, that I think have been postponed far too long. No one at all likes extra taxation, but without it we are heading for an absolutely grim situation. Because to balance our books, largely through spending cuts, would deprive Islanders of really basic services (**A Member:** Hear, hear.) and it will make their lives so much *poorer*.

480 I know many of those will not believe that. They accuse those like me who are suggesting it as scaremongering. But Members, having worked my socks off for two years examining this intractable conundrum, I am a hundred per cent sure that it is *true*. Why would I be so *masochistic* as to back a package that includes a GST if I did not absolutely in my core believe that it is unavoidable if we are going to protect decent public services? I would not. The people do not want GST – *no one* wants GST. *I* do not want GST. I just dislike the prospect slightly less than the alternative that I see.

485 Sir, before going perhaps into details, I am going to take a step back and refer to my involvement in this whole process, because when P&R wrote and asked if I would *like* to serve on the Tax Review Committee, my first thought was I absolutely needed that like a hole in the head. I am not stupid and I am not inexperienced and I could see where it was heading, and we have arrived where it was heading today.

490 But I still said yes. I said yes for three reasons. Firstly, because I knew Social Security was going to be involved in the consideration as well as and as President of ESS I clearly had a duty to take part in it. Secondly because I knew that taxes were going to go up and I thought that with me around the table the need to try and balance that with protecting people on modest incomes would probably have a higher agenda than if I was not around the table. But thirdly, because this is why we are here isn't it? We do not like it, but it is the big stuff, it is the real fundamental stuff, it is the stuff that comes along once every term or two that is really seminal and you cannot shy away from that. You have to run towards the sound of gunfire.

500 I did so. And I know sometimes people who run towards the sound of gunfire end up with their lives cut short – that may happen. I have to say, not only was I around the table, but I also would like to put on record, I think, the incredibly wise, calm counsel of the non-States' Member of ESS that also served, Mr Mark Thompson. (**Two Members:** Hear, hear.)

However, despite that, we never thought – well, I never thought certainly, I cannot speak for the others – that we had a monopoly of wisdom. And I really waited for the day that the amendments

505 closed before I was sure how I was going to vote today. Sadly nothing remotely resembling a valid alternative has been put forward. Not by the Members of this Assembly or by the broader community. Accordingly, I am a hundred per cent convinced that the proposals being put forward by P&R are the least bad option available. I accept they are wretchedly unpalatable, but sometimes the truth is just that: wretchedly unpalatable.

510 Members, this is not or should not be about whether or not one likes the current P&R Committee. Actually I think – let me wear my heart on my sleeve – I have got *more* reason to resent them than most. Because on several occasions in this States, I have felt – this is my feeling – that proposals led by me, either on behalf of ESS or STSB, have received *more* headwind from P&R simply because I was reading them and would probably have so fared somewhat better if one of the ‘most favoured Deputy’ category of politicians had been leading them instead. Paranoia maybe but I am personally convinced of it.

515 So I have got no natural inclinations to throw them any political lifebelts when they are under attack. But this is not about such factionalism. I hope I do not indulge in it in the best of times, but these are not the best of times – anything but. We stand absolutely on the brink of savaging our public services or plunging our community into a situation of a massive national debt or both, and probably wrecking our credit rating along the way, making any borrowing more expensive. So far
520 the downgrades will only make it a bit more expensive but it is the *fourth* successive downgrade. The direction of travel is there and it will continue unless the outside world can see that we are serious about doing something about the problem.

This is big stuff and we simply have to man or woman up. *Nobody* likes the proposals. *I* do not like the proposals. But let’s look at the alternatives, including this amendment that we are talking
525 about now. As I said, there has been a lot of talk about reviewing the size of Government. Let’s just have a reality check: it is about as small as it can get. That does not mean that there can be no efficiency savings. Indeed in the package unamended, there is a proposal for £10 million a year savings to be found. Actually, history tells us that is probably overambitious.

530 But going further and significantly shrinking the basic size of Government beyond that, when we already have the lowest tax take and the lowest public spend per head of any similar community, it is just chasing unicorns. I know while we are on a unicorn hunt we are not having to make difficult decisions, so let’s hunt them for a couple of years, but it is just that. And in their heart of hearts Members *know* that. They know that. Could our Government be made a bit smaller? Probably. People will not like it very much, but it could be done. But the degree to which it can practically be
535 made smaller will not touch the sides of the funding issues that we face.

What I think most odd is that many of those latching on to this approach, either through this amendment or elsewhere, ‘Oh, smaller Government is the answer’ have chimed with all of those who have actually been making calls for the last two years about spending *more*.
(**Several Members:** Yes.)

540 Let’s have higher carer allowances! I agree, I would love to do it. (*Interjections*) Let’s have more resources, Policy & Resources, at E&I because they cannot do the vital work that they need to do. Yes, I agree! And I could go on, but I am not, because I have got a very long speech as it is, but I could give hundreds of examples. But we can just *dislocate* our thinking and say that most of the time, but suddenly when we want GST to go away because it is a horrible beast, then we say, ‘Oh,
545 the answer is to spend less and have smaller Government.’

Can this conundrum be solved through outsourcing and commissioning, which is one of the ideas in this amendment? Absolutely not. Outsourcing, either to commercial or third-sector organisations, can often be the right thing to do. It is often the best way to deliver services. But history tells us, if it is done properly, it is no recipe for lower costs. So the idea that simply pursuing
550 smaller Government as an alternative to the package on the table is poor moonshine.

I am going to move on to corporate tax in a moment, but firstly I want to consider the appetite from the proposer of this amendment to set up more than one – two in this case – special Committees to look at corporate tax and the size of government. To me this special Committee, this new Committee approach, has two basic flaws. Firstly, it is simply more delay when we have already

555 delayed too long. Secondly, it cuts completely across the mandates of established Committees of this Assembly. It tramples over our Committee system.

Let's consider first setting up a Committee to look at the size of Government. First I have to ask what does that mean. What do we mean by the 'size of Government'? Will this Committee just be looking at, for instance, whether the current fiscal rule of 24% of economic activity being taxed is the right one? In which case P&R are clearly the Committee mandated to do that. Or will this special Committee really get down in the weeds and decide how many police officers we need? How many home carers should be employed by HSC, compared with how many should be employed by private agencies?

565 Or is it going to look at the really big things that are going to really make a difference to spending? Given that we have got such a small Government at the moment, they would have to be radical. Should we scrap the Victorian ideal of a universal free education offer and actually have means testing for States education? That is the sort of measure that would really take away the need for the many tens of millions of pounds extra revenue that we need. Or expecting people to pay something towards secondary healthcare, if they can afford it? Or Deputy Helyar's wretched idea of means-tested pensions or maybe scrapping family allowances? Those are the sort of big issues that would need to be examined in order to really make inroads into our projected deficits.

570 There are two problems, as I said, setting up *ad hoc* Committees to consider these matters. The first is that it tramples all over the mandates of the Committees who are actually far closer to these issues than this temporary beast could possibly be. Secondly, I think waiting for a meaningful report back, if we are really going to that sort of detail, would be like waiting for Godot.

575 I then confidently predict that when the States finally get around to debating their report, it would reject nearly all of those findings, if they involved any significant reduction in the size of Government. They would be too scared to do anything because of the many thousands of voices raised in strong opposition.

580 If you doubt that prediction, if you doubt it, just think about the difficulty that this Assembly has had in facing up to the realities concerning SLAWS and the Long-term Care Insurance Fund and funding care in residential and nursing homes. Public opposition to the minor reforms suggested there and a bit of a capital requirement from people would be as *nothing* compared to the opposition to making Government smaller in a significant way.

585 What about the other special Committee to consider the reform of corporation tax? Well, that will really slow down the speed of reform of corporation tax. Under the package in the Billet we will hopefully debate and hopefully sign off, corporation tax reforms will be brought to this States in detail for approval this year, and hopefully implemented soon afterwards, raising up to £20 million. The nature of those reforms has already considered in depth, the possibilities for basic approaches, by Ernst & Young and we have all seen their report. A little more industry consultation admittedly is needed, but it is pretty much ready to rumble. So much better than kicking the corporate tax can down the road by setting up yet another Committee.

590 Also, in this amendment, it is not as prescriptive as another amendment we will deal with later, but it orders a focus of one of the focuses on territorial tax, despite all the warnings we are getting from GIBA and from Ernst & Young about the dangers of that and how it will cause, if you try to do it at any kind of high level, a migration of business. But the real issue about setting up any Committee to consider tax reforms is that we already have a Committee, in P&R, explicitly mandated to consider these matters.

600 What sort of confusion would it cause to have two separate Committees mandated to do exactly the same thing? (**Two Members:** Hear, hear.) It really is a nonsense. Members, if this is about not trusting the current P&R Committee to do the work, I have got the answer: simply change it! I am not saying whether we should or not, all I am saying is that we have got a Committee mandated to look at tax, if you do not think they are the right body to look at tax, change it! We can do that in the blink of an eye. It is in our control. But do not duplicate it and have two Committees charged with doing exactly the same thing! This issue is far bigger than any individual's political status or power base; it really should be anyway.

610 So as I said, change P&R if that is what Members want, but do not have two Committees mandated to deliver the same task because actually, in this case, they may well pull in completely different directions. And I think, why are we setting up a second Committee to look at something that P&R is already mandated to? Really only, I think, to push those decisions to a future date. Not only a future date but, the way I read this amendment, almost certainly a future States. What kind of poisoned legacy is that to leave to our successors?

615 I just think of the impossible position in which we are going to be putting senior officers, because *inevitably* the same ones will be – because we do not have a wealth of them; that is because we have got a small Government – serving both P&R and the new tax investigation Committee. Two masters both with a legitimate mandate to consider the same issues. Two masters that may well take radically different views, sir, by the same set of officers, to whom they are answerable. It would be rotten governance writ large. So I say again, if you do not think P&R is up to the job, just *replace* it, do not *duplicate* it.

620 Personally, I have to say that despite having no inherent love for the current P&R, I am convinced that in respect to the issue under consideration today, their current package is the least bad option. And I say that after two years of desperately looking for better alternatives. I say that after keeping a genuinely open mind until the period for lodging amendments was over. I would so happily have jumped ship and embraced any better and realistic alternative. Alas the day came and I saw none.

625 I will return to this alleged alternative in a minute, but for context first of all I want to focus for a couple of minutes on Social Security and just remind Members that three years ago this Assembly received a Government actuary report, which was predictable, but still alarming. Basically it said that if we did not do something, then the Guernsey Insurance Fund would completely run out of money in the not-too-distant future.

630 That would mean that we could not afford to pay pensions at anything like the current level, because the current contribution income is well below the current spending on pensions. And of course this is not a funded scheme, it is a pay-as-you-go scheme with a buffer scheme. That is what the GIF is. So current contributions pay for current outgoings on pensions. So unless general revenue stepped in to plug the gap, which we know it presently could not conceivably do for all of the reasons that have led to today's debate, then pensions would just have to be slashed because we would not have the money to spend for it.

640 Something radical needed to be done and I really thank the States for having the courage back in 2021 for overwhelmingly supporting ESS' 10-year plan which will, if seen through, over the whole 10 years, assuming all of the assumptions of the Government Actuary were correct, stabilise and make the Fund sustainable. But I have to confess, even as President of ESS, it really is not a fair system. And the more that contribution rates go up, the more it will hit those on the lowest incomes.

645 For example, currently somebody on £20,000 per year, really low pay, pays social security contributions on absolutely every penny of their income. Under the package being put forward by P&R, the contribution rate will go up slightly, or more than slightly – it will go up from six-point-something per cent to 8.5% – but they would only pay that on about £6,000 of their income, because the first £14,000 would be an allowance. So they would be much better off. And it is not until you get significantly further up the income scale that somebody actually gets *worse* off. But somebody on £114,000 per year would pay the new 8.5% on £100,000 of their income, so they would be paying considerably more in Social Security.

650 These proposals are incredibly redistributive. It is not like Jersey did with their ... Deputy Falla said that the measures there were hard to understand. This is something that is absolutely going to be baked into our system for generations to come and cannot be ... well, anything can be unpicked, but it cannot easily be unpicked and is going to make a massive difference to people on modest incomes.

655 I am really worried. Reforming the social security will be an enormous boon for Islanders struggling in this expensive Island and I am really worried we are going to balk at that decision today – well, 'today', whichever day it comes to – and we may walk away leaving that 10-year escalator in place. If we do that it will be a big kick in the teeth to those on low incomes. They may

660 not all realise it, some of them may actually be campaigning to see it happen, but the reality is we know better and it would be.

It is quite wrong to describe the proposed reforms to social security just as a mitigation against the aggressive nature of GST. They are more than that. They are not a mitigation measure, they are a revolution in social policy and making this Island a fairer place. If we miss that opportunity, it would be a wicked dereliction of our responsibility towards those struggling to make ends meet in this expensive Island.

665 Under an amendment yet to be discussed – so I am not going to go on to it – all of that will get wiped away, but by contrast I accept the Soulsby-St Pier amendment leaves the proposed social security reforms on the table and I do thank them for that. But I am scratching my head about where on earth is the funding mechanism into actually deliver it.

670 The already agreed 10-year plan that we passed the year before last will raise an additional £34 million a year net of inflation in contributions. By contrast the proposed reforms in the Billet, despite using a slightly higher contribution rate, only raise £19 million and that is largely because of the cost of those allowances that we are going to reduce. So where is that massive funding gap going to come from?

675 Under the package in the Billet, which includes that wretched 5% GST, there is sufficient revenue raised to allow general revenue to take up that slack, either by a grant or, more likely – why do a grant when there would be money going both ways – we would just retain the money currently raised for secondary healthcare and that would be funded by general revenue.

680 But by contrast, as I read it – and I know that they argue the opposite, but I agree with Deputy Gollop – the Soulsby-St Pier amendment raises very little in the scheme of things, and so I am really puzzled over how the social security reforms that it retains – and I thank them for retaining it – could be afforded. All it does to me is to set up two additional States' Committees which, actually cost a lot of money rather than raising it, as well as being a recipe for confusion and delay as I have explained.

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Deputy Kazantseva-Miller: Point of correction.

The Bailiff: Point of correction, Deputy Kazantseva-Miller.

690 **Deputy Kazantseva-Miller:** The proposals raise a net of £34 million while the GST proposals will cost £10 million for implementation, £31½ million annually. So if Deputy Roffey considers £34 million being little then I think needs to be corrected.

695 **Deputy Roffey:** No, I do not accept the claims that it raises £34 million. I think that is the difference between us here.

700 And do not forget, under the terms of the Soulsby amendment, we are not even allowed to vote on the social security reforms or the range of minor revenue-raising measures that it sets out, unless we first voted to set up what I regard as a couple of ludicrous Committees. Why is that? Why are we being prevented from voting for the other stuff in the amendment unless we vote for Proposition 2? I would like to hear that explained.

Mind you, those other revenue-raising measures, to me, are not very well thought through. Let's start with asking the STSB to raise an emissions tax on cruise ships. First of all, the STSB is not a tax-raising Committee. It is entirely the wrong Committee to ask to raise taxes. I am baffled about why we have been asked to raise taxes.

705 However, let's put that aside and look at the concept of raising £1½ million in emission tax. A few other places do this. Ports of London do it, Barcelona I think has just brought it in. France, a lot of French ports were looking at it and they have decided not, or certainly not for the time being, because they thought they would actually deter trade. I think that is a real fear here as well.

710 There are 80-odd cruise ships booked for the season. To raise £1½ million, that is an extra, what, £6,000 per ship? At the moment, depends how big the ship is and how many passengers come

ashore, because there is a £2 charge if people want to come in shore, but that is roughly doubling the total amount that they pay at the moment in mooring charges and passenger coming ashore charges. The Ports team, they cannot prove it, but their strong instinct is that it will lead to a very significant number of ships choosing not to come to Guernsey.

715 Some people might say fine – I know it is one of those industries that divides the Island. Personally I think that would be a great shame and it could certainly happen. But secondly, although STSB is not a tax-raising Committee, we heard yesterday the current state of the Ports account, post-COVID. Ports as a body is losing a significant amount.

720 And what they are doing, of course is looking at all their cost base, they are looking at their charges and one of the charges they will look at will be the charges on cruise ships. This totally takes away from them the flexibility, with the elasticity that you have to consider before you stop ships coming at all, to raise charges in order to fill the deficit in the Ports account, because we have raided that already to put £½ million to hardly touch the sides in the central States' coffers.

725 So I cannot back this. I know many Members of the States do not back this and they may say, 'Oh, well, we'll vote for the Soulsby amendment anyway, when it comes to this one we will vote against it.' That is Russian roulette. Do not play that game. If you do not want to load this charge on cruise ships, the only safe way is not to insert it as a Proposition because be careful what you look for once you do, it is close to actually being passed.

730 The infrastructure levy: I am not against the idea of an infrastructure levy, but that is exactly one of the ideas that may be coming back this year. You have seen it in the Ernst & Young report, it is one of the four approaches that can be made. There is a limit to how much you can raise in extra corporation tax, so you cannot take this £10 million now and then still expect the £20 million to be delivered further down the road, because that then comes to £30 million and that comes to where you have become really uncompetitive as a society. So I think that it looks good on paper, but it is just really you cannot double count it.

740 Looking at changing to a defined contribution pension from a defined benefit pension for new employees. Why is that down in the list of possible savings? Because it is not. I can tell you so. I delivered a swap, from a defined benefits scheme to a defined contribution scheme for one of the Channel Islands' largest employers. I still bear the stripes. It was not very popular. We did it and it was the right thing to do.

745 What it does is it moves the risk of underperformance of the pension fund from the employer, so that the undertaking cannot be dragged down by two or three years of needing to make hefty contributions, onto the employee. But *no* good employer would use the changing from defined benefit to defined contributions as an excuse to reduce their basic contribution rate. In fact decent employers tend to put it *up* slightly in those circumstances to compensate their employees for the fact that they have had the risk put on their back, rather than the back of the employer.

750 So the idea that it is a big cost saving, no it is not. It may be the right thing to do, although goodness knows how you attract nurses and teachers from the UK that enjoy defined benefits schemes over there. It may be the right thing to do – instinctively, I think that it is – but do not mark it down as some kind of big saver of public funds, because it just is not.

755 Capital appropriations: £19 million saved by putting less aside for capital funds. We have underinvested in our capital programme for decades now, and what I have been hearing under this amendment is, 'Oh, but we haven't got the capacity to deliver, so let's give up on trying' basically; let's cut it down very significantly. Absolutely not. Our underinvestment is legion; we need to address that capacity issue. But actually, it is not just about the capacity for us to build schools and hospitals and ... I was going to say dairies, but it is not even in the capital programme. It never will be on this basis, that is for sure!

760 The money we put aside for the capital reserve also is going to be essential going forward for funding, if we do not do it ourselves, it tends to be the GHA, but for funding the affordable housing programme. I can tell Members, the States earmarked a large sum of money, about £34 million, to be spent on the Affordable Housing Programme some time back. And it was estimated that would be enough to cover the requirements as set out in the KPMG report. It is not going to be.

765 It is not going to be for all of the reasons you know; cost of building is much higher than it was three or four years ago when those estimates were being made. The grant requirements coming back from the GHA are higher than even they expected a year or two ago because tenders are coming back higher, because the cost of materials, partly driven by wars, partly driven by supply chains. So we do not have enough money there now.

770 Next month, we are going to be discussing a housing need indicator, which shows that we need to massively ramp *up*. We are going to be told between 700 and 800 affordable housing units over the next five years. We are going to be going, as ESS, to P&R and saying we need a massive injection from the capital programme into this affordable housing programme. And we will have cut down that ... Capability to do that, we will have totally eradicated it. Please do not pass that as an indicator and then having passed this as we are cutting £19 million per year out of the amount we put aside to capital reserves, because it is a nonsense.

775 Sorry, I am working towards an end, I know I have gone on for a long time, but I have literally thrown myself body and soul into this over the last few years and there are some things I do need to get off my chest.

780 What about the revenue cuts that are being proposed under this amendment? I do not think it is 2% over the next two years from States' Committees; it will be significantly higher than that. Because what it says is in year one it is 1% from all Committees, except for HSC, in year two, it is 1% across the whole States' revenue spending. That includes HSC, but HSC will inevitably need quite a big increase, because that is the direction of travel, so to make that whole thing go down by 1%, all of the other Committees will have to go down considerably *more* than 1% in year two, so we are probably talking about a 3% or 4% decrease in revenue spending. How is that going to work?

785 If any Member of Home Affairs, that Committee that says their services are so lean that they cannot make any savings are mindful to vote in favour of this amendment, I would really like to hear from them what the 3% or 4% is that they are going to cut out. I know the President probably is not going to, but there may be Members who *are* considering doing it, so I would like to hear how they are going to square that circle. And for any of you – a bit like Deputy Aldwell was saying – that any of you that serve on spending Committees, give me some ideas. I do not expect it to be the final answer, but you are probably going to be 3% or 4% lower in your revenue allocation in two years' time, how are you going to do that?

790 I think at ESS, having looked at it when we had that infamous letter from P&R, the most likely response would be a significant real-terms cut in the family allowance. Admittedly, we would obviously discuss it again and look at our budget again and that was not a final answer, but that seemed to be the most realistic way of actually achieving that sort of saving. But will the States support that sort of measure at a time when families of the squeezed middle are struggling with a cost-of-living crisis? Frankly I doubt it. I think we will put it forward and it will be rejected. In fact the most likely outcome for this amendment is that P&R will reduce all Committee budgets just as set out and most of those budgets will be broken. The Committees would just overspend.

800 My cynicism is really not helped by the fact that so many apparent supporters of the amendment are also so often calling for spending increases. Even if we did achieve the revenue reduction suggested in the amendment, really is it chickenfeed compared with the funding shortfall that we face. So I am sorry to say this but I think that this is a completely hollow amendment.

805 I could go on and on but I will not. I am going to say one final thing on the Soulsby-St Pier amendment and it is this. For any Member who is completely against the introduction of GST, and I know that many Members are and I respect their view and I understand why, this is definitely not the amendment for you. Indeed, in my view it just leads inexorably towards a GST but by a more winding and protracted route than that in the policy letter. In fact the proposers themselves have been honest enough to acknowledge that there is a real possibility, I would go further and say that it is absolutely inevitable under their proposals, because there are not the alternatives there to avoid it.

810 Sir, moving to a conclusion, and I really do want to speak about the positives of the tax proposals that this amendment seeks to delete. My motivation for serving on the tax and social – I am going

815 to call it the tax and social security working party – was really the same as my main motivation for
serving in politics over quite a few years since 1982: to advocate and to seek to protect those
Islanders of modest means. I knew that was going to be a really tough task while raising north of
£50 million at the same time. But I also knew that we absolutely needed those revenues. And I do
not care if the Chamber of Commerce members do not believe it or only 50% of them believe it. It
820 is absolutely the case that we need those revenues and you are deceiving yourselves if you think
otherwise.

So in the end I think we have ended up with a package, amazingly, where actually local
households will only contribute £20-odd million towards that north of £50 million. The rest will
come from business and from visitors, where those households on higher incomes absolutely
825 shoulder the lion's share of that unavoidable burden, *just* what so many people have been shouting
in the streets. Should be high earners, should be businesses; that is *just* what is going to happen.
Leaving those the vast majority of households on low incomes better off than they are now.

Just a reminder of what you will be, I think, chucking out if you pass this amendment. I think you
will be making it very difficult to fund the social security reforms despite their still being in. Out will
830 go the 15% tax bracket for those earnings up to £30,000. Out will go the direct financial assistance
to low-earning families; the higher pensions, the higher Income Support. Really we will be losing so
much if you throw this out and putting so little in its place.

I believe that we have come as close as we possibly can to achieving almost the unachievable by
having a package that raises so much while protecting those of modest incomes. (**A Member:** Hear,
835 hear.) I am proud of that income – outcome, sorry, I am not proud of my income. I am proud of that
outcome, and at the risk of sounding immodest, I believe that my presence on the Working Party
helped to achieve that. Of course no one ever likes to pay more taxes, but I truly believe, Members,
that the consequences of not acting decisively are going to be far worse and far more unpopular.

I am genuinely scared that this Assembly is going to flunk this decision, either by passing this
840 amendment or by voting everything out at the end of the day, and in doing so win the accolade of
achieving the biggest cowardly cop out in recent States' history. (**Several Members:** Hear, hear.)
And my goodness, there is some pretty strong competition for that title!

I went into the last election, I was perhaps unusual in going into the last election saying that
taxes would have to rise. Not immediately, I said, because of the impact of COVID and we needed
845 to recover from it, but within this term. But I confess, I 'fess up, I did reply there was nothing in my
manifesto about GST at all. But I did reply to one question through the *Press* website saying that
I did not support GST as an option because of its regressive nature. That was my sole concern, its
regressive nature. I still do not. But what is on offer today is not just a GST, nor is it regressive. It is
rather a very progressive package and it took a massive amount of work to get to that position.

850 Working up alternatives that do the same thing are also going to take a massive amount of work
over several years, believe you me. Of course it is still deeply unpopular. *Quelle surprise*. But I just
do not see the realistic alternative. It is certainly not in this amendment. It is neither fairer nor
realistic.

So just a reminder of what is at risk if we flunk the decision before us today. Savage cuts in our
855 publicly funded services which are already considerably more modest than *any* comparable
jurisdiction – well, save Sark, but I do not think that the Island would thank us for heading towards
that level of services. *Compounding* the underinvestment in our capital infrastructure which we have
been guilty of for far too long. A *failure* to fund the affordable housing programme, which is needed
not only for the sake of those needing housing now but is also so critical to our wider economy
860 (**A Member:** Hear, hear.) and our ability to attract and retain workers.

The inevitable racking up of a significant national debt. Almost certainly even more focus on our
credit rating and perhaps worst of all, dumping these appallingly difficult decisions on the new
Assembly to be elected in 2022. What a dreadful thing that would be. In fiscal terms we are in a
barrel and we are very near the lip of Niagara Falls. The Assembly we leave it for will already over
865 the edge and at that point it is very difficult to save yourselves. But we would be, through our lack

of courage, handing them that dilemma. I am not going to do that and I urge my fellow Members to show backbone and not to do that either. (**Two Members:** Hear, hear.)

870 But I cannot control their vote. All I can say is if they decide to kick the problem further down the road, *à la* the Soulsby amendment, or to duck their decision altogether, well, so be it. I will have given it my best shot to square the appallingly difficult circle of ever-growing revenue requirements of an aging community, the need to remain competitive economically – and that is just as important, otherwise we are on the road to ruin – and to protect those on low incomes. Those three things were really hard to reconcile. I think that we have done the best job that we can.

875 I can do no more. The decision is one for the Assembly and as a democrat I will, as always, respect the outcome, however profoundly I disagree with it. But please, I believe that the proposals in the policy letter are the less bad option and I am absolutely sure that we are not going to come out with anything better through delay. Delay is just a comfort blanket, do not indulge in it.

The Bailiff: Deputy Dyke.

880

Deputy Dyke: Thank you, sir.

I think that I will make my main speech on the policy paper now and then go on to the amendment that we are taking about. I will try to be as brief as I can.

885 First I would like to say how encouraged I am at how closely my views in this area seem to coincide with Deputy Gollop's. We come at these things from different angles, but seem to be reaching the same conclusion here. I have to say I do not agree with a lot of Deputy Roffey's comments. I must first thank P&R for all of the work they have been doing. We are having a little argument here about GST but it does not affect the way I think most of us respect what they have been doing and the hard work they put into all this.

890 Right, going to the point, I agree that we have a problem. We have several interrelated problems, in my view, starting with growth. Since 2009, our average real-terms growth has been 0.5% per annum approximately, but spending has been increasing by about 2% per annum in real terms. That is the point that is not sustainable. It is at this point that I think that we need to check our spending; that we cannot carry on, on that basis.

895 It is that gap that really is – between increased spending and lower growth – behind the Standard & Poor's downgrade. I accept Deputy Inder's comments that this is a problem and we must deal with it. It reminds us what we must do. But I do not think we need to panic right now. But we need to carry on and make action.

900 More worrying is the performance of our finance sector, which it appears, as a share of our total economy, is diminishing. The figures from Dr Sloan's recent presentation indicates that gross value added by the finance sector has dropped from about £1.3-something billion in 2009 to £1.2-something billion in 2021. So that is quite a worrying trend. I know Economic Development are doing their best to reverse that and I wish them every success with that. Another point from Dr Sloan is that with fiscal drag the tax burden on individuals has increased by 18% between 2009 and 2021. That is a really worrying figure and it probably explains why we have got so many people out in the streets with signs and ribbons protesting about GST.

905 So the question is, is more tax the only answer? No it is not. All economists make the point that every increase in taxation has a harmful effect on growth. Higher tax means lower growth – and we already have a low-growth problem. Twenty per cent, if you read different economists, is generally considered to be the sweet spot in terms of taxation as a percentage of GDP. Economies are different, ours is a very peculiar economy, so whether that is a correct figure applicable to us, it is difficult to say. But we seem to be going from where we were a few years ago at 19%, through 20%, up to 24%, or is it 26%? Or is it 28%, as Standard & Poor's seem to think? It depends on how you do your figure work.

915 So we must have growth. On a positive note, population growth and bringing in a younger population to help offset our aging population and add to the workforce is part of the answer. Well, we have already dealt with that. We have taken a vote and agreed that Development & Planning

must bank on 300 more people coming here per annum in our planning decisions. So we have done something already. That is a start, so good for us.

920 So what should we look at in terms of spending? I do think that in the figures put together by P&R on our capital spending, I do regard the 2% as a slightly random figure. I do think that 1½% in terms of a set-aside out of revenue per annum is a better idea. I do not agree with having a minimum spend of 1.5% per annum. I think that we must spend as we need. It might go up or down depending on the projects coming online. They tend to be lumpy, so it could be that one year there is very little.

925 If we did that it would ... That is just an accounting error and if our accounts were properly presented in accordance with international standards, as they should be, (**A Member:** Hear, hear.) we could deal with that somewhat better. I have to say I joined the Public Accounts Committee, ably chaired by Deputy Soulsby, 10 years ago and we were talking about that. It was one of the items on the table and we were nagging and getting nowhere. So that is a big issue. I do not know what is going on in the Treasury, to be honest.

930 Carrying on with capital spending, we must review every project one at a time. We should review every project in hand. We have got three phases of the Hospital expansion. If necessary, should the second and third phases be rescheduled? They will probably be rescheduled anyway because of the impossibility of getting buildings built, as Education are finding out.

935 Another point – Deputy Roffey is not going to agree with me on this – we seem to be, as the States, buying up half the land in the Island as a landbank, a massive landbank, for social housing. We have just bought up a couple of new properties which had planning permission and were ready to go in the private sector. They have now gone and in this massive landbank. Deputy Roffey was pointing to the figures in the housing needs report which are actually, to my mind, very controversial and worthy of some debate. That is another matter.

940 But what we are doing with this policy and squeezing out private housing, through the application of GP11 in some cases, is putting a burden on the States to provide housing for people who would otherwise be buying in the private sector. Why is the States taking over this area, almost totally? Obviously we need some social housing, but we should not be freezing out the private sector.

945 The economist Milton Friedman actually once remarked that if the government took over the Sahara Desert, within five years there would be a shortage of sand. (*Laughter*) I think this bears that out. On top of that we have a lot of unused States' property, as we know, and I know that P&R ... And some of the things I am saying I think P&R are doing. They are not stupid people, they are very intelligent people. But we just need to focus on it more.

950 And then how do we fund things and how do we account for the funding of things? If we take the marina development, an expensive project, we have to look at how much it is going to bring in, in terms of income, its value for growth, which we must not lose sight of. And then if we think it is a good idea, how do we fund it and how do we amortise the cost of it? If we are building a project that will last for a hundred years, it is quite reasonable to amortise it, say over 30 or 40 years. (**Deputy Vermeulen:** Hear, hear.) It is not necessary for this year's taxpayer to take the financial hit immediately. And it is reasonable – I am not a fan of borrowing, to be honest, we have got to be really careful about that – to borrow for a specific project.

955 On the subject of borrowing, the Standard & Poor's downgrade is not helpful if we have to borrow, but we do already have £300 million borrowed in the last States, a lot of which is still available for use, and I think that we have got a revolving credit facility of £100 million, *if* we need it. As I said, I am not a great spend-and-borrower. So all this would help with the financials, it would help with the spending and it would help for Standard & Poor's purposes because they I think have picked up on the figures that we have estimated, in my view too high, for our capital spending needs.

960 Then some smaller savings. We are challenged to suggest savings and I am told I am not on a big Committee so I do not know anything, but I do regard Planning as quite an important Committee. So what can we do? Little things: we could squeeze more years out of our States'

970 vehicles. My wife sold her car a year or so ago, it was 18 years old. We can look at things like that. Deputy Leadbeater suggested a couple of meetings ago combining the fire stations and saving money with that. I have heard that it is possible to share air traffic control with Jersey. We should discuss that. That would save money.

An interesting point came up, I cannot remember what the debate was about, was concerning ...
975 Oh yes, it was the legal aid fund, I think. It was concerning controversial custody hearings for children and apparently our costs in holding those have dropped during COVID by £1 million because the experts Teams-ed into the hearings with their views and comments. That saved £1 million. So maybe we should continue doing that. It might well help.

So, so much for the capital account. Comments on the revenue account, savings we could make
980 there. I think that we know that the Civil Service contract need ...

Deputy Inder: Deputy Dyke, thank you for giving way, but I just want to put a little bit of fair challenge in here.

Through you, sir, Deputy Dyke has mentioned a number of areas where he thinks savings could
985 be made, and it is a pick and mix. But we are not members of the public anymore inasmuch as we are not shouting outside in. We are actually in, trying to do things. I am genuinely intrigued, of all of these ideas that he came up over capital expenditure, at what point did he bring an amendment to a budget? What requête did he bring? What challenge?

Why is it today that everything has to be done? What has happened in the last three years, as a
990 Member of this Government, that has stopped Deputy Dyke, amongst others, considering these things or even using motions or amendments or requêtes or discussing with other Committees to actually push some of these ideas forward? It is a genuine challenge, sir.

Deputy Dyke: I thank Deputy Inder for his intervention. This is a debate about tax and spending,
995 so I am raising issues about tax and spending now. That is the answer, I think, to that question.

(Deputy Vermeulen: Hear, hear.)

All right: the Civil Service. I think we have some issues there. I now know, I thought I read it in
1000 *The Guernsey Press*, that P&R are looking at the terms and conditions, in particular the condition that seems to mean that whenever we let anyone go, hundreds of thousands of pounds go out of the window. So those things need looking at, efficiencies need looking at, the pension scheme has been dealt with by others. We do need to close it to new members at least. I know it is impossible probably to do it for existing members. But there are efficiencies that can be made from in the Civil Service and I think we should do that.

I think human resources is possibly a difficult area. On our Scrutiny Committee, we were
1005 presented with a very suboptimal report from Internal Audit on the HR department. I think that needs to be followed up quite seriously. And we have received emails *from* civil servants. I received one here, which I have got to redact to avoid identifying the person, but he/she is saying ... And they had written to me and I had written back saying what issues do you have in mind in particular, so you have not all seen this email:

Issues in mind: sending the wrong people on training at huge sums of money without a contract to stay and do the work or even finish the course. Structuring Departments with more managers than men/women on the ground. Replacing IT equipment and phones that worked perfectly and are up to date, only to then have ongoing issues with the new ones.

1010 And it goes on; I will stop there.

So even from within the Civil Service I think that there is an acceptance, and we have all received
other emails as well, which cannot be quoted in person. I am not suggesting, by the way, that our civil servants are hopeless. I have to say that our senior officer at Development & Planning was actually working on Sunday to answer some questions I had raised on Saturday. I was not expecting
1015 a response until this week. So yes, there are some hardworking good guys in there. But it is like the curate's egg.

Other things: looking at staffing at the ports, to be honest. That seems to have grown like Topsy over the years. We have got two ports and 26 or 27 senior managers, which is crazy.

1020 **Deputy Vermeulen:** I think Deputy Trott would like you to give way.

Deputy Dyke: Deputy Trott.

Deputy Trott: Thank you very much and thank you for giving way, Deputy Dyke.

1025 I just want to make two points to you with regards to the S&P evaluation and our debt. You mentioned that it was the last States that had borrowed this money. It was actually the States before that. But that is not the relevant point. The relevant point is that in the marketplace where these things really matter, the price in that bond has moved by *one* one-hundredth of 1%. In other words, by one basis point. The market reaction has been completely ... there has been no market reaction.

1030 But more importantly we are talking about the S&P evaluation in a way that misses the point. This bond is now being inflated away at about 9%, but the cost of borrowing is approximately 3½%. It is an absolutely fantastic balance sheet addition and one that is making the taxpayer *hundreds* – or benefiting the taxpayer – of thousands of pounds per year.

1035 So instead of talking down an S&P comment that has had absolutely no practical impact or negative impact at all, we should be remembering just how fantastic the decision of the States before last, which incidentally included me, (*Laughter*) but I was not part of the decision-making. It was a Treasury & Resources Department that I had no direct involvement with. But I have often lauded that decision and I continue to do so because the benefits to this community are absolutely enormous.

1040

Deputy Dyke: I thank Deputy Trott of reminding us of a good news subject. (*Interjection by Deputy Trott*) We need some of that.

1045 Where was I? Oh, here we are. I will pick up on a point raised by Deputy Inder, I think it was, a while ago, namely, are we the States funding a new bureaucracy within the NGOs that we are funding. I think it was him or maybe someone ... It does not really matter, but it is a point to be looked at. We fund a number of charities directly. Things like Grow Ltd, I think we make a contribution of about £140,000 per year, which seems to me like money well spent.

1050 But there are other greyer areas of these grants spending, some going through third-party bodies through which they themselves fund charities, and I have seen ads now for more administrators for these bodies, two or three in the last couple of weeks in the *Press*. So that needs to be looked at: is that all efficiently spent, including the money that is redirected from the probate fees and some other items in connection with forfeited assets?

1055 Something else we might look at, and hands up here, we voted for a new harbour board, which seemed to have a cost attached of about £500,000. I thought it was a good idea at the time and I voted for it, but I am beginning to wonder because it is now headed up by pretty much the same person who is heading up the harbour developments at STSB. So I wonder if we still need that. Might that be something that can go?

1060 We have challenges obviously in Health & Social Care, and as the years go by those challenges will increase, especially with the increasing price of new drugs. But there is some good news there. P&R, I think, did the negotiations, we have now got the new deal with the NHS, which not only helps tourists backwards and forwards between Guernsey and the UK, (**Deputy Vermeulen:** Hear, hear.) but also cuts considerably the charges the NHS makes to us for our referrals. So we may have more options for referrals on an economic basis to the UK, rather than handling things here. I guess that is going to be dealt with on a deal-by-deal basis going forward.

1065 Another good point in the making for Health is with regard to their key worker accommodation. They are putting forward proposals and I think this is going to be absolutely vital for nurse retention, which is so important to them. I cannot comment on where that accommodation may go – that will be for another open planning meeting – but hopefully, long term, that will be a help. It will help

Health retain its nurses and it will help release other properties on to the rental market, hopefully keeping some price control there.

1070

Deputy Blin – I hope he does not mind me mentioning – in a private conversation with a number of Deputies did mention the way that agency fees are structured by Health. He might be able to talk about that, but he has some ideas I think as to how they might be improved. He has extraordinary knowledge in this area and that should be used. Everything that we have got in this Assembly we should throw at the problem. (**Deputy Vermeulen:** Hear, hear.)

1075

With Health, I dare say that in some areas there are some efficiencies that could be made, in certain areas, without chucking out nurses. So we should all work on that. And as I said, the point that has been made to me is, 'It's all very well saying this, but you're not on a major Committee' but I think a lot of these points are fairly obvious and intended to be helpful.

1080

Then going forward we must avoid own goals and there are some out there that we have been making and could be making. This controversial idea of equal pay for work of equal value, which seems to have a cost of £50 million per year to our Civil Service budget, or it has probably gone up by now with inflation, probably even more if you add VAT, that is still hanging over us –

1085

Deputy Le Tocq: Sorry, it is actually really a correction, sir. We already adhere to equal pay for work of equal value. I think what Deputy Dyke is referring to is the equal pay, which is slightly different.

1090

Deputy Dyke: No, I was thinking of the item costed by the Kojima report at £50 million per year. I do not think that has gone, has it? Anyway, it needs not to happen and if necessary it needs to be formally taken out by a requête.

We have, I have to tell you, made an own goal in our discrimination legislation. A couple of the amendments I brought failed by one vote or by a draw. I think we have to revisit. (**A Member:** Hear, hear.) I am hearing things from the finance sector. We must not damage our competitiveness with Jersey, which everyone can agree with.

1095

So in short, we must grow the economy, beat the key competition, keep taxes as low as possible and right now focus on cost cutting. In terms of if cost cutting is not enough, then I think we have some alternative taxes we could look at first, but we must sell the whole thing more to the community. A lot of us stood on the basis that we were not going to introduce GST. (**A Member:** Hear, hear.) Obviously, if things become so urgent, so incredibly urgent, I would have been capable of changing my mind, but you cannot make a pledge in your manifesto and withdraw it lightly.

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I agree with Burke – Edmund, not the Chief Minister – (*Laughter*) that we are ... I had to get one back! We are not employed or engaged by the people to do what they say, we are engaged to think for ourselves and make the best possible decision. That is absolutely right. But in doing that, everything you said does have some bearing on what we do.

1105

So I will not discuss other tax options, because other people will speak on that. I do not want to take too long. Turning to the actual amendment that we are addressing right now, I do have a couple of problems with some of the clauses; some greater than others. Proposition 6 is actually a direction to introduce the capital and infrastructure contribution on corporate entities, which I take to be an increase, effectively, in registry fees. That is certainly something we should look at, but we are going to have to look at it with a view to what the registry fees are in competing jurisdictions and I would suggest those are Jersey, the Isle of Man and possibly Gibraltar.

1110

Proposition 8, I am not very happy on increasing TRP on non-domestic car parking. I have spoken to a lot of small businessmen over the last few months. They, a lot of them, are crying under the weight of TRP. It is huge for commercial premises and I do not think we want to add anything more to that if they have got parking spaces. It will just lead to them putting planters over them all and then nobody will be able to park anywhere.

1115

Cruise line charges, Proposition 9, well, yes, I think we have just corresponded on that. That would have to be researched before we did it. We would need to look at what the charges are in competing ports on the Atlantic coast.

1120

Also Proposition 11, I am nervous about adding cost to visitor accommodation. It is a competition issue which ... Deputy Vermeulen might have more views on that.

1125 Proposition 13 I am not at all happy about. This is to direct the Policy & Resources Committee to investigate the viability of investing States' reserves in local projects that align and support States' policies entitled 'A Fairer Alternative' which is a paper attached. I do not think that our States' reserves, our pension plans or any of our funds should be invested with any other view, other than maximising income, because we desperately need it.

1130 It is a whole other discussion but there really is nothing wrong in investing in Shell or BP. We need gas, we need oil and none of these things are that clear anyway. BP is putting a huge amount into windfarms. So is it a good company or a bad company? Who knows, who cares, it is a great investment, possibly, at the moment and if it is, we should be in it. That is a side issue from this but it is a big point because we are talking serious money. One per cent off our funds per annum would be around £30 million a year. So we cannot afford to let that go.

1135 So I am slightly in two minds about this. As I said, I think P&R are intelligent people. I do mean that, including the Chief Minister. (*Laughter*) And I think they are going to take note of what we are saying. So I do not know what I am going to vote about this at the moment, but with all due respect to everybody, this is an interesting debate and hopefully we are all listening to each other.

Thank you.

1140 **A Member:** Well said.

The Bailiff: Deputy Burford.

Deputy Burford: Thank you, sir.

1145 I want to begin by genuinely congratulating Policy & Resources and the working group on the policy letter itself. Although not perfect – and what is? – it is well-researched and proposes a generally, and perhaps surprisingly, progressive package of measures as a solution to the States' finances.

1150 On the point of progressive taxation, I strongly believe that the level of financial inequality in our Committee is totally unacceptable and that we must make life easier for those on lower incomes. Not only because it is the right thing to do but because it is vital to hold our community together and avoid people becoming disaffected and/or simply leaving. Whatever one's view on GST, it is unarguable that in their current format and as a complete package the proposals *will* redistribute money from the richer members of our community to those on lower incomes.

1155 I also agree with much of what the President of P&R said in his speech, although I take exception to his implication that because some Members did not turn up at the three opportunities to ask questions, they were not engaged. For myself, I had already had an hour-long meeting with two senior civil servants in Treasury who answered all the questions that I had and I suspect that applies to other Members too.

1160 It is unarguable that we need to raise more revenue and indeed comparisons with other jurisdictions do show that this Island is not as profligate as the commonly held narrative might suggest. So savings alone are not going to cut it, and neither will taking away services that people want, need and have become accustomed to. So given all of that, why am I unable to support P&R's proposals? There are two reasons, both of which have been touched on by others, but I would like to expand on the points a little.

1165 The first reason is that the timing is wrong. This might seem like either a very minor quibble or an extremely convenient excuse in the grand scheme of things, but that could not be further from the truth. It certainly is not the latter, as not only have I supported highly contentious issues in the past, but I have actively brought them to this Assembly and championed them – not to mention standing in front of a somewhat unhappy crowd of two thousand Islanders to explain and defend them.

1175 P&R have failed on not just one but two occasions to persuade the community of the progressive nature of their proposals. I think that this is partly because they were, to an extent, using 20th century methods in a 21st century world. Although they have done livestreams on Facebook, hired halls and venues and issued a mailshot, they have not reached out either adequately or in a sufficiently effective way to the new public square.

1180 Whatever one's personal view of the world of social media, and I get the impression that amongst a majority of P&R Members it is not a favourable one or a place where they spend very much time – indeed Deputy Ferbrache has said as much in this debate – it is where many of our community congregate.

1185 As one example, 'Guernsey People Have Your Say!' on Facebook has 20,000 registered members. Some will not live here, some will never use it, but there is no doubting its reach. With few exceptions, P&R have done what is known in online discussion forums as 'plopping and running'. There has been insufficient two-way debate with those who feel that GST is going to be the straw that breaks their back. Many of those on lower incomes simply do not know and it is not their fault that whilst the cost of goods and services will go up, for the vast majority on lower income the deductions column in their pay packets will come down by a larger amount.

1190 I must credit Deputy Helyar on his detailed responses to people who have emailed us against GST. He has clearly spent a long time patiently doing this, but it is not possible to cut through to the community one by one. Unlike replies on popular social media forums, there are not hundreds of people reading each one of those carefully crafted explanations.

A little over a year ago Alderney Representative Snowdon said in this Assembly:

Just to emphasise, Alderney is against GST ...

Alderney Representative Roberts said:

... Alderney fears the avenue of GST.

1195 And yet, *The Guernsey Press* reports that not only have the two Representatives had a total change of heart, but so has the populace of Alderney, it would seem from reports. No such widespread Damascene conversion has occurred here and in truth, whilst I think that many more hearts and minds could have been wooed than have been, if the right approaches had been deployed from the start, preferably the first time around, it may still be the case that in Guernsey it was a battle that could never have been sufficiently won. To return to my original point, that is where timing comes in.

1200 If we approve GST, it would be slated to come into effect either just before or just after the next election. Either way, it is going to be a huge election issue, and that is a big problem. Single-issue elections do not produce, in my view, balanced, effective parliaments. We saw it last time with education. On the doorstep the question was inevitably and invariably two or three schools. Goodness knows how we ended up with four, but that is another story. (*Laughter*) The point is that for many people that issue was, sometimes for reasons which did not stand up to fact-checking or scrutiny, their red line.

1210 We will either implement GST just before the election and candidates will run and succeed on a pledge to repeal it or it will not be ready in time and the intention will be to implement it just after the election, in which case candidates will run and succeed on a pledge not to implement it. Either way the result is the same: an election run on a single issue, rather than the broad issues we should all be concerned about, and no GST to show for it. Totally unsatisfactory in every way.

1215 I listened to *The Guernsey Press* podcast with Deputies Ferbrache and Meerveld. At least three times in that hour-long interview, Deputy Ferbrache referred to the important of the realpolitik of the various situations. This is the realpolitik of GST being approved now and it simply cannot be ignored. What is the point of two years' resource-hungry work, setting up systems, spending money, preparing the community, if it has no chance of becoming a reality? That truly would be kicking the can down the road and paying for the pleasure. GST is, in my view, currently politically undeliverable.

1220 Had GST been introduced within the first half of this political term, then those on lower incomes would have been able to see and experience the increases in their pay packets from the lower band of income tax, the increased personal allowances and the restructured social security. It would have bedded into the fabric and norms of the Island, albeit not without some resistance.

1225 Businesses would have largely meshed it into their accounting procedures and by 2025 it would have ceased to arouse the same degree of understandable visceral reaction that it currently does. It would have figured in the election, perhaps to the extent that candidates would pledge not to raise it further. There would be vital oxygen for other issues.

1230 Talking about raising the rate brings me to my second point. No States can bind another or indeed even itself. Any resolution today to require a States' decision before raising GST, although well-intentioned, is essentially meaningless. The glaring Achilles' heel of the overall progressive package is the vulnerability to increases in the regressive element. Need an extra £15 million to balance the books? Hike GST to 6%. Want to increase the capital transfer? Call it 7%. New drugs and treatments? Make that 8%. But it is very unlikely that countermeasures would be implemented at the same time to protect those on lower incomes and for me that is its second fatal weakness.

1235 We may be proposing to help those on lower incomes now, but if this package is successful and if it succeeds in being implemented – two very big ifs – how long would that brief respite for lower-income households remain before they find themselves back to where they were or possible even worse off?

1240 I also find it hard to reconcile Policy & Resources' proposal when the majority of those bringing it refuse to push for a review of the significant surplus in the primary school sector and greenlighted an unnecessarily capital- and revenue-intensive model of secondary education.

1245 So for reasons of timing and vulnerability to increases, I cannot support the policy letter, but neither do I think that we can credibly walk away with this week with nothing. I can pick many holes in the Soulsby/St Pier amendment. As I said before, nothing is perfect. I am extremely disappointed that it is not more redistributive than it is and that there is nothing in the terms of reference to subsequently achieve that redistribution.

1250 In terms of the various alternatives before us, however, it probably represents the only chance out of all the options on the table of achieving an aim of this debate, which is raising some revenue in a manner which is acceptable to the people of this Island and by extension therefore has a chance of being implemented. What is clear is that if it is implemented it will not be anywhere near enough or the end of the matter and the next Assembly will need to get grips with income and expenditure sustainability from day one.

Thank you.

The Bailiff: Deputy de Lisle.

1255 **Deputy de Lisle:** Sir, strictly on the amendment, the focus on spending cuts in the amendment I favour and is commendable. But it could also include GST in the long term and it proposes in the amendment new taxes to raise additional revenues and proposes more indirect taxation, probably aimed at diversifying the tax base away from Income Tax, which I cannot support. Neither can I support big spending on capital projects – £57 million a year, did I hear? Spending is in reality, in Guernsey States, out of control and staffing review has been delayed unnecessarily. We have to live strictly within our means (**A Member:** Hear, hear.) and cut back, as private business is doing all over the shop. (**A Member:** Hear, hear.)

1265 Sir, hikes in taxes and the introduction of new taxes, certainly I do not go for, are bad for any economy. They slow down the economy, they undermine economic growth, they reduce competitiveness and local households have less disposable income – and that is an important one – to spend on consumables. So I think that it is time to think again and certainly I will not be supporting this amendment.

1270 **A Member:** Hear, hear.

The Bailiff: Deputy Matthews.

Deputy Matthews: Thank you, sir.

1275 This amendment starts off by removing all of the Propositions from the policy letter, the most significant of which is to remove – in my view – Proposition 2, the GST, or the Proposition which would introduce GST. I will not talk for a very long time about GST, sir, because I did want to speak in main debate as well and I think I could probably sum up fairly succinctly my views on it or a good representation of it.

1280 I had a friend of ours that came over and visited with a partner from Australia and we talked about political aspects that were happening in Guernsey and that we were thinking of introducing GST. I am not very good at an Australian accent, but his response was, 'GST, flaming disaster!' (*Laughter*) And I think that pretty much sums up the view that people have in Guernsey about what GST would be like. He said that everything went up, everything got much more expensive, everything became much more difficult for working people.

1285 That was introduced in Australia in far more benign conditions than we have here. Australia thought about introducing GST in the 1990s and finally introduced it in the year 2000. Far more benign conditions than we have now, when we have a worldwide cost-of-living crisis driven by all sorts of supply chain issues and the war in Ukraine and an energy crisis – absolutely the worst time to be thinking about increasing that with GST.

1290 Of course P&R have been very keen to point out the mitigations in the rest of the package to counteract that, but I think that that has an extremely narrow view of what constitutes who is well off and who is poor. It is a very transactional view of that, just to look at income. What about asset value? What about people's net worth? Some people make themselves intentionally have a low income for income tax purposes and are able to live from capital gains which we do not tax. Some people have extremely high property worth. So they may have a low income but they may be a property millionaire.

1300 On the other side of that, it does not really account for things like consider the pensioner who has built up over time some life savings of some fairly small ... £10,000, as soon as you introduce GST – which they are hoping to use for covering rainy days and expenses and when times are hard – the value of those savings decreases because everything that they might want to purchase goes up. That is the main downside to GST, is the inflationary aspect that it brings in.

1305 On the subject of inflation, it has been noted that one of the most immediate impacts, as well as the 5% increase to the cost of goods that people would purchase, is that there would be just a direct impact on the RPI measure, because that is the basket of goods that is calculated to give us our RPI figure. It says in the policy letter that would be 3.25%, because RPI excludes some things like rent which are not subject to GST. Almost everything else is because we brought it in a very broad way.

1310 But having this direct impact of 3.25% on our RPI figure directly impacts our States' finances. It says in the policy letter that pensions and benefits would rise by £7 million to £8 million as a result of this direct impact of the increase in RPI. The Public Sector Pension Fund, which of course is funded by the Superannuation Fund, so it does not come from tax revenue, but we are on the hook for the liabilities to the Public Sector Pension Scheme, that would be £2 million. And of course the States' payroll would inevitably rise. We do not automatically apply RPI to States' pay, but we have done and P&R has a current deal at the moment to increase States' pay –

1315 **Deputy Mahoney:** Point of correction, sir.

Deputy Matthews: – almost across the board by RPIX –

1320 **The Bailiff:** Point of correction, Deputy Mahoney.

Deputy Mahoney: Just saying we automatically apply RPI is incorrect, isn't it? The last pay rise, it was zero per cent for everybody, except for nurses and PSEs. So we do not simply apply RPI just across the board.

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The Bailiff: I do not think Deputy Matthews said that the States do. (*Interjection by Deputy Mahoney*) Deputy Matthews, please –

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Deputy Matthews: Yes, just to correct the correction, I said that we *do not* automatically apply RPI to the States' payroll, but we tend to, and there is an expectation that is built in that RPI will be the bottom line in a negotiation. Of course we do not have to and you could leave the next negotiation with a very tricky discussion to have about how you wanted it to be much less than RPI. And if you had that discussion, you might well then face the sorts of situation you have in the UK now where you have industrial action because you are providing much less than RPI. That would be a difficult conversation that you would then be leaving for who would have that later. But the impact if you did apply 3.25% to the States' payroll would be £10 million.

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If you add up those three, just those three, that is £20 million straightaway. So this amendment is already £20 million ahead because it does not apply GST. And the rest of the amendment is a list of reforms to cut back across all Committees except HSC. I think that would be the minimum that we would need to do to have credibility with the electorate and the business community at the moment. We could not even think about really introducing – and of course this strips out GST, but – about introducing something as damaging as a Goods and Sales Tax without having tackled some of the cost and increases in States' expenditure.

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So I am not going to go through in detail all of the Propositions. I think they are good. I think that there is some wisdom there. I will speak to one of the amended Propositions that would be inserted, that is amended Proposition 17, which is to close the public sector pension scheme to new entrants. This is one where I actually find myself in agreement with Deputy Roffey. I do not think it is as simple as closing it to new entrants and thinking that you would then make a saving.

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I do think that the scheme could do with a review, and that should happen, but I think that closing it does not necessarily get the gains that you think it might do straightaway and it does have a disadvantage for us in terms of recruitment in Health & Social Care. It will be actually quite difficult to then make the case that the roles here are equivalent to UK ones and I think that if you were thinking about doing that for new entrants, you would need to put some more thought into how that was one. I do think that there is a review that is due and the affordability should be looked at, but simply closing it to new entrants is not necessarily the way ... So I would vote for the amendment and then vote against that Proposition.

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But on the subject of Health & Social Care, Health & Social Care is the Committee that is excluded from cuts. I am a Member of Health & Social Care and of course that begs the question can we just cut the budget there? And I think that the answer is no, not easily. There are no easy efficiencies that are to be made. That was one of the first subjects of our first Committee meeting: are there any efficiencies where we could just wander round and make a cut back and not cut any services; and the answer is no. All of that has been done. There has been a process of that that has happened over the years, so if you wanted to make cuts you would be making cuts in services.

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There are cuts of course that you could make and you could cut back on some of the commitments that the States have made. So things like NICE TAs, which has been expensive, or would be expensive, but you would be cutting back on the service that we provide. And most of the increase in Health & Social Care is really due to pressures that are caused by the aging population.

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In some ways I think that if you look at most of the increases in the budget overall, Health & Social Care constitutes a lot of them. And in some ways, in a previous amendment Deputy Meerveld talked about ... or no, he did not talk about, he had floated the idea of a referendum. I think that this is really the sort of ... and he had three categories of what sort of Government do we want, and really it would be what sort of healthcare system do we want. That would be the question we would be asking, because that is the difficult question that we have to answer.

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1375 But one part where I did depart from Deputy Roffey was he chastised me I think for saying that we are not in a crisis, or healthcare is not in a crisis. (*Interjection*) Or I think that was what Deputy Roffey said. I will give way, if Deputy Roffey wants to correct.

1380 **Deputy Roffey:** I was talking about the broader States' finances, rather than healthcare specifically, although certainly driven by demographics and health costs as well.

Deputy Matthews: Thank you.

1385 To some extent, in Health & Social Care, we are always in a crisis. That is the nature of healthcare. We have an emergency department; healthcare operates like that. But the fact is that healthcare will just soak up as much budget as you can put at it. That is the nature of the beast. Deputy Roffey may not have singled out healthcare, but Deputy Murray did say I should be acknowledging that there is a crisis in Health & Social Care and that it is so severe and so sudden and so unpredictable that it would cause all of us to go back on our manifesto commitments to not introduce GST. I simply do not accept that.

1390 **Deputy Murray:** Sorry, sir, a point of correction.

The Bailiff: Point of correction, Deputy Murray.

1395 **Deputy Murray:** I said nothing of the sort about going back on commitments and so on and so forth. I did very much say that we have a crisis in healthcare and it is very predictable that it is going to get very much worse. So I completely disagree with what has been painted here.

The Bailiff: Deputy Matthews.

1400 **Deputy Matthews:** Sorry, I think this sense that I got from Deputy Murray's comments was that the crisis, because he specifically referred to Health & Social Care, was immediate enough that we needed to go with the Policy & Resources proposals which, by extension, would mean bringing in a Goods and Services Tax which is, in my case, against a manifesto commitment to oppose Goods and Services Tax. But I just do not buy that that is the case .

1405 I think if you are saying that there is a very severe crisis in Health & Social Care, that that contrasts a little bit with Deputy Ferbrache, who was praising our Health & Social Care services and saying how good they were in comparison to the services that the United Kingdom current offers. And HSC provides a very good service within the current constraints that it has. If there is a crisis in Health & Social Care and the top most issue that we have, it is in recruitment and housing. That is the issue where we really struggle. That is what causes us the most pain in Health & Social Care.

1410 Actually, I have a subsequent amendment which I think addresses that much more effectively than would be addressed by simply throwing money at the issue, by introducing Sales Tax to get more revenue in and just keep on throwing more and more money at this. But I think that in general we do need to have, as we go through, a conversation with the electorate about what sort of Health & Social Care services we can provide at what level of budget.

1420 We cannot simply say, 'Well, this is what we used to provide in 1990 without a Sales Tax and without increases in taxes' and just expect that to carry on through the 21st century when we have an aging population and less funds available because we have a shrinking working population and a growing retired population. I just do not think that the most effective way to fund that shortfall is through either what we currently do, which is taxes on employment, effectively, or through taxes on consumption. I think that we need to rethink how we are doing that. But in the short term, with the proviso that there are some Propositions that I would vote against, I would in general support this amendment and I think that the forward thrust of it is positive.

Thank you, sir.

1425 **The Bailiff:** Deputy Leadbeater, is it your wish to be relevé?

Deputy Leadbeater: Yes please, sir.

The Bailiff: Deputy Brouard, then.

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Deputy Brouard: Thank you, sir.

I do feel a bit like a pawn in a political battle with this amendment, fighting for the hearts and souls of States' Members and the electors. I am a simple soul and I do not think it is fair that I inflict my personal thoughts on you as a trapped audience or for those trapped on the radio.

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But I think that we have to remember what our role is in Government and it was thinking of some of the words that Deputy Matthews ... We raise funds to provide services which individuals cannot do on their own. We provide the schools, the Hospital. The size of that is quite an interesting equation between what the public want, how much they are prepared to pay and how we as a Government then divvy up those particular funds.

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Deputy Matthews mentioned it was the worst time to raise GST, but that does not stop people asking for services. People are still asking for services now. I have had one person, in two and a half years, who hypothetically said they would like to have less care, less NICE drugs. I did not dare venture to the next stage and ask them when their leg is hanging off after the car accident whether they still have the same view, because I do not think that they would. Of all the people that contact me, everybody is asking for more services. They want that higher standard. They want the latest NICE drugs. They want to have lower class sizes. They want to have a really high-quality education. They want roads without potholes in. They want harbours repaired. But they also do not want GST.

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So there is the conundrum and I have probably moved my position over the years. I used to be quite happy to say, 'Well, actually, I don't really want GST' or, 'I can't quite see the point of it.' But over the years, and I have been here a while, I am now getting to see that yes, I think there is a place for a GST. I think that broader capture, so you do not have to rely solely on Income Tax. It captures some of the money from the corporates, it catches money from tourists. Yes, I can see ... Because we do need to raise more funds.

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And this idea – I will through and do a little bit more detail in a minute, but – that we can somehow reset the clock and change the size of Government in the next two years is farcical – absolutely farcical.

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So I am just going to touch on some of the Propositions; I will be fairly quick. The first one of the amendment, as far as I can work out, is meaningless. It is:

To agree ... the longer-term financial position of ... Guernsey is unsustainable and effective measures must be implemented in a staged approach ...

Well, yes, that is the obvious.

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Proposition 2 is:

To agree that the States must determine the role and size of government ...

My goodness. That is our job now, today! We have crafted into this particular position. If you are going to go back to Committees to try and find out how big the Government should be, you might as well also have another Committee to see how many fairies can dance on the head of a pin. Because it will be that nebulous to try and find exactly what it is that we are all going to agree and then come back with three different Propositions, I think was one of the ones we had yesterday. It is going to be virtually impossible to do that.

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I do remember quite cannily a story from my, partly a mentor, really. My first President I ever had in the States was a guy, a very canny gentlemen called Deputy Bill Bell. He had a really tricky issue he said one day and he did not quite know how to do it and it was really unpopular and he struggled with the idea. So what he decided to was he set up a Committee. (*Laughter*) So I said to

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him, 'How did that work?' He said, 'Well, we never actually met'. And that is how he got round the problem. He parked it nicely in a Committee and that is where it sat. I think that will be much the same with this. This will take *years* for us and different opinions as to the size of our Government.

1475 So then we have another Committee now on Proposition 2(b). This is to look at establishing the overriding objectives of investing changes into the corporate tax system. That is already in P&R's proposal in Proposition 4. So we have just reconstructed that again. But again, we are having a new Committee, rather than the professionals who are already there now.

1480 Then we go on to, only if Proposition 2 is proved, we have Proposition 3, which is basically the 1% real-growth reduction. Do you honestly think that we could probably contain our costs ...? We have already had many reviews of services. I do appreciate some of the issues that were brought up by Deputy Dyke, we should be doing those ones, but they will never touch the sides of the demographics that we are facing. We need to get that new Hospital built *now*. We will need it in a few years' time. If we do not build it now, it will not be ready. We need to be preparing for what we can see that is changing with our demographics.

1485 I think that we will struggle to have two years – in fact it will probably be more like three years – of holding the States' expenditure and reducing it. I do not think the public have got any idea what that would actually feel like to them with regard to the services that would be cut and not provided. We struggle in Departments *now* for staff to write policy, to bring forward items that we as a States' Member ... We reprioritise and reprioritise again on the Government Work Plan because of the lack of resources.

1490 So I do not think that Proposition 3 has got anywhere to go, Proposition 4 is exactly the same. So we have got on to Proposition 5, where we are looking at the infrastructure projects and the idea of we are going to make money by not spending it. So we know that our roof is broken, but we are not going to get any money to pay for it and that then becomes a £19-million savings because we did not actually spend the money on the roof that we need to repair. I find the whole amendment meaningless. It is fluff. It looks like there is something there, there is some substance, but for a simple person like me, when I dig down, I cannot find it. I cannot find this golden nugget. I am in the same camp as Deputy Roffey here: we are just chasing unicorns.

Proposition 6:

To direct the Policy & Resources Committee to introduce a new 'Community & Infrastructure Contribution' ...

1500 But we have already got, in P&R's proposals on 6.52, £8 million from the finance industry which would be their contribution of there was a GST in place. So that is already covered from there.

Then we go to Proposition 7:

To approve the development and implementation of the following changes no later than the end of the ... term –

– the Social Security things. Fine, but that is already, again, in place in P&R's proposals.

Then we have Proposition 8:

To direct the Policy & Resources Committee to review the structure, application, and rates of TRP on non-domestic ... parking areas

1505 Well, they can do that now, it is a good suggestion. Fine, let them see what they can do with that. But that does not necessarily need to have this States' Report to do it.

1510 Proposition 9: to direct the States' Trading and Supervisory Board to look at an admissions levy. I can just imagine trying to ... Well, Deputy Roffey I think has already mentioned some of the difficulties of raising £500,000 per annum from cruise ships. Again, half a million pounds is a substantial amount of money, but it does not come close to the deficit that we are facing in the future. That is the real problem.

Proposition 10:

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

They do that every single day, that is part of the Budget process, that is already in place.

1515 Direct Policy & Resources, in the absence of GST, to investigate options for alternative contribution from visitors – again, they look at that at the Budget all the time anyway.

Proposition 12: to direct Policy & Resources to investigate the proposal to raise capital for eligible projects for using a sustainable bond – we have already raised funds using the bond. Deputy Trott made quite a bit of mention of it in his speech. We already do that. We do not need this to tell us to do that.

1520 To direct Policy & Resources – Proposition 13:

to investigate the viability of investing the States' reserves in local projects ...

We already do that through, I think it is Ravenscroft. We already have that as part of our investment portfolio. That is already there now. This is just telling us stuff we are either already doing or we already know. Why? Because it had some weight to it. There is nothing substantial in here. That is what I am struggling to find.

1525 Proposition 14:

To note that the Committee for Employment & Social Security is investigating ... further measures ...

Well, okay. We have noted it; thank you.

Proposition 15:

To direct the Policy & Resources Committee to provide an estimate of the structural deficit ...

Well fine. Okay, tell us what it is, yes. They have told us several times, but if we want to be told again, we can be told again.

1530 Proposition 16:

To direct the Policy & Resources Committee to report back on the impact of the measures arising from the ... propositions by June ...

Proposition 17:

To agree in principle that the public servants pension scheme should be closed to all new entrants ...

1535 I have always said I think we need to move to a defined contribution scheme. However, we have to be very cognisant where we have our staff from and what pension schemes that they are already on. So teachers, nurses and allied health professionals who come to the Island to work, we have to be cognisant of their pension arrangements. You will struggle to get a teacher to come across or a nurse from the UK if we say, 'Sorry, we're not going to do you a pension scheme anymore'. That will be just another hurdle in us trying to recruit. So I understand the principle and I believe, Treasury have already advised me, that this is an area that they are already looking at. So again, this is trying to make substance to this amendment for something that is already in train.

1540 Proposition 18, look at TUPE, which is the safeguarding of undertakings. Again, not exactly going to bring in any further funds.

Last two. Proposition 19:

To direct the Policy & Resources Committee to prioritise ... [these] actions ... in the Government Work Plan.

So suddenly these actions now become the priority and all the work we spent on the last umpteen years trying to get our priorities in place, it gets superseded by this.

1545 And then finally:

To direct the preparation of such legislation as ... necessary ...

I am struggling to find where the magic bullet is to solve this. (**A Member:** Hear, hear.) This is a really difficult problem. This is why the electorate have chosen us to make these difficult decisions. Yes, we need to explain better, and I fully appreciate that Deputy Burford would be happy with this, if we had sold it better to the public. I think that she is probably right. But that does not mean that
1550 you do not support them because you have not sold it well enough to the public. If it is the right thing to do, for States' Members, then it is the right thing to do. (**A Member:** Hear, hear.)

So I would, Members, please ... You might think this is a nice comfort blanket for you – it is not. It will come back and haunt you. Look at your consciences and think what is absolutely going to be really best to make Guernsey strong, have the funds we need in the future to provide the care that
1555 our community needs and services that we need. And I would suggest that this Amendment is thrown out.

Thank you, sir.

The Bailiff: Deputy Murray.

Deputy Murray: Thank you, sir. I will be as brief as I can.

God help me, I probably agreed with pretty much everything Deputy Roffey said. There were a couple of exceptions and one of those was actually removing P&R, but I would say that, anyway, wouldn't I? The other, actually, was in relation to his view about the regressive nature of GST. That
1565 is exactly why I was opposed to it originally, absolutely, because in its normal form it is. But in fact this is not the same form that I would have presumed a GST would have come in, which is why I have changed my position.

But anyway, on to the amendment. With this amendment we have something of a smorgasbord. Something for everyone. Indeed the amendment appears to resemble more of a manifesto, but I am sure that is just a coincidence. Nevertheless, Deputy Soulsby and Deputy St Pier are to be commended on producing such a detailed alternative to replace the package being proposed by Policy & Resources. (**Deputy Vermeulen:** Hear, hear.) It does, however, contain some initiatives, that I think Deputy Brouard has just referred to, that are already proposed or indeed already under way. But of the very new suggestions, (2)(a) and (b) are proposed to be pivotal to the entire package, so I would like to address those, taking (b) first.
1575

Yesterday, in an unusually constrained address, Deputy Inder reminded us of the Island's dependence on the finance sector and the concern being expressed regarding proposals being brought forward to investigate changes to the current Zero-10 regime, particularly in relation to a territorial tax and the implications to stability and certainty.

In *his* opening address, Deputy Ferbrache explained the lengthy and detailed work already undertaken in this regard by Ernst & Young. It has been referred to by a number of the speakers. Specifically to understand what scope there might be to obtain additional revenues from the corporate sector, something that everybody is calling for. The results are contained in the policy letter in very great detail.
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Reading that, it becomes very apparent that the safest, easiest route to potentially extending any returns from the sector is via a simply levy, in conjunction with the other Dependencies. That is already being explored and yet Deputy Soulsby and Deputy St Pier propose creating a Committee to investigate all of this again, presumably believing that a collection of Deputies can arrive at something more detailed and more useful than is already evidenced in the reams of data detailed in the policy letter.
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There are two immediate concerns with this approach. The first is that it appears to me that Deputy Soulsby and Deputy St Pier must believe that a world-leading consultancy is either wrong or has not done their job properly. This time we will replace it with a Committee of States' Deputies. If I was Ernst & Young, I would feel somewhat slighted by that and one might also wonder whether it was advisable in the eyes of Standard & Poor to ignore the advice of widely acknowledged experts.
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1600 The second is that this entire area of corporate taxation is highly complex and very sensitive. It must be done in consultation with the other Dependencies, something that is already being pursued by P&R as part of their mandate. What then is the added value that a no doubt well-meaning but disparate collection of Deputies is likely to provide in such a specialist area? Are we to assume that the proposer and seconder have little faith in our External Affairs and Treasury team, who are skilled and practised at delivering on all manner of international obligations, including those stemming from Brexit?

1605 The bold truth however is that the only viable option for obtaining a relatively risk-free approach to pursuing any further income from corporates and local business is via Option 4 in the policy letter, a levy. Ernst & Young understand that, as do industry representatives, and this could well be delivered in quite a reasonable time frame, certainly without recourse to the International Code of Conduct Group for consideration. This is obviously an extension if GST was not to be brought in. This is already being looked at.

1610 I am really struggling to understand the necessity and indeed through the very act of establishing a formal Committee, with these proposed terms of reference, we would be sending a clear signal to the sector of future uncertainty, seemingly until the end of this term, when it is proposed to report back to the Assembly. There is considerable risk attached to such an endeavour and that has been echoed by the sector.

1615 Turning to proposal (2)(a) this is somewhat similar to what was being mooted in the sursis, but to give credit, there is a high-level attempt at terms of reference for the proposed Committee and it is very extensive. Essentially it would appear to propose a redesign of Government pioneered by five Deputies and two non-States' Members. It sounds not unlike the intention of the transforming Government initiative, which has unfortunately not delivered on its promise to date.

1620 But my immediate concern is that the extent of what is being proposed would prove far more complex to deliver in reality and I also doubt that Deputies are going to be the best candidates for that job. Furthermore, with such a diverse range of services across the public sector, attempting to devise a means of getting the necessary and very large cross-section of the public intimately involved in informing decisions is extremely challenging. Indeed criticism has already been voiced that not enough has been done to secure confidence in the impact of GST in the public. Can we imagine the engagement needed to find common ground for a complete redesign of service provision?

1630 But moreover, whilst I have sympathy for the need to rationalise Government, particularly in relation to the impact of further taxation, what we know is where the pressure already is and where it is going to grow, exponentially, and that is specifically in Health. So despite the proposed terms of reference being extremely broad we would be far better served in terms of our future taxation needs if we focused on how we redesign a sustainable health service. In that regard, that much I agree with Deputy Matthews, because that is a major component of the existing and future structural deficit.

1635 It would be a far better approach to take that sector of Government's portfolio as a first step and establish what the public want, what they are willing to pay for, and how it will be sustainably resourced. That is where the lion's share of taxation goes already anyway.

1640 To further illustrate why I believe the approach has the wrong focus, the amendment also proposes a 1%, in cash terms, cash limits except for Health. The proposer and seconder clearly recognise where the bulk of taxation is going already – where it is going and where it is growing. And yet what is likely to happen under such an approach is that any savings will be immediately swallowed up by Health. It has a voracious appetite.

1645 Indeed what perhaps is not really being understood about the package of measures being proposed in the policy letter is that additional revenues are not intended to be dished out liberally to enable government to go on a spending spree. They are primarily there to address the unstoppable pressure from an aging demographic for more and more health provision, and to ensure that pension commitments can be met. Those are the circumstances that are driving this, in addition to providing a contribution to necessary infrastructure investment.

1650 And finally, we are out of time already, and it is why I remarked on the seeming lack of
recognition yesterday that in so far as health is concerned, we are already in a crisis situation. And
notwithstanding the increasing impact on revenue, we also have a very major CapEx project under
consideration too, that Deputy Brouard already referred to.

1655 A Committee set up with the express purpose of redesigning Guernsey's entire Government
services introduces immense uncertainty and puts a question mark over making any decisions at all
to address our challenges right now. Had this been undertaken at the same time as Zero-10, we
might be in a different place today. But then, as now, much more immediate action was required.

1660 So I cannot see that this additional Committee as conceived has the correct focus and the
evolution of the existing transformation programme, albeit in need of reconsideration of objectives,
is the correct vehicle for establishing service rationalisation alongside the current plans on
commissioning.

1665 I could comment on the other 18 proposals in this amendifesto, but I think Deputy Brouard has
already done so and I would not disagree with any of them. Time is limited and others wish to speak,
but I am not convinced that the focus, stated objectives and constitution proposed for either of
these Committees is going to be appropriate, remotely effective and insofar as our finance sector
is concerned, also carries considerable risk. I would strongly suggest Members reject the
amendment.

Thank you, sir.

1670 **The Bailiff:** Well, Members of the States, I am going to test your appetites for delaying your
lunch shortly, to see whether you are minded to hear from one or two more speakers before we
rise for lunch. Those in favour? (*Laughter and interjections*) Those against?

Members voted Contre.

The Bailiff: I will declare that lost! (*Laughter*)

1675 **Deputy Roffey:** Sir, can I –?

The Bailiff: Just a minute, Deputy Roffey.

The second thing that I will do is, similarly to yesterday, to see if you want to resume at
two o'clock, rather than 2.30? Those in favour; and those against.

Members voted Pour.

The Bailiff: We will now adjourn until two o'clock, then.

*The Assembly adjourned at 12.33 p.m.
and resumed its sitting at 2 p.m.*

The Tax Review: Phase 2 – Debate continued

1680 **The Bailiff:** Does anyone else wish to speak?
Deputy Gabriel.

1685 **Deputy Gabriel:** Thank you, sir. I will try and steer Members through the graveyard shift.
GST, make no bones about it, will affect the lives of the Guernseymen as we know it. Quite rightly,
they have many fears, despite the attempts of P&R, with roadshows and public presentations, letter

drops, or even electronic thingamabobs. I too have these fears. My greatest is that if a GST is introduced it will be when, not if, the percentage rate will go up, when funds are running low or if Government has an unforecasted overspend.

1690 I hope we can all assess the depth of feeling of the community, both the business community, and more importantly, the whole community by the representative emails we have received and the protest march, and those in attendance yesterday morning. Because GST will affect the lives of the Guernseyman as we know it.

1695 Of the many emails received, and thank you Deputy Meerveld for your well-publicised campaign about emailing Deputies, there have been some imaginative solutions and I have been surprised that many include direct increases. I think the one that surprised me the most was that some people want to pay for parking, or even a 1%, 2% or 3% rise in Income Tax. And of course, the most prevalent: tax those that can afford it the most, including corporations. And the most-asked question: why can we not use our tried and tested systems of revenue, such as Income Tax, combined with other ways and means of revenue raising?

1700 As well as attending the P&R States' Members' briefing, which I was thankful to Deputy Ferbrache for organising, I also asked Treasury colleagues for an audience with them to discuss what impact a hike in Income Tax would contribute, specifically in breakpoints for those earning over £75,000 and then £100,000. Amongst those discussions, they confirmed that a 1% increase across the board for everyone equates to £14 million and the impact for those breakpoints much less so. I concluded something else needs to be done. Which is why I like Proposition 10 in this amendment: to investigate the options to ensure that high-net-worth individuals make a minimum tax contribution.

1710 **Deputy de Lisle:** Should be maximum.

1715 **Deputy Gabriel:** To me, the tax cap is a mockery. One-hundred and fifty pounds payment – yes, that is *payment* of Income Tax – on qualifying income, which, in the Revenue Service's example on their webpage on gov.gg, is around income of £1 million. So anyone earning in Guernsey, of qualifying income, of £1 million or over, pays a maximum of £150,000. In my opinion, they should be making a minimum representative contribution. I agree we have to protect our financial services sector, because of what they contribute, but we also have a duty of care to our community, and to me, a GST is not that way forward. (**A Member:** Hear, hear.)

1720 So it is a no from me on GST. Always has been; likely always will be. So what is the alternative? Certainly a fairer way of taxing the population, be they working or in business here. Those marching on the streets seem to want a fairer way. I know I do.

1725 We also need, quite rightly, to look at what we as a Government is spending our population's hard-earned money on. The 1% cuts in Propositions 3 and 4 I agree with, along with the creation of Committees to look at the right size of Government. From experience, I have always seen very hardworking civil servants working long hours, some out of hours too, as we have heard other Members describe. If there is scope to identify inefficiencies in the Civil Service, then I welcome that, too.

P&R's comment, which too was only received last Friday, on perhaps the deadline – and isn't that what deadlines are for? – says that:

Amendment 4 does not seek to address the deficit with some accompanying analysis –

– which is good news. It also agrees that it does attempt to control expenditure and deliver savings.

1730 I am also in favour of the Community and Infrastructure Contribution from corporate entities proposed to raise £10 million of the projected £20 million available, as documented in the EY report, and again quoted in the Fairer Alternative report accompanying the amendment. It does, in my opinion, diversify the tax base and is also sensitive to Guernsey's competitiveness. It goes on by saying that:

The [Community and Infrastructure Contribution] can be tapered or [even] removed completely in future ...

1735 I am also in favour of the little increases. They may be little in this terms, but £½ million, £1 million or £2 million is certainly not little and they will add up. One of those is the visitor levy and I have been fortunate enough to enjoy foreign travel over the last few years. Nearly everywhere I visited has a city or jurisdiction government bed-night tax and that certainly does not deter me from travelling.

1740 The cruise ship levy. They run huge operations with huge amounts of passengers and a Scope 3 Element Emissions levy is right and proper. The Proposition to investigate the potential to implement an emissions levy should be investigated. We all pay an airport landing tax. Is there, or more importantly, *should* there be a difference? Not in my book.

1745 If I was faced with a £2 or £3 increase on a port excursion or a *pro rata* increase on the total fare of a cruise, I do not think it would deter me. I am sure most competing ports are doing something that is similar to recoup losses from lack of passengers over the last couple of passenger-free COVID years.

1750 I am not going to go through every other Proposition, but in closing, sir, I agree with and will be supporting this Amendment, as I believe it has a credible, fairer alternative to the policy letter proposals.

Thank you.

The Bailiff: Deputy Vermeulen.

1755 **Deputy Vermeulen:** Thank you, sir.

I will be speaking to this particular Amendment and will leave my main speech for after, when we talk about P&R's main proposals.

1760 When I first saw this, I have got to commend Deputy Soulsby and Deputy St Pier for producing such a well-researched and referenced amendment. There is an awful lot in it, but I did like some of the things in it – *some* of the things in it. And I did like the approach. It was refreshing, it was presented in a nice, pleasant way. But – and there is a but – I will not be supporting it and the reason is if we look at some of the things about tourism there. I will just talk to tourism because that is one of the fields that I specialise in on ED, together with retail, construction, manufacturing, is the visitor economy.

1765 So we have got our challenges already cut out with the old cruise liners. They bring in a significant amount of money into Guernsey and we do generate a small amount from them visiting in the way of fees. A much larger amount is generated, what they spend in our shops, which is pretty difficult to measure, but there is a huge amount spent in the Island in the retail industry, in the restaurants as well and it is really important.

1770 It is quite often a shopping window for them coming back for a longer stay, staying in one of our hotels, or the sumptuous self-catering that we have in the Island. But just looking at the calendar earlier on in this year, Princess Cruises out of Southampton for 2024, I was quite surprised to see that Guernsey was no longer on their around British Isles sailing on the *Regal Princess* and it looked like Guernsey had been substituted by Kirkwall.

1775 So why I thank these two Deputies, it made me go against the grain to even consider *any* increase in what we are already charging, because I think things really are difficult enough. But at the same time, it made me realise we are up against it and it is a unique situation which we find ourselves in and we really should be prepared to look at *everything*. But we have got to do that wisely and we have got to compare it with others in our competitive sector. We must not blow ourselves out of the water by charging too much and scaring all the hard-won business that we have worked over the years to create and encourage into Guernsey.

Oh, I will give way to Deputy Matthews.

1785 **Deputy Matthews:** I was just going to remind Deputy Vermeulen, because he may find himself in a similar position to me, where you agree with the broad thrust of the amendment but there are elements that you disagree with. You can vote for the amendment and remove GST, and then vote down the subsequently amended Propositions that you do not like. That is what I will be doing. I will be voting against some of the Propositions that are inserted, but voting for the Amendment to remove GST.

1790 Thank you.

Deputy Vermeulen: Thank you for that.

1795 Yes, and no, I have alluded earlier, much earlier in this debate and I think people can be under no circumstance which side of the fence that I sit on, on GST. I apologise if that irritates people, but there you go. A man, a man; a word, a word. I do not think that it is a good fit for Guernsey, but we are getting to that later and I am not really going to change my mind on introducing extra taxes into Guernsey in that way. Because the real way that we should be generating more revenue from tourism, the real way is to address the real problems that we are facing.

1800 If you look at passenger numbers up at the Airport, which our Chief Minister has told us, the ports are struggling, £6 million losses, less people coming through, compared to 2019, I think last year, despite our best efforts, the best marketing I have seen in decades, we were 25% down on passenger numbers at the Airport. So there is something there that tells me, perhaps there is not that much room to increase passenger landing fees, such as Deputy Gabriel perhaps suggested. But the real way would be to, and I am delighted that we are already looking at this, and I thank the
1805 Assembly for supporting the Proposition that we at least present the business plan for extending the runway to encourage low-fare carriers. So that would be the real way.

And let's face it: tourism is struggling. It has had COVID, it has had Brexit. It is pretty hard for them to carry on. These are challenging times and we really do need to go very careful, how we solve the problem. But it is quite easy to see. With the EMAS solution, it now means that hopefully,
1810 when we bring this to you around May time, we will be able to allow those sorts of airlines on a project within the existing curtilage of the Airport. So that is significantly different from the conventional extension of a runway.

It has got a cost, we have to service that cost. We have to find that money and as we are told, we do not have a money tree. We cannot print our own money and some countries like the UK who
1815 can print their money have a £3-trillion deficit. So perhaps it is a good thing that we do not print our own money. But there are ways to increase tourism and that would be the one.

Whether it is to introduce a GST and take £6 million out of tourism, I am not so sure. I do not think it is the way. Could £6 million be generated in other ways from tourism? Yes, it could, sir, and that is what we should be doing. We should be encouraging footfall, from the Airport, from our
1820 harbour, through St Peter Port, in restaurants, in the beds, the self-catering and the sumptuous hotels that we have got in the Island. That is the way that we have got to look at it. And when you look at capital expenditure, there are some things which are nice to have. But there are also revenue-generating things which we really should be doing. That is what I am saying that we should be considering. I will talk more on GST later on.

1825 Thank you, sir.

The Bailiff: Deputy Kazantseva-Miller.

Deputy Kazantseva-Miller: Thank you, sir.

1830 I am going to start by doing a Deputy de Sausmarez thing and it is to explain the position where we are at with this Amendment versus actually the original Propositions. I think there is a very strong feeling that the original Policy & Resources Propositions will not go through, which means what we will be left with is nothing; no decision. And I think we have heard all of the signals, especially from industry bodies, how perilous no decision will be this week, or whenever we finish the debate. So in
1835 terms of this Amendment, I urge Members to look at it. If you disagree with the P&R approach and

you really do not want to be in the position where you have no vote, you have to vote for something. Because once you vote for something constructive you can also work with it.

1840 Deputy Parkinson also has an amendment. What we are trying to propose with the Fairer Alternative incorporates elements of what he has absolutely right and been advocating for, that we should be looking at more corporate contribution. So if you want to vote for something constructive and you are really against what P&R is proposing, you need to vote for this Amendment, because once this becomes substantive Propositions, you can vote some Propositions down.

1845 So for example, Deputy Vermeulen, if he is not happy with taxing tourism, fine. That is fine. He can vote against those Propositions. Members can also bring amendments to the Amendment Propositions. So if there are elements of whatever they do not like with the approach taken, they can amend the Propositions. But at least the Assembly will have something balanced to work with.

I give way to Deputy Oliver.

Deputy Oliver: Thank you.

1850 Does Deputy Kazantseva-Miller agree that you can also do that with the main Propositions as well, though?

Three Members: Hear, hear.

1855 **Deputy Kazantseva-Miller:** I think that we have had plenty of chance to submit amendments to the original proposals. That is exactly what we have done and the amendments that we have in play in now are what we have. So I do not think that contribution really stands.

1860 So I want to give just some more background to how I have come to the position that I cannot support the Policy & Resources proposals, which means I need to be able to vote and support an alternative. If you look at the median wages, so the real wages are down by 7% today compared to 2007. If you look at Corporate Tax contribution, and that is total contribution from the corporate sector – that includes the Zero-10 Corporate Income Tax; employer Social Security TRP rates and registry annual validation fees, etc. – we just about recovered what we have lost through Zero-10.

1865 So that contribution has gone from £172 million in 2007 to just £185 million today. The increases have been driven, as we know, by TRP, but more importantly actually by Social Security contributions on employer rates. What it means is that we have continued to load taxes and Social Security on employment, really concentrating our taxation on employment and making it more expensive to employ people.

1870 However, while corporate taxation contribution has just slightly increased, total personal taxes and contributions have risen by a whopping 70%. So if you look at the totals, it has gone up from £275 million to £469 million. This is what collectively us as individuals and households are contributing.

1875 So Deputy Dyke was absolutely correct to quote Dr Andy Sloan and others. The burden of increased taxation to finance the public sector expenditure has been borne by households. This is while public spending has increased at twice the rate of GDP growth. So on average, in sum, to translate those figures, an average person is earning less but paying more in taxes to finance a forever-growing public sector, while enduring an increasingly unaffordable cost of living, especially because of the housing situation.

1880 The issue, and I am with Deputy Roffey that of course we want to protect the poorest, but the poorest, that is not where the trouble is. It is the middle Guernsey. It is the small real economy businesses. It is the self-employed that are being squeezed out. (**A Member:** Hear, hear.) People cannot afford to live here and they are voting with their feet. Their children are voting with their feet and they are leaving Guernsey.

1885 So in sum, if you just look at those macroeconomic indicators, two outcomes scream in my face: we have to demonstrate and look at public spending constraint and review. We have to demonstrate that we can be trusted by the community, by the businesses, to deal with that side of the equation. Outcome number two is I believe that we have to prioritise, not saying put all of the burden, but we

have to prioritise increases in corporate contribution *before* considering any further substantial increases in the burden on individuals and households, such as GST would do.

1890 So looking at the P&R proposals, they do *not* – I repeat, they do not – address the above two key conclusions that I have arrived at. As I emphasised in the sursis by Deputy Meerveld, Policy & Resources have failed to demonstrate a commitment and a framework for public expenditure control and restraint. In fact, we have had the biggest runaway Budget approved last year.

1895 But I am surprised why we have completely lost our way with public expenditure constraint, because if you look at the original tax policy paper, obviously it was pulled down, but one of the Propositions, Proposition 5, included that we should be looking at:

a framework to co-ordinate the work streams that will achieve and fund an affordable government and public services proportionate to the Island's size and population, including the options for reductions in public expenditure and those that support growth in economic output.

And if you look within the policy paper at 4.5:

To achieve additional reductions in spending beyond this will require a more fundamental consideration of what level of services are provided and who is entitled to access them.

1900 So in the Tax Policy 1.0, there was absolutely, actually, a commitment to be looking into it, but we have somehow lost track. Instead what we now have is this slash-and-burn approach, that we say 'If you don't vote for our proposals then the alternative is cut spending by £50 million to £60 million.' There clearly is a way in the middle.

1905 If you were a business and your shareholders were putting pressure on you to control your costs, to run your business more efficiently, you would find ways to do it. You would not just be able to say, 'Sorry, too difficult, no. We've tried everything, give up, could not possibly do anything.' Because that is exactly what right now we are hearing: 'We've given up.' So just on the basis of this, that basically it sounds like this Assembly has given up on actually demonstrating to the community we can look at efficiencies, we can look at doing things better, we can look at doing things differently, we should be rejecting the proposals.

1910 This amendment proposes a measured approach to expenditure restraint, so it is achievable and there is accountability through the Committees and also the Civil Service. So the proposal is for the reductions of 1% in the 2024 Budget, excluding Health, and 1% reductions overall in 2025. Deputy Aldwell I think went into showing, like she did when she said my amendment would make us lose our British passports, to start indicating that this 1% restraint will make us cut all sorts of services and funding to the Youth Commission and so on.

1915 We think just this 1% reduction is actually achievable without even trying very hard, and by potentially amending some of the ways we do budgeting. So if you look at the actual Committee spend versus budget spend in the 2021 report, the Committee budget was nearly 5% underspent. We have right now a 5% breathing space in terms of what we actually can spend today versus what our budgets are. Some of the reason is the way we budget. So for example, I understand we have 1920 open positions, we budget for 95% of time of that position to be filled and if we have, again, open positions, we budget at the higher level of the salaries of those bands. So if you employ someone in the lower band of that salary, again, there is an automatic budgetary overspend.

1925 So this leads me to how we look at also the deficit and the deficit assumptions. Obviously the proposals are based on assumptions about the deficit, and these assumptions have changed over time and also the figures have changed. Because the deficit figure we saw two years ago is different from the deficit figures we see today. It is different from deficit figures other independent analysts and think tanks also give us. And they will continue to change as more evidence is developed and measures are taken.

IoD members said:

- Responses strongly indicated a lack of confidence in the quantum of this structural deficit, with just over 79% of respondents answering "no" to the question: 'are you satisfied that the deficit quoted is an accurate and sound estimate upon which the tax changes should be based?'

- The IoD would therefore suggest that further work is undertaken to instil greater public confidence with regards to the size of the deficit, especially as this is the key driver for whatever additional taxation measures will be necessary.

1930 We are told that the deficit is driven by the demographics, which obviously no one disagrees with because it is intuitively true. But actually, that is not the full picture. Seventy-six million pounds out of the total currently projected deficit envelope, and that is more than 40% of the total cost associated with the deficit position, is driven by adjusting for capital expenditure. So this is not just all demographics. How we look at capital, how we treat capital, actually makes a very important part of how we forecast the deficit.

1935 So first of all, the projections somehow assume that capital is something additional and possibly discretionary we do to public expenditure, rather than actually an integral part of delivering public services. So capital expenditure is no longer accounted for within general expenditure, it is not accounted within Committee cash limits. It is now treated as a separate, basically, cost and goes into the minor and major capital budgets that are funded through the funding and investment plan, which is basically our reserves right now.

1940 And there are different capital expenditures. For example, you have routine capital expenditure such as road resurfacing, coastal defences, vehicle replacement, IT and so on. We have bigger capital projects. But routine capital expenditure should be basic expenditure. It should not be considered something additional that we might do in capital, this is just public expenditure.

1945 The issue is that until now, we have a lack of understanding of the true position of our capital assets; their value, their depreciation and how they should be financed. This is one of the key weaknesses of not moving to the International Public Sector Accounting Standards (IPSAS) fast enough. We do not have a properly costed capital investment plan. We do not amortise capital investments over time. So if we are building a school, we expend that whole spend in that year that the school is built. This is complete nonsense.

1950 In sum, we do not follow financial reporting standards that actually give us a true representation of the States' financial position and so there is a mistrust about the numbers and the deficit amount. However, what we assume in terms of capital expenditure is important because that capital figure determines the deficit forecast and informs how much revenue needs to be raised *today*.

1955 So in the Tax Review 1.0, that assumption was £67 million. By Tax Review 2.0, this has risen to £76 million, as 2% of GDP, but on what basis? Seventy-six million pounds at 2% GDP represents a GDP of £3.8 billion. That is not our GDP today, that is 10% above the latest GDP estimate we have. So this figure is already automatically inflated. So the key is that we do not really know the true cost of the true capital requirements we have.

1960 We also do not know how the annual charge for capital will be affected when we move to IPSAS, because we are going to start to account for it differently, amortising capital over the lifetime. So the amendment accepts a slightly lower assumption for forecasting purposes and this is still above the historic capital spend we have had, including this political term. And it is closer to the capital assumption we saw in the Tax Review Phase 1. There are also different ways how we could finance capital expenditure, as Deputy Vermeulen said. Income-generating expenditure is not expenditure, it is an investment, so you can pay for it through partnerships, borrowing and so on.

1965 Deputy Roffey also mentioned this will undermine the affordable housing programme, but we know that, again, affordable housing is also an investment when there is an income stream attached, such as, for example, with social housing. We recently met with a Guernsey Finance representative who said there are many impact investments, bonds and so on which can finance this type of expenditure.

I give way to Deputy Roffey.

1975 **Deputy Roffey:** I thank the Deputy for giving way.

I think the point I was trying to make is that the vast majority of the cost of the affordable housing programme is through borrowings, but you can only borrow so much against the projected revenue stream and it is the grant element that turns that housing into affordable housing as

1980 opposed to just housing. It is being able to afford the grants, which do come out of capital appropriations, that is my concern going forward.

Deputy Kazantseva-Miller: Thank you.

1985 So now it brings me to the actual GST element which is taken away through this proposal and I am going to talk about the cost of the introduction of GST, which we will effectively forgo by not including it in our proposals.

1990 The cost of introducing GST prior to the actual launch is £10 million and the cost of mitigating measures, as well as the administrative fee annually, will be £31½ million annually. So the total cost up to the first year of introducing GST is more than £41 million. There were some Members who cringed at the prospect of us spending a couple of hundred thousand pounds at potentially conducting some workstreams, but this is the cost of £41½ million that we save just by not going the GST route – £41½ million. That is nearly what it would cost to build Les Ozouets campus, or at least part of it now.

1995 Deputy Matthews said that we were £20 million ahead of PRC in our financial position. It is not. Just on GST alone, we are £42 million ahead in terms of opportunity cost saved up to the first year of implementation.

How about the cost to business? There is lower technology adoption by small- and medium-sized businesses in Guernsey than is in the UK and also Jersey. I am reading an email from Colin Jeffreys from Collette Jones:

The majority of our clients do not currently use electronic bookkeeping system. Where a system is used, in many instances, it is mainly for invoicing. Businesses that use electronic bookkeeping packages well are typically those with sufficient scale to employ a part-time bookkeeper, administrator, etc. In a retail environment the introduction of modern POS systems, till systems, necessary to administer GST will be prohibitively expensive.

2000 So this amendment takes that burden, that cost, that will affect *every single* business in the Island – well, actually, minus the financial sector because they will be exempt and just pay an exemption fee away. So when Government wants to introduce a tax that will affect the lives of *every single* household and *every single* business, and most importantly every single *real economy* business – because, as I said, finance will be exempt – and we say, ‘Sorry, it’s too hard for us to do the hard work to restrain spending, but you, every single business, you go, you change your operating procedures, you invest in new technology platforms, you do the hard work’ it is not surprising that the community and businesses think it is simply *not* good enough.

2010 This brings me to, again, where the proposals try to take us forward, is with the Social Security reform, which is very much mirroring the hard work that P&R and Deputy Roffey have put into coming up with the Social Security side of the tax proposals. So these proposals are very much mirroring what is being proposed and they will alone raise £19 million. Yes, absolutely, Deputy Roffey is right, based on the actual reports there is still a gap of £14 million short term and potentially up to £20 million long term that needs to be addressed, whether it is through general revenue transfers or other ways.

2015 So the social reform, either that we are mirroring or proposed by P&R, does not give you absolutely long-term sustainability to the fund. But it is also important to recognise that continuing to load Social Security on current employment is also intergenerationally unfair. It is not sustainable. Did you know that the combined rate of Social Security for employees and employers with secondary pensions, by 2031, will be a whopping 26.5%? Twenty-six point five per cent – that is twice the rate of what we have today.

2020 So again, we are continuing to load further taxation on employment, making employing people and Guernsey less competitive. ESS is investigating other measures that I understand will be hopefully coming back to the States soon, with more sustainable solutions. So while we are mirroring the reforms, we note that there has to be a longer-term ... other solutions that will make the fund sustainable.

2025 So in terms of revenue raising, Deputy Burford was absolutely spot on in describing what is effectively the political risk, even if GST is approved this week, of it actually not going ahead. One of myths has been that Fairer Alternative proposals are not raising any revenue. They are raising a net of £34.1 million this political term. This is, again, important to note. The measures that we are looking to propose are likely to be easier and quicker to achieve than the GST. And again, 2030 Deputy Burford outlined exactly what could happen to the whole GST introduction project.

For example, we looked at the corporate levy. There can be different ways of doing it, such as doubling the annual validation charge, and this charge has not been changed since 2008. That is one of the ways that we can go about it, but there could be other ways we can look, as suggested by the EY report. And a visitor levy. Interestingly, it is something that the Guernsey Hospitality Association has already been looking at and proposed. 2035

I am nearly finishing my speech, so I am not going to give way now.

So I think the engagement, the feedback from industry bodies has been extremely important, and Deputy Inder raised the question of whether anyone engaged with industry bodies after they had submitted their views to us. Well, I did. I went and engaged with GIBA, which is the association of different businesses. What is interesting is that GIBA an association of associations. So the views cannot be taken as representing all industry members. Because unlike Chamber and IoD, they have not conducted it, unwieldy for them to conduct member surveys, because that is not how they operate, just not how it would work. 2040

They have told me to put it on record that they did not have time to go into detailed reviews of the amendments, including this one, so their position was on the back of looking at just the Policy & Resources proposals. And really their red line is around unilaterally moving to territorial taxation. That is the red line they have indicated. **(Two Members:** Hear, hear.) I think they are absolutely right in that regard and the Fairer Alternative amendment does *not* propose any unilateral moves. It is quite the opposite. I will read from the terms of reference, because Deputy Roffey I think tried to signal that this amendment was proposing unilateral moves: 2045 2050

1) To engage with industry, Jersey and the Isle of Man to develop proposals for raising further revenues from the corporate sector without negatively impacting Guernsey's competitive position or compliance with international standards; this work to include ... [a number of considerations]:

a. The viability of amending ... Zero-10 ... to 12.5% or 15% –

– corporate tax regime and an alternative corporate vehicle entity.

The other comments we have received about the timing of this amendment, that is why we have submission deadlines. That is what they are here for. P&R submitted their policy letter over the Christmas and New Year period. We have lost, and the community lost, two weeks of potentially giving contributions. We have worked over Christmas and New Year to actually be able to complete these proposals. 2055

Deputy Prow: Point of correction, sir.

2060 **The Bailiff:** Point of correction, Deputy Prow.

Deputy Prow: The P&R proposals, or policy letter, was actually delivered on 28th November.

Deputy Kazantseva-Miller: Absolutely, I agree with Deputy Roffey, but it fell over the Christmas and New Year period (*Interjections*) and industry has commented how this was very unfortunate timing for a policy letter. So if Policy & Resources and other Deputies do not think that it is appropriate for Deputies to submit amendments in time for the deadlines that have been approved, perhaps there should then be a call to SACC to change the approach, introduce new measures, so for important policy papers perhaps there are longer leeways and runways. I think that is something that P&R should look into. 2065 2070

I think we were also criticised for not attending some of the tax meetings. Again, Deputies across the board have given consistent feedback since the first tax review. We have engaged on many well-attended webinars and updates we have had on tax, asking questions and giving suggestions. This is where the suggestion for a corporate levy came from; myself, by the way. And we have engaged extensively with officers behind the scenes since the period of the introduction of the policy paper.

So just going back into what we have in front of us today, it is important that we signal we are making a decision that is leading us in the right direction. I believe this is a uniting amendment because it is trying to address the issues that were raised both by Deputy Meerveld and Deputy Blin through the proposals around the importance of looking at expenditure. They are addressing what Deputy Parkinson has been consistently raising as the importance of looking at a more realistic corporate contribution. It offers a comprehensive and holistic approach, addressing the key issues highlighted consistently by the public.

It is a staged approach, so we are taking action this term with further work in the meantime, and you can vote for the Propositions one by one and you can bring amendments. Members, it is very important that we try to show to our community and this Assembly that we can move forward in a constructive manner.

Deputies Dyke and Vermeulen, with whom I work very closely on my two favourite Committees, I commend them for their consistent views on many issues – consistent and stubborn, probably. *(Laughter and interjection)* I would like to raise that the Guernsey Party manifesto on tax and spending is not just about their commitment to no GST. It is also commitment to deliver promised public sector efficiency savings **(A Member: Hear, hear.)** without cutting frontline services. **(A Member: Hear, hear.)** Hear, hear. *(Laughter)*

So Deputy Vermeulen spoke against the amendment and visitor-related levy, but if he was to be true to the manifesto, like he is true to the GST side of things, he would be true to the importance of continuing to deliver promised – I am nearly finished, Deputy Vermeulen. *(Interjection and laughter)*

I give way to Deputy Vermeulen.

Deputy Vermeulen: I think that work is already What I was trying to say is that we are going to look at other destinations within our competitive set, just so we do not blow the cruise ship lines out of the water and discourage them from coming and bringing much-needed revenue to the Island. That is very important, but we are aware that other destinations charge a little bit more than what we are currently charging.

But I thank you. So grateful for giving way, Deputy Kazantseva-Miller. Thank you.

Deputy Kazantseva-Miller: And I congratulate Deputy Vermeulen for finally pronouncing my name correctly. *(Interjections and laughter)* So if Deputies Vermeulen and Dyke were consistent to be able to deliver on both of the manifesto promises of no GST and delivery of public sector efficiency, this amendment is the only way, right now, this week, to do that.

As I said, they could vote, Deputy Vermeulen could absolutely vote, against all the tourism levy proposals in the actual final general debate, if it comes to it. So I encourage the public to really think, it is either this week we will have no vote or we can try to make it work with the Fairer Alternative. That is really the two positions we have. The choice is ultimately down to all of us.

Thank you.

The Bailiff: Deputy Mahoney.

Deputy Mahoney: Thank you, sir.

Deputy Roffey covered off so many points – not here at the moment – that I am pleased it has thinned down my comments quite a lot. I am somewhat surprised it has not thinned down others, but there we go.

2125 People will be pleased to know I will not be scolding anyone publicly for their views or anything like that. (*Interjections*) it is labelled a 'Fairer Alternative' and I sense the public relations hand of Deputy Falla had something to do with that, but frankly it is going to need a lot more lipstick.

2130 The crux of course is GST, that is what we are really talking about here, and we have had a lot of people telling us about manifesto promises and, 'You changed your mind' and blah, blah, blah, which ... fair comments, no questions about those at all. People have their own reasons for doing so. But of course what has also happened here is that Deputy Soulsby who was on P&R for 18 months of this review had no objections to any of this, was a very vociferous supporter of this, GST, indeed said so in the Green Paper debate that we had, whenever that what was – sorry, I cannot remember when it was – and she was an active participant in all the discussions.

2135 It was only when it actually got to, 'Here's a bundle of papers' and thrown in front of P&R and this is what it looks like, and in fact, it was not a slight changing of the guard, it was an absolute 180°, 'I don't believe any of this, I will not support any of this and, indeed, we should be more progressive' whatever that looked like. So we should all remember that a lot of people in this room have changed their mind on things – some bigger than others.

2140 I touch briefly on something, it has been mentioned by a few people I think, the comments of Dr Sloan, which some people are putting a great deal of weight in. I know when we get to future amendments, if we ever get to future amendments, that his name will be brought up again. That is quite fine of course, quoting people who support your position – that is absolutely what we would all do – but no one has actually mentioned that Dr Sloan is on record as saying that he actually *supports* GST and there *should* be a GST and that his rate in fact is 12½%, I believe that he is quoted as saying. So nobody is singing that from the rooftops – I wonder why that is.

2145 **Deputy McKenna:** Point of correction, sir.

The Bailiff: Point of correction, Deputy McKenna.

2150 **Deputy McKenna:** Dr Sloan did actually say that 12.5% would be a starting point to make a GST successful, but it would not be palatable and did not support the P&R proposals. You should know that because you were there at the Parkinson/McKenna night at St Pierre Park with P&R and he said, 12.5% would be regressive, there would be no growth. So that is not right, sir.

2155 **The Bailiff:** Deputy Mahoney.

2160 **Deputy Mahoney:** Exactly what he says. I was there, I was not allowed to speak, of course, because no questions were allowed from any Deputies that were there, so I was not able to make that point, unlike the P&R meetings where *anyone* could come and speak. So we were specifically excluded from speaking at that. But no one is suggesting 12.5%, so I am not really sure what point Deputy McKenna is making. It is nice to hear him in the debate, but anyway, we are not suggesting 12.5%. That was his number – Dr Sloan's number, not Deputy McKenna's number.

2165 So as regards this set-up, this is the set-up of the two Committees, it has all been linked together of course, I am sure most people can see through what this is actually about. This is political, we know that. We have a Committee to investigate tax matters and it is called P&R. To believe a new Committee can look at exactly the same facts, using exactly the same people on exactly the same what are we looking for, what are we trying to achieve, and achieve something entirely different is an act of folly. As Deputy Roffey pointed out, you have to question why Propositions 3 to 20 in this amendment are tied to the formation of those two Committees.

2170 A large number of the Propositions in this amendment are Budget items, anyway, to be honest. I am not going to go through all of them and, in fact, Deputy Vermeulen has already touched on various of them; the ships, the cruise, the hotel tax, tourist tax, whatever we are going to call it. So I will not bother with any of those. Proposition 8 – or Proposition 8 – Deputy Soulsby knows that P&R are looking at TRP on commercial parking, as we tried to get it into last November's Budget,

2175 but given the workloads that the Treasury team have, they did not have time to work out the numbers for it, so in fact, it would already be being brought forward in this November's Budget. It is not a new idea, it is coming anyway.

2180 Around, someone else mentioned it, I cannot remember who it was, I beg your pardon, about the viability of investing States' funds into local projects. That sounds great – it was Deputy Dyke, sorry, I have just remembered – but of course in a time of diminishing returns, we have got to maximise our returns. We cannot just be pushing them into local projects, just because that is a nice thing to do, which it undoubtedly would be, but we have got to be brutally frank about this and try and raise as much money as possible.

2185 In respect of the Public Sector Defined Benefits Scheme, lots has been talked about this. As we have already said, we have already commenced the review on that and set out the intention to staff and unions in respect of new joiners. This is part of a wider review of T&Cs across the public sector and it is also a useful opportunity to look at redundancy entitlements accept which have been in the *Press* very recently. That decision had been made prior to the publication of this amendment.

2190 In fact I referenced it in one of the Deputies' meetings, when it was Deputy Blin that raised it, that 'Why aren't we doing this?' and in fact of course I was able to say, 'We are already doing it.' It just had not been publicly announced at that point. But it is on the agenda. The work ... Treasury team are already doing it, along with the HR team, I guess you would call them. So already doing that.

2195 I just have to add some context to the comment made by Deputy Kazantseva-Miller concerning the real-term earnings. What she says is entirely true, absolutely no doubt about that, but the fact that earnings have not kept pace with inflation is true for the last two reported quarters. Prior to that, earnings had been growing in real terms since 2018, and the specific example used in the report says:

A person on median wages is worse off today than in 2007. Median wages are up by 29% but compound inflation has been 32% (rounded) between 2007 and 2018.

2200 But that comparison, as we would all do when we are looking for the best possible result, takes data from the peak of the economic cycle in 2007 and to the low point of 2018. If you actually compare June 2022 – you have to ask why we are looking at four years ago – to June 2007, which is the latest available comparison year on year, there is a real-term increase. RPI over that period has been forty-five ... RPIX, I beg your pardon –

2205 **Deputy Kazantseva-Miller:** Point of correction.

The Bailiff: Point of correction, Deputy Kazantseva-Miller.

2210 **Deputy Kazantseva-Miller:** Sir, I have looked at the figures from 2007 to last year and it is a real-term loss of 7% of median earnings.

The Bailiff: Deputy Mahoney.

2215 **Deputy Mahoney:** I am quoting direct from Treasury, here, so these are not my numbers, sir. This was a note that has been sent to me by the Treasury team.

So RPIX over the period is 45% and median earnings over that period – I said 2007 to 2022 – are 53%. So that is a real-term growth in that period, rather than the other way round.

2220 But it is worth saying, and again Deputy Roffey said it, the only thing this really does is derisk us a long time down the road. This does not actually make much saving in terms of revenue cost, but it is something that should be done and we are looking at doing it.

I think I am done. This amendment really, to me, is all mouth and no trousers, as my dad used to say. We just need to have the courage to deal with this now and not hand the problem on to the next term, which really is what we are doing here. I am an old rugby man, as everyone knows, and

2225 in rugby parlance this is the hospital pass to end all hospital passes: 'Have this, you deal with it, it's nothing to do with me.' Sir, there is not enough lipstick in the world to make this attractive to me. Thank you.

The Bailiff: Deputy de Sausmarez.

2230 **Deputy de Sausmarez:** Thank you, sir.

Various other speakers have reduced the number of points that I think it is necessary to add to the debate, but I would like to start with some thanks to P&R, the very hardworking team at Treasury, and particularly Deputy Roffey and Mr Thompson, who have sat on the Steering Group, as has already been mentioned. I personally am very glad that Deputy Roffey has been able to have that input, because I have absolutely no doubt that the package is stronger and fairer as a result of it; the P&R proposals.

2235 That said, I do agree with Deputy Burford's analysis that irrespective of those mitigating measures, they are going to be the first things to be left behind, as soon as the just-as-inevitable rises on GST are introduced and I do think they are therefore very vulnerable. I will come back to the issue of inequality later. Actually, no, I will not. I will talk about it now.

2240 I am glad that Deputy Burford mentioned inequality because actually it is easy to lose sight of this, in this kind of debate. Of course the introduction of a GST would affect everyone, but it affects some people more than others very much and no amount of mitigating measures prevent it from being a regressive tax.

2245 This really matters in the Guernsey context because we are already a very unequal community in terms of income. We have one of the highest Gini coefficients – which is a metric of income inequality – anywhere in developing countries. So this is something that we really need to worry about. GST is inherently regressive. I know there are mitigating factors, but it is not going to make GST *not* regressive. Therefore, it is going to exacerbate inequality I do think that is something to really worry about. Even those people who do not care about it in its own right should worry about the fact that income inequality drags down economic growth and the opportunities for economic growth. So it is an issue that we need to tackle.

2250 I know that Deputy Roffey, if he had not already spoken, would jump up on his feet and say, actually – (*Interjection and laughter*) People at the higher end of the income spectrum will be contributing more, and we have made all these mitigations, and that is true. But it does not escape the fact that we have to look at this in the context of what is, to many people's lifetime experiences, an unprecedented squeeze in terms of cost of living. It is just so much more difficult for people to make ends meet.

2255 I know that people towards the lower end of the income spectrum are better protected, but it still, I think Deputy Burford talked about timing, and I have real concerns around timing, both in the respect that she discussed when she spoke, but also in terms of that macroeconomic situation and that we are potentially looking to introduce a new tax on individuals and households at exactly the time when those individuals and households are feeling like there is not any more juice in the lemon to be squeezed.

2260 That is also one of my fundamental concerns about the P&R proposals, is I have been on the record over many years as saying that I think the balance in terms of the tax burden between individuals and households and corporates is not where it should be. And that one of the effects of the introduction of Zero-10 was for that pendulum to swing and for a greater proportion of that tax burden to land on the shoulders of the individuals and households. Fundamentally, that is my main concern with the introduction of GST.

2270 I completely understand, logically, the arguments that underpin the P&R proposals, but I am fundamentally concerned about introducing a tax that will have to be carried by individuals and households, particularly in the context of what we know is likely to be a protracted period of economic hardship for many. I do think Deputy Burford's point about the timing in terms of its

2275 political undeliverability is very valid and I would have made the same point myself. I will not repeat it now.

So really I think what this comes down to is: is the package proposed in this amendment preferable to GST? That is the core question against which all those issues need to be assessed. And personally, we have heard various people talk about different aspects that might not be welcome –
2280 yes, the tourism sector might not like the idea of a visitor levy, but would they prefer it to the impact of GST? I think especially when you look at the comparable quantum, they probably would. The same goes for corporate parking, although Deputy Mahoney has told us that that is happening anyway and I know that P&R have been looking at it.

But yes, businesses might not like the idea of paying a bit more on their private parking than they do at the moment in terms of TRP, but would they prefer it over GST? I think many of them would. So again, I think we need to look at this through that lens in order to understand the perspective and get that better sense of perspective on it.

Deputy Oliver made an interjection when Deputy Kazantseva-Miller was speaking and, actually, I thought that was just where Deputy Kazantseva-Miller did indeed start off with a point that
2290 I usually try and explain, that as with any amendment, really what we are doing is assessing whether we prefer what is in front of us with the amendment to what are currently the substantive Propositions.

However, the point that Deputy Oliver made was that Deputy Kazantseva-Miller said this amendment would basically replace the substantive Propositions that are included in the policy letter with what is set out in this amendment. And once they become the substantive Propositions, that is the opportunity, during general debate, to discuss the merits or some of the issues with those and then vote accordingly on those Propositions individually.

Deputy Oliver suggested when she interjected that there was no difference. But actually, P&R's package is very much a package. It is not split out. That Proposition 2 in the original policy letter is not something that we would have the ability to vote individually on some of those aspects. So
2300 I think that there is a difference there.

Deputy Aldwell ... So I think, really, if this amendment does not carry, the chances are, I think realistically, that we will walk out of here with no decision (**A Member:** Hear, hear.) and that this, *this* is the compromise amendment – this one here, that we are debating now. I think if we reject this, we will face acute pressure to slash Committee budgets (**Two Members:** Hear, hear.) and public services. (*Interjections*)

I know some people hold out a bit of hope that if P&R's proposals are not supported, that they will go away and come back with a different set of suggestions. I carry no hope of that at all because we have already tried it once and this is what came back. GST came back. Packaged differently,
2310 I admit, but still came back again. So I do not hold out any hope that P&R will go away and come back with something that we all find a bit more palatable.

I very much empathise with Deputy Aldwell. She does sit on two important Committees and the public services that those Committees spend money on are really important. I was on a Committee last term where, like all other Committees, we were told that we were having, no question about it, a 3% cut to our budget, 'Come on, tell us what you're going to cut.' It is really difficult. But I would ask Deputy Aldwell to think about how much *more* difficult it will be to face the kind of cuts that I think we will be looking at if this amendment does not carry. Because I think they will be that much more difficult.

She is quite right to highlight the link between the things that Committees spend money on and the impact that that has on members of the community, especially in terms of some of the more vulnerable members of the community.

I agree with Deputy Roffey, actually, that we have a very lean Government. Again, this is something that I have mentioned on more than one occasion. But it is not the same thing as ... Well, I am sure Deputy Soulsby and maybe Deputy St Pier when he speaks will speak a little bit more to this, but I think we need to be careful not to conflate the proposals set out in the amendment with
2325 the idea of slashing the size of Government. I do not read it that way at all and I think the fact that

we have a very lean Government does not negate the fact that we also have some very expensive inefficiencies within our system.

2330 And actually, I think that one of the problems that we have had with budget cuts thus far has been that we have tended to approach it in the form of salami slicing. So looking at it on a Committee-by-Committee basis. And yes, Deputy Roffey is right that Committees are best placed to inform what services might be made more efficient or have their budget reduced. But the problem is in that kind of approach that we tend to just ask the question, 'Well, what can we have less of?' when I think, actually, the focus should be more on efficiency and how can we do things
2335 better to get much better value out of the money that we are spending and deliver those services more efficiently to the public.

Oh gosh, just a final thing on the levy for cruise ships, as I know it has been the subject of some discussion. I think it is important to point out, apart from the main point being that obviously if this amendment is successful and its Propositions become the substantive Propositions, there will
2340 obviously be an opportunity to discuss the individual Propositions in general debate and to vote on them individually. But of course I just want to draw attention to the fact that the Proposition here does stipulate that the direction would be to investigate the potential to introduce such a measure, 'having regard to comparable systems internationally'.

So I think it is actually a pretty proportionate direction, especially given that obviously this is something that is envisaged in our climate change policy already. Because obviously Scope 3
2345 emissions, specifically emissions from cruise ships, are already explicitly named as part of our net-zero targets. So I think it is something that we will have to look at anyway.

So yes, when I look at it through that more macro-lens, I really do think that the core question comes down to is the amendment in front of us now a better approach than the approach proposed
2350 by P&R. For me it is. And I also think that it is worth considering whether this approach is better than the effects of not making a decision, which I fear is likely to be the outcome if this amendment does not carry. So I would urge people to support it.

Thank you.

2355 **The Bailiff:** Deputy Le Tissier.

Deputy Le Tissier: Thank you, sir.

It is the old hackneyed phrase, 'I wasn't going to speak' but this is true in this case because my speech was meant to be delivered as part of general debate. But now we have seen this amendment,
2360 and it seems to have some support – whether it has enough, I do not know – but I have been hoping against hope that before this amendment is voted on, P&R would come forward with some sort of compromise amendment. But I have not seen it. So if they are going to do it, I would urge them to do it quickly.

I am anti-GST, that much is obvious. I could talk on many different aspects of the policy letter and how this amendment is better, but I am going to concentrate on just one area and that is pensioners. This is the main reason why I cannot support the P&R policy letter. We have got 13,000
2365 pensioners in Guernsey. Just over 3,000 male on the full rate, 1,700 females on the full rate. And on reduced rate, for males, 2,700; and females, 5,000. To me, there is something wrong there, because on the full rate men outnumber women by two to one, but it is virtually reversed when we come
2370 down to reduced rate pensioners. So women obviously far outweigh men in reduced pension. In fact, as I said, two times.

For the moment, let's discount those who arrived in Guernsey late in life. Let's think about why there are so many women and they are being disadvantaged. Why do they not get a full pension? Back in the 1970s and 1980s, the States encouraged married women to pay a reduced rate. They
2375 said, 'You don't need to pay the full rate, you're married.' Unfortunately, the States changed the rules later on and these women are now suffering. And now, the icing on the cake, the States are proposing to take 5% GST out of their pockets and not compensate them adequately.

I did not think that this was fair, so I asked the Treasury, and they told me that:

Pensioners gain benefit from several elements of the current tax system. They are already protected from paying any contribution to Social Security until their income reaches nearly £20,000 and once they pass that threshold, they already benefit from an allowance of £8,900. And pensioner couples are the group most likely to be transferring allowances between spouses.

2380 That is another issue which we will not go into right now. And they are much more likely to own their own home without a mortgage. I do not have any details of the numbers, so I will just take that as being read. In fact nearly half of all pensioner households currently pay no Social Security at all and a quarter do not pay any Income Tax.

This is getting into the crux of the matter why I cannot support the policy letter and I am minded to support the amendment. I am quoting the Treasury:

As a result of the fact that they benefit more from the features of the current system, they benefit less from the changes to equalise the way different groups are treated.

2385 This is just another way of saying they will be worse off under the changes proposed. To me, that is unacceptable.

2390 So put another way, pensioners are going to be treated less well than other Guernsey residents. For me, that is unacceptable, and I keep using that word and that is why I am minded to support this amendment. P&R have said that the lower wage-earning and pensioner people are going to be better off. I do not think that is right, certainly when it relates to pensioners and particularly reduced rate pensioners.

They did go on to say, I am not going to quote everything they said, but:

If they are in receipt of less than a full pension they will gain less monetary benefit from the increase in pensions. This is the case with standard inflation-linked uprating made every year.

So I wanted this to be clear, to avoid doubt, so I asked again, 'Please explain why you are unfairly discriminating and penalising reduced rate pensioners?' Their answer was:

We are in effect bringing forward the standard policy on uprating pensions in response to inflation. The proposal is no more discriminatory than the standard policy.

2395 I just want to repeat that in case you missed it. To me, it is a bit unbelievable:

The proposal is no more discriminatory than the standard policy.

So there it is, in black and white: the proposed tax policy is *not* more discriminatory than the existing policy. So that is okay. Since we are not discriminating more than we do already, that is fine. To me, that is not acceptable.

2400 To a greater or lesser extent, it could be argued that those that receive a reduced rate pension have had some influence. They have *chosen* to have a reduced stamp, or they have chosen to move here. And that is fine. People accept that, that is, to a greater or lesser extent, their life choice. What they do not accept is that if this policy letter is voted through, their cost of living will be increased totally down to GST and the States of Guernsey. The States might, who knows, vote this through. I hope that they will not. But there is nothing they can do about it. The States are increasing their cost of living while claiming lower-income persons are better off. And for this group, that is just not true.

2405 I am nearly finished. But there is worse to come and it shows what sort of woolly thinking has been used to justify the proposals in the policy letter. Again, this is a quote:

Many pensioners also have other income streams which may or may not be linked to Guernsey inflation. Where they are receiving state pensions from another jurisdiction, typically the UK, they will be linked to inflation in that jurisdiction and that will be subject to differences in the inflation rate between Guernsey and the other country.

2410 *[Inaudible]* ... So there is no justification as to how many pensioners fall into this category. For the average Guern, I suspect that many do not have this other income. They are dependent on the

States' pension. So for these, in this scenario, the States are relying on the UK to help out our pensioners. I do not think that can be justified, but there are no facts, just woolly thinking – not acceptable.

2415 I could go on, but I am going to cut some of this because it just goes on and more and more the same. The payment of £450 per year, the cost support scheme, fine, but it is not on a sliding scale, so the pensioner on a reduced pension of say £100 per week gets £450 and yet their cost of living goes up 5%. It does not work out. So I think in the case of Guernsey pensioners, women pensioners are being discriminated against more so than the others and that is not right in my view.

2420 This package, even allowing for the mitigations, is an attack on poor Guernsey pensioners. To me, it is unacceptable. The policy is big on the personal side of things, so Social Security and Income Tax, but is woefully silent on *detailed* – and I emphasise detailed – proposals on corporate tax and cutting the cost of Government.

2425 One P&R member told me that there was only scope for about 30 job cuts, and that is in a workforce of five thousand. If that is true, it sounds incredibly low, in my opinion, and I think that they need better advisors. In business, one can easily delayer management and passing responsibility down and reforming practices to save staff numbers; FTEs. Deputy Ferbrache told me during the Budget debate that the States of Guernsey is not a business and business practices cannot be applied. I do not accept this, fully. There are –

2430 **Deputy Ferbrache:** Point of correction.

The Bailiff: Point of correction, Deputy Ferbrache.

2435 **Deputy Ferbrache:** I never said business practices could not be applied. I just said it was not a business.

The Bailiff: Deputy Le Tissier.

Deputy Le Tissier: Thank you. I will accept that; that is fine.

2440 And then there is the incredibly generous redundancy package, which P&R are looking into, I accept that. So I say to P&R, just bite the bullet and cut. Do not use that well-known tactic to cut what the public really want so as to cause outrage, like schools and hospital wards. Looking at Guernsey Post, they lost money last year and they are letting 30 people go by natural wastage. Maybe P&R should get some advice from Mr Smillie.

2445 It is too easy to raise taxes and feed the monster. Is it their ideas or they are being led by advisors? I do not know. These are intelligent people, but I think they are adopting a very blinkered approach in not compromising at the last moment. I have sent in ideas and to be fair to Deputy Ferbrache, either the email did not get there or he missed it and he has apologised. I accept that and I will be sending through that again after we get to the vote.

2450 Just in very brief summary, because some people have mentioned these things going forward, why do we have the Dairy, the Airport and the water in States ownership? (**A Member:** Hear, hear.) Get those off the balance sheet and at a stroke we will improve the financial position. Incoming vehicles to have a vignette, which is a little disk that you buy to drive your car on Guernsey roads.

2455 University students. I know that this is not going to be popular, but we pay an awful lot of money for people to go and study in the UK in the form of grants. If they do not come back and work here after a period, say three or four years, then maybe they should be paying that back. (**A Member:** Hear, hear.) It has been mentioned, tourist tax and a hotel tax. Yes, that was one of my suggestions. (*Interjection*) I think Deputy Dyke has mentioned the ATC, that Jersey provide it. Anecdotally, they make a profit, so we could speak to them.

2460 And quite a big one, which no one has mentioned, why do we not convert Alderney air traffic control to a remote station? They do it at London City and the London City controllers sit in Swanwick, which is in Hampshire. They just view video screens. It is approved by the CAA, so it is

not a crackpot idea. Guernsey controllers could control Alderney, saving the controllers in Alderney – we would not have any there – and we would not have to refurbish the control tower.
2465 So there are plenty of ways to save money which I think we should be seriously looking.

In closing, I just want to say to Deputy Ferbrache, and he will know this is true, because we are both born and bred Guernseymen and our roots in Guernsey go back a long way. Deputy Ferbrache will know that we are called donkeys and donkeys can be very stubborn. In fact, extremely stubborn – and I will not use the word – stubborn as ... So threats made toward a donkey will only
2470 make resistance more likely and this is the case. I am even more convinced that P&R are on the wrong side of history and I, as a donkey, will be digging my heels in.

Just to finish off, in the absence of this amendment passing, I think there is a very good chance that we will be left with nothing and that is the worst option, (**Several Members:** Hear, hear.) and I think other Deputies have said this. So I am going to vote for this, or if an amendment appears
2475 from P&R, and I am going to vote against the policy letter. So the ball is in your court.

Thank you.

The Bailiff: Deputy Dudley-Owen.

Deputy Dudley-Owen: Sir, I have got the graveyard shift. If anyone feels like a natural comfort break, please do feel free to pop out, I will not take it personally. (*Laughter*) And I hope that listeners on the radio do not either on my behalf, because it is something that they do not quite understand about our system; that we do not have breaks built in. (*Interjection*)
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I will forgo my right to speak in general debate, sir, and speak now, and I will repeat things that have been said before if I think it is important to repeat them. As has been said by many colleagues over the last day, this is amongst the hardest debates and decisions we will have to make. But not just this term, nor this decade. I believe it is of the last 40 years. And I give this timeframe not because Deputy Inder made it on the Guernsey of yesteryear that many of knew yesterday, a Guernsey which is largely different from the one we live in today, but it is still there in parts in amongst the community.
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I had this timeframe very much in mind before I heard him speak because Guernsey has had a 40-year period of increasing prosperity and increasing quality in the standard of living; increasing wages. And all the while managing to exceed by large to keep coffers full until Zero-10 came in in 2008. This dawned a new era, not just of a new tax regime, which shifted the burden of tax on to Islanders – which has been mentioned before by Deputy de Sausmarez and also Deputy Kazantseva-Miller – mainly of working age and largely replaced by the expansion of the Social Security contribution system and other smaller levy changes since.
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But it is also when we coined a new phrase locally, and that was the all-too-familiar ‘black hole’, this being the deficit that would occur unless we achieved economic growth in line with the optimistic assumptions made in the Oxera report from April 2006 and has represented a 10% real-terms decrease in corporate contributions since the implementation of Zero-10 and 2019.
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At the time the States were debating Zero-10, they were also giving serious consideration and working up proposals for a goods and sales tax, because they acknowledged in the reports that they were likely to be in a deficit position up to 2013. So this is nothing new. The ship has been turned for a very long time to face in that direction, hence the existence in our legal framework of a General Sales Tax Projet and part of the staged approach planned to deal with the deficit.
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This reappearing deficit that was envisaged and that we have regularly wrestled with has contributed in large part to the structural nature of the deficit. What is unequivocal now and what is plain to see as clear as day, is that we are up the proverbial creek and our paddle has disappeared. We are left with few tax solutions which meet the principles that have consistently been agreed to seek simple, fair, sustainable and competitive solutions.
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If we look at the wider problem of balancing the books, this would never be easy to solve in this debate since the Tax Review policy letter was published, which is just one of the ways to balance the books. It has emerged that many are now realising that a nuanced response with deep

2515 consideration of various complex factors is what is needed. And it is confounding that solutions coming forward during this short time are conflating tax levers with revenue reducing and capital raising in one seemingly easy sweep, when there has already been recognition – so I thought – and agreement in numerous States’ Meetings that these areas are current workstreams via the Budget or Government Work Plan and Machinery of Government.

2520 There have been times before this debate, opportunity to make changes, which are only now just being suggested. This was never going to be an easy decision because being taxed is never roundly popular. Who wants to pay more? Not me. Not you, sir. Not the man and woman in the street. But we are to an extent a reflection of the wider global context in which we find ourselves today. A world where the IMF tells us:

- Amid huge uncertainties, a disconnect between financial markets and the evolution of the real economy has emerged, a vulnerability that could pose a threat to the recovery should investor risk appetite fade ...
- [And where] Authorities, while continuing to support the real economy, need to closely monitor financial vulnerabilities and safeguard financial stability.

2525 This is relevant to us and it is against this backdrop that we have to see Guernsey’s position.

We have mentioned the S&P rating for the last few years. I went back a decade to 2013 to look at the rating for Guernsey when it was a AA+. This is the highest that a jurisdiction such as Guernsey without its own currency can achieve under the ratings methodology. At the time, the then Chief Executive of Guernsey Finance, Dominic Wheatley, said:

This continued strong rating is consistent with how we see Guernsey’s international prospects as a finance centre and endorses the Island’s positioning within the mainstream of international finance in terms of regulation, tax transparency and common reporting standards, beneficial ownership, and anti-money laundering and the funding of terrorism.

2530 He went on to say:

In every aspect of cooperation and compliance with international standards we are in line with the best practice anywhere in the world. We have also maintained both our unique business environment and the ability to do business quickly *and securely*. More and more this combination is what clients and their advisers are looking for in an increasingly volatile world and this bodes well for Guernsey’s economic future.

That was an interesting view a decade ago, noting our success due to a combination of factors within a *secure* environment and bang on in terms of his prediction of an increasingly volatile world. In that same release, we can read that Deputy St Pier, our then Treasury and Resources Minister, added:

This rating confirms the continued strength and robustness of Guernsey’s economy and public finances. S&P’s assessment of a wealthy and open economy, accountable institutions and prudent fiscal policies demonstrates that the Island is well positioned to thrive and grow in the years ahead.

2535 And those prudent policies were set in train by the decision to adopt Zero-10.

I think that it is also relevant that in 2013 the World Economic Forum, in looking at risks, alerting to decision makers to five emerging game-changers, they were: runaway climate change; significant cognitive enhancement; rogue deployment of geoengineering; discovery of alien life; and the costs of living longer. And in respect of the last point, which is the pertinent one for this debate, not the discovery of alien life – though it could be helpful for us in some way – they said then that:

2540 Medical advances are prolonging life, but long-term palliative care is expensive. Covering the costs associated with old age *could* be a struggle.

We know that they *are* a struggle here.

We use the phrase ‘aging demographic’ a lot in Government and whilst being true, it is also hackneyed and rather galling for those who fall into that age group and who understandably feel got at for being part of the problem. Especially when those baby boomers, born into austerity, sometimes at a time when we still had rationing. They worked hard in the shadow of their parents,

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rebuilding post-war Guernsey and it is those people who have contributed a lot to the Island and some believe that they have a contract with the States in terms of what they have paid in and what they expect to get back.

2550 So put it all together, the fundamental redesign of our tax system, begun in 2006, which was intended to move in phases, but which we still have not completed, a 2013 statement that our Island was well-positioned to thrive and grow in the years ahead, that was juxtaposed against a well-known global risk of an aging population, especially in the developed nations. And now an unforeseen – possibly naively unforeseen – global volatility on the back of the well-worn pandemic and deplorable Russian war in Ukraine. What a mixed bag we have seen over the last decade. A
2555 mixed bag of change, over-optimism perhaps, and *terrible* luck.

But that is life and we need to deal with the punches – and this is one heck of a punch. It has been coming down the track for a long time. Perhaps it was not noticed by some. Others maybe did not take it seriously. Others thought it might have been avoidable. But I say to you, sir, that if people do not like the solution, then I have to point them back to the principles, because that is
2560 where the answer lay. Change the formula, because that is what delivered the output.

Before I elaborate on that, I will remind Members – and it will take me a little bit of time, so sit back – what the States determined in 2020 and what they felt were the important principles upon which the tax system should be built. They felt that the tax system should:

- be capable of raising revenues of up to 24% of GDP in a way that is economically and socially sustainable;
- [that it must] be diversified between different forms of taxation;
- [it must] be transparent, simple and credible;
- be resilient to demographic change and economic shocks;
- support and facilitate sustainable economic growth and employment;
- comply with international tax standards;
- maintain alignment on corporate tax policy with Jersey and the Isle of Man;
- overall, reflect people's ability to pay and be generally progressive, while accepting that a balanced tax system will include some elements (such as excise taxes) which are considered regressive in nature;
- not discriminate on the basis of age, gender, marital status or employment status in assessing or determining the amount an individual must pay; and,
- support the delivery of environmental and social objectives if there are opportunities to do so without breaching the previous principles.

I commend that Members keep these in mind because people have argued over whose figures
2565 are right and whose are wrong. People have pointed at what *should* have been done and what *should not* have been done, etc. and it all descends into an unedifying tit for tat, not really helping to solve the problems arising from the situation we find ourselves in today.

It seems to me that it is our somewhat unique style of presentation of States' accounts over the years and our luck with investment return on capital assets, including on that notorious bond, that
2570 has obfuscated the known and forecasted position that to our predecessors, some of whom remain in this Assembly, was writ large, possibly up until 2016, when the community and the Government was distracted largely by other issues such as selection or anti-discrimination policy in the making.

But make no mistake, it had not disappeared and this was always the direction that we were headed in. Remember the principles that I have just read out from 2020. The current P&R
2575 Committee were *not* the architects. They were *not* the creators of this. They have played the hand that was dealt many years ago, over successive terms. More than that, they were under Resolution to move in this direction.

We will all be holding our noses at raising any taxes, especially during these financially less certain and straitened times. I do not like the thought or prospect of encumbering the Island or our
2580 people with anything increasing financial burden. But we do this continuously, indirectly, on multiple occasions in our Meetings to meet the ever-growing demand for services which we have felt were important to provide and are funded by the revenue that we receive. What should not be in dispute is that we need to raise more revenue if we want to remedy the deficit. What is in dispute, clearly, is the best way to go about it.

2585 So sir, I will now focus on the amendment that we have before us and I am genuinely pleased
that we have alternatives presented and thank the movers of this amendment and others that have
been laid for the time that they have put in to coming up with different alternatives and also in this
instance a different tax package. It does give us something to push against and to compare to the
2590 P&R proposal, to explore the differences and merits of both. And Deputy Roffey has used this
phrase already, and it is one that I have also used: and to determine which is the least worst of the
options before us.

So in the amendment, and here I am largely covering quite a similar ground to comments that
have been made already today in debate, but there are two standouts, and that is the creation of
additional Committees of the States and the alternative tax package which, whilst without GST at
2595 this time, leaves the door open to it in the future. That is an acknowledgement that that ship has
turned.

I will use the slightly clunky acronyms that arise from the names of the proposed Committees:
the States' Investigation & Advisory Committees (SIAC) 1 and 2. Committee 1, the SIAC1, looking at
the sursis motivé which was defeated yesterday, it proposed a very similar solution to that intended
2600 by this Committee and I do not understand how this proposed Committee is going to be so different
from the one suggested by Deputies Meerveld and Blin.

It raises again the spectre of all the issues which were raised then and explored by speakers to
the sursis motivé about the practical working of that Committee, whose terms of reference cover
roughly the same ground. I will just cover some of the questions here. Personally I think it sets an
2605 impossible task without an ultimate goal really defined, looking at what levels of service we provide.
There are *thousands* of line items on the entire States' budget.

And is this bottom-up or top-down? Of course we are told that there is going to be a
considerable amount of public engagement, so are we going to be determining this by what the
public say or what we think is best for them, in what Deputy Blin alluded to as a little bit of a parent-
2610 child relationship, which is certainly not one that I feel that I have with the electorate. It is extremely
broad and wide-ranging. It reminds me of a class of beneficiaries within a trust that you cannot ever
put your hands around and therefore is almost impossible to quantify. The public expectation of
delivery of services varies wildly and I just wonder what principles we are going to ascribe to to
corral people down into sensible and coherent decision-making.

2615 One of the biggest issues I have, and the last issue I have, is it sounds very much like the GWP
to me in parts. And I cannot understand why the opportunity has not been taken then, especially
since Deputy Soulsby was leading on the GWP, to put in place some of these parameters at that
time, given I think that there was quite a lot of creativity that was given to Deputy Soulsby to fashion
the GWP in the way that she wanted to, given that it was a new thing at the beginning of the term.

2620 Just moving on to the second Committee, SIAC2, again, that is a duplication of an existing
proposal on the table from P&R but the problem I have with this is that it is so prescriptive – very
prescriptive. I am really not a fan of such detailed terms being created in isolation, which really have
the propensity to hamstring the Committees who then have to work within their tight bounds.
I think it is short-sighted to design those types of Committees. We had them put forward quite a
2625 lot in the last States, where terms had not been properly canvassed and consulted upon, and by
and large they were often thrown out because people found them just too tight and prescriptive.
So I do take issue with the prescriptive nature of the terms of reference.

I do think it is ironic for proposals to come that grow the size of Government when so many
people are talking about reducing the size of Government. And I am surprised that these would be
2630 essentially Principal Committees. When I first looked at this, I thought that they may be
subcommittees of the P&R Committee, but no. They are going to be responsible to the States with
14 seats on them, needing appropriate secretariat and policy support.

2635 So I would like to know answers to questions such as are we looking to employ new staff or
would we be using staff already employed to look at the corporate tax matter – which I would have
assumed, but you never know. Using existing staff to look at reducing the size of Government in

addition to their day jobs. It would be really good to have a better idea as to what the movers of this amendment feel about how these Committees will look and act, behave and be resourced.

2640 I have got to mention these, and they have mentioned a bit *ad nauseam*, to be honest, this afternoon, but I really would like to put my tuppence's worth here, because looking at the package proposed in the alternative view, which even in its name is a familiar playbook, specifically, the visitor levy and a cruise ship levy, both of which jump out at me as being really quite peculiar.

2645 I understand the narrative in the report completely and have quite a bit of sympathy, especially with the emissions. But specifically focusing on the cruise ships as opposed to or in addition, to say, private jets or HGVs or fishing boats, is obscure. Why not have a general emissions tax and have a more *sustainable* and predictable source of income as that would be coming largely from residents? And why has this not come from Environment & Infrastructure, is the other question that I might ask, in the last two years and a half years, or two years and three months that we have been in? Why has this not come on the table before now?

2650 We had over 60 cruise liner visits during spring, summer and autumn months last year and I have the figure for the total estimated spend of disembarking cruise visitors in 2019 which was £3.9 million. That is a material contribution to our economy. (**A Member:** Hear, hear.) There is no requirement for them to come here and I can only surmise that an overt environmental tax – because that is what this is – on the ship, coupled with a tax for the individuals on board, I am assuming, because of the visitor levy, would be pretty off-putting, as well as unwelcoming, given it will come to their attention in quite an obtrusive and possibly garish way on arrival.

2655 A GST is arguably a far more discreet, accepted and habitual tax for the vast majority of visitors and that would put them on a level playing field with Islanders, not singling them out for a charge on arrival just because they wanted to come on a visit to our beautiful Island and wider Bailiwick. What a welcome that would be.

2660 The collection of this latter tax is a source of query for me, in that – I think that Deputy Roffey mentioned it earlier – how is it going to get collected? Is it going to be at the ports in a collection bin, like the one that we have got at the Airport with the lifeboat on it, a little plastic thing? Or do we have to have someone there asking for it as people arrive? 'Welcome to Guernsey, can we please have £5?' and force you to fumble for their wallet, digital or otherwise. These two levies stand out for me as a bit nonsensical and not well rooted in clear rationale.

2670 The environmental tax is designed by its very nature to instigate behaviour change, i.e. that people in the cruise ships will be put off coming and we do not want either of those things to happen, I do not think. I did not hear Deputy Vermeulen's thoughts on this, I am afraid, but I can guess that he would not have found it particularly helpful in his aspirations to grow our visitor economy. (**Deputy Vermeulen:** Exactly.)

2675 Those together with the Budget line proposal of an increase in TRP on private parking. Again, a question: why not just amend the Budget? We have been told, actually, that this is an area that is being worked on. So these are just piecemeal levies which do not get us as effectively to the place that we need to be in the simplest, fairest, sustainable and competitive way. This is death by a thousand cuts and is not the approach we should be using to balance our books. And it is death by a thousand cuts in more ways than one, neither arbitrarily to services, nor a levy here, a charge there, an increase somewhere else. A myriad of costs, charges and levies; a complex, increasingly expensive place where everything becomes chargeable.

2680 I am very concerned that Treasury have said that the figures are not sound and I would like to hear more about that when a member of P&R speaks, and also when Deputy Soulsby wraps up, or Deputy St Pier, because I understand they have been working very closely on this together. There was not any fleshing out of the package at all in Deputy Soulsby's opening speech and I really did want to know and learn more about it. This is an important matter which needs addressing during debate, please.

2685 I cannot figure out the purpose of this amendment by two senior long-serving Deputies, given their professional qualifications and the positions held, especially by Deputy St Pier, over previous

terms. I can only surmise that, in the famous words of former Deputy Graham Guille, this is not about what it is about, but I cannot even work out what it is about. (*Interjection by Deputy Inder*)

2690 So before I close, sir, and I am afraid these are lasting final comments, I do want to talk about some more generalised comments and it would be remiss for me not to mention the public's reaction to the proposals. I am genuinely pleased that we have heard from so many people and that people have galvanised and told us that this is an issue that they care about deeply. We have seen a strong turnout and I was pleased to see that for myself last Sunday when I attended the rally. I want to put on record that I sympathise very much with those who say no to GST, and on its own
2695 would share entirely that position and would also say no to GST.

Let's be clear, though: amongst the proposals on the table from P&R is a suite of measures to be introduced by 2025, and let's just reiterate those: to restructure Social Security contributions; a reduction of income tax to 15% on the first £30,000 of income; an increase in personal allowance of £600; and 5% GST. Together it is envisaged that this will raise between £50 million and £60 million
2700 per year. In addition, there will be no increased expenditure for States' Committees for the next two years and a corporate tax which aims to raise a further £50 million, which is to be determined and agreed upon before the end of *this year*, after consultation with other Crown Dependencies, i.e. Jersey and the Isle of Man.

So when I have been busy replying to those who have contacted us, and *many* of those emails simply said two words, 'No GST' – if GST is a word – I attached for them a copy of the policy letter to see the detail of the proposals and the research behind them. I also pulled out the table of measures illustrated numerically, as well as a link to the website ourfuture.gg and the Tax Review. Because personally I found these sources really helpful in explaining the impact of the proposals quite clearly and this is coming from someone who had said no to standalone GST. I did not want
2705 to support that before we looked at anything else. But I do appreciate that it takes time to sit and listen and understand what has been proposed.

Many in the Island will have more money in their pockets than they do now and the proposals do impact higher earners more than mid-to-lower-income earners. And in my opinion, sir, even if I do not agree with the output, I am really pleased to see that colleagues have put efforts into thinking of alternatives, to find a solution to the conundrum of how to meet that shortfall which is forecast to be a massive sum by 2040 of £100 million. But nothing put forward as an alternative route will take us, as I have said, as simply, as fairly and as swiftly to the point of meeting the deficit position.
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As outlined at the beginning of my speech, this matter has been coming down the tracks towards us for years and a framework to deal with it was put in place 15 years ago. It has been no secret and since I entered the States six years ago we have been struggling to implement policies which will stem the tide, cut the costs, *and yet*, as mentioned especially by Deputy Brouard today, there are more and more services demanded almost *daily* by the public, and there are many services provided which some are unaware that are even Government funded.
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I saw an email, which I have not had the chance to respond to yet, from a member of the public who was talking about that he pays for his children to go to the private colleges and does not use this and does not use that. But not understanding that the private colleges have a grant funding agreement from the States, so there is resourcing going in there. A lot of people do not even realise that they are using States-funded services in their everyday lives.
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I will not go into detail here, because I do think that Deputy Aldwell did a very good job of illustrating the point clearly, but having been in post as a President of an operational Committee for just over two years, I do understand the realities of the impact of cutting services. And it is different for an operational Committee than it is when I sat on Economic Development. So it is just ridiculous to imagine just switching something off tomorrow, bang, and not considering the effects of suddenly withdrawing funding from specific areas where there could be multiple job losses; no working services for people who really, genuinely need them. Or possible allowing buildings to fall into disrepair unnecessarily.
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2740 You can just pull out one area amongst many hundreds and hundreds and hundreds of line items within the States' Budget which are *not* just numbers on a page. Every single Budget area has a real impact on the community and it would have a negative impact if taxpayer funding stopped, and especially arbitrarily.

2745 In order to look at proper funding efficiencies, Committees need to be doing the work which I think that they have by and large been doing, and certainly ours have with Education, Sport & Culture, and starting to look at how things can be done differently. But oh my goodness, don't we know that people do not really like that, even in this Assembly! How much opposition have I had to operational decisions that we have made around certain things to do with class sizes and the like.

2750 So we can always do better and it is essential that we use taxpayers' money wisely and ensure that it has a maximum impact. And I *have* seen waste, but not in the way that many think. Not from an oversized Government or bloated Civil Service. And it has been said that in fact our size of Government is less than that of our neighbours in Jersey or further away in the Isle of Man.

2755 But the waste that I have seen and experienced is through *political* judgement, actually – in here, really – on projects which have been shelved, or on legal challenges lost, or work that never came to fruition. Over the years, multimillions of pounds of public funds have been lost in this way, and yes you can say wasted, because it came to nought.

2760 And yes, there must always be a focus on driving more efficient and better value approaches to Government administration, and yes things can be better, but this will not cover the growing deficit. No one wants taxes. Culturally in Guernsey we are averse to GST, and so am I, if it is a standalone tax. I am a pragmatist, though, and amongst the suite of measures, I see that this option gets us to where we need to be, and quickly. Anything else on the table risks continuing to run up the deficit and stores up a debt that our *children, our grandchildren*, will end up having to pay sorely for.

2765 If we can keep our young people safe, fund them through high-quality education, provide broad, good levels of healthcare, which in part would be funded by GST, under the P&R proposal, then at least they will have a chance of keeping this Island successful and maintain a quality of life that I have enjoyed growing up here. I understand the opposition. I really do. Sadly, we are running out of road and there is a lack of palatable choices left open to us. This is a complex matter with factors in play. But now is the time where we, in this Chamber, have to make the hard decisions.

Thank you, sir.

The Bailiff: Deputy Trott.

2770 **Deputy Trott:** Sir, I do not think I could have spoken for the 47 minutes that Deputy Roffey did this morning, and even if I did, I do not think that I would have been able to have spoken with such passion. There is absolutely no doubt in my mind that Deputy Roffey is very emotionally connected to these proposals, and I completely understand why, because it is exactly how I felt back in 2007.

2775 In 2007, it was a year before we introduced Zero-10 on 1st January 2008. There is a real connection between the reasons that we had to do what we did and VAT or GST. Because back then, the Isle of Man were recording huge surpluses as a consequence of their share – their disproportionate share, as it turned out – of the VAT common purse. And they had absolutely enormous revenues. Those absolutely enormous revenues meant that they had a growing public sector, but they still had surpluses, which enabled them to move unilaterally and go to the so-called Zero-10 regime, which saw a very significant loss in corporate income tax.

2780 We had no choice but to follow suit. To this day, I think it is probably *the* seminal decision that the States have made during my time in this Assembly and those who regard this as the most important debate of the 21st century in this Assembly are wrong. I think it is the second-most important debate. But the point was that we were forced to move because of an absolute abundance of resources that the Isle of Man had and therefore their ability to move unilaterally.

2785 I have very little criticism, if any, of the current Policy & Resources Committee and the way that they have brought these proposals. They firmly believe in them, they believe that what they have on the table is the best solution and they may well be right. But this is where I depart from that

2790 collective view. Because whether they are right or whether they are wrong is irrelevant. There is no
doubt in anyone in this room's mind that GST will not go through. It is, to use a much-hackneyed
political expression, dead in the water. We all know that. What we do not know is whether it will
lose 25-15 or 27-13, or whatever. But we all know that.

2795 We also all know there is a very real deficit. I do not think that anyone has spoken against that
particular point. The issues are all around how we solve it. Deputy Ferbrache in his opening remarks
said something that is true in politics, as it is in business, as it is in our personal lives: that when we
make decisions, we need to be objective and well-informed. I and others before me speaking in this
debate I think have made the case that we are not going to have a Goods and Services Tax right
now. So it is then all about the most fundamental of all political guiding points, guiding principles:
2800 it is all about the art of the possible.

Clearly what we have in front of us, the so-called Fairer Alternative, is a workable alternative. So
in not voting for the Policy & Resources Committee's proposals, I make no judgement, it is not an
indication that I think that they are wrong in what they are proposing. But what I do know is that
they are deeply unpopular and they have no chance of success. And therefore, that is why I shall be
2805 supporting the Fairer Alternative. Because I believe that to walk out of this Assembly with nothing
will reflect extremely badly on us all collectively. **(Two Members: Hear, hear.)**

I was going to talk for a moment about Committees, because it always makes me laugh when
people think the setting up of an extra Committee is somehow or other a reflection on those who
currently hold a particular mandate. But of course it is not, because all 40 of us are the executive.
2810 This is different to most other parliaments. We all have an equal standing; we are *all* the executive.
And therefore it does not really matter who is doing the work, as long as the journey that that work
produces gets us to a place of greater consensus and it is almost inevitable, in my view, that that
journey will achieve precisely that outcome.

So I hope my friends on the Policy & Resources Committee do not feel in any way betrayed, but
2815 I do make the point once more: I live in the real world. They cannot have what they want and
therefore it is absolutely essential that we leave with something and that is why my weight gets
thrown behind the Fairer Alternative as the best option on the table right now.

Thank you, sir.

2820 **The Bailiff:** Deputy Taylor.

Deputy Taylor: Thank you, sir.

I am actually very grateful for Deputy Trott rising to speak there. I have been waiting to listen to
his wise counsel for most of the day. Because truth be told, and I do not necessarily want to stray
2825 into general debate, but I find the whole issue of taxation and what to do next incredibly
complicated. And I have not liked the position of P&R to suggest that if you are going to object to
the proposals, you have to have an alternative. I am quite happy to say that I do not have a brain
capable of proposing a new tax alternative. I do not take any shame in saying that.

2830 Which is why I am very grateful to Deputy Soulsby and Deputy St Pier for bringing an
amendment such as this, which does give options which – it is not coming from a qualified position –
on the surface look well thought out, look entirely reasonable and it looks like something I can put
my name to. So I am very grateful, as I said, to Deputy Trott, someone with immense experience
who has been through situations like this, for endorsing this as a potential move forward.

2835 Deputy Mahoney is not in the Chamber at the moment, so although he refers to it having not
had enough, or enough lipstick in the world, I think his phrase was, to make this attractive, you
could equally say it is the best of a bad bunch. And it is a way forward when it probably is quite safe
to accept that GST, under the original proposals, will not be approved during this Meeting. So thank
you to the proposer and seconder, thank you, Deputy Trott, and for everyone else who has given
contribution. It has been much assistance.

2840 Thank you.

The Bailiff: Deputy Moakes.

Deputy Moakes: Thank you.

2845 This amendment actually does look really interesting. There is some good stuff in there. But a lot of that is already in the P&R policy letter and a lot of it is also hollow. There is not enough detail behind it. It talks about cuts in spend across Committees, but where? What are we going to cut? Whose important services are we going to cut? When are we going to cut them? It is all a bit hollow. I think to support something like this I need more detail. I need to know what I need to cut, where
2850 I need to cut it, who it is going to impact and it does not give me any of that information.

Another thing I am worried about is setting up more Committees. It is going to take at least two years, according to the amendment, for ideas to come back, and then goodness knows how long to debate them, to talk about them, to send them backwards and forwards, and finally get a decision. I just want to remind you what I said yesterday: if we want to retain existing business and attract new business, we *cannot* have uncertainty. Because every business, whatever sector it operates in, needs certainty to be able to thrive.

They need to know that Government will maintain fiscal discipline, that it will invest in infrastructure – which is another thing that is potentially impacted by this amendment – that it will invest in people and that it will develop and implement a workable tax system to fund all of the
2860 spending. So I am seriously worried about that additional time, additional uncertainty.

I think it also does not rule out GST. I can see a lot of people clinging to this like a life raft thinking, 'Well, it's better than the P&R policy because it rules out GST.' No, it does not. It does not mention GST. I think somewhere that it *might* say that it could be possibly needed in the future. I know that the proposer of the policy letter is not against GST and I know the seconder has said,
2865 I think – and please correct me if I am wrong – that it is *inevitable!* So whilst this does not mention GST, there is a high likelihood that it will come back to haunt you at some point if you vote for this amendment.

And it is another kick-the-can-down-the-road amendment, as we have spoken about previously, because two years to come back, various Committees going out, duplicating work, effectively shadowing P&R's, and even then you do not know after two years whether it is going to be agreed. So I have real problems with it.

I have always said that I will not support GST because it is a regressive tax. That it will hit middle-, low-income families the most. I have also said that we should not raise taxes until every other option has been considered. However, I also said that if once every single stone had been
2875 turned and there was still a fiscal deficit, then we would have no option but to consider raising taxes, because to not do so would be fiscally irresponsible. Otherwise, how could Government pay for essential services and how could it fund important investment in infrastructure initiatives? It now seems that all the options, or the workable ones at least, have been looked at.

Some additional ideas have been put forward, but nothing that actually solves the problem. Put
2880 simply, we do not have enough money to fund the services that people rely on and the costs of many of these services are going to rise, not fall. Healthcare costs, pension costs and Social Security costs are all going to increase because of the changing demographics of our Island. It is a fact. As a result, the dependency ratio is moving in the wrong direction. As more people retire and need access to pensions and healthcare, fewer people are entering the workforce and paying the taxes that fund these services. This is absolutely unsustainable.

So looking ahead, we have got to ensure that we have the funds to care for our ageing population and to invest in our Island's *and* our children's futures. The good news is that everyone seems to recognise that there is a growing structural deficit. The bad news is that some people do not appear to recognise that this is something we need to address urgently. We cannot keep kicking
2890 the can down the road. We now need to find a solution and quickly. Part of the reason that S&P recently downgraded Guernsey's credit rating was due to the lack of progress with the Tax Review – a wakeup call.

2895 When previously P&R proposed introducing GST, I rejected it because on its own it was a regressive tax, as I said earlier. I could not justify that proposal then and I could not justify it now. However, what P&R has come back with is something different. It is a policy letter that can be split into two parts. The first part of the policy letter is a complete overhaul of the tax and Social Security system, which should raise £50 million to £60 million per annum. This is not simply about introducing a 5% GST.

2900 Despite what you might have heard, that is not all that the policy letter is proposing. It also proposes a lower income tax rate, an increase in personal allowances and changes that will make the Social Security system fairer. This package of measures, when taken together, is designed to reduce the overall tax burden for circa 60% of the Island's poorest households.

2905 Many people have rightly said that we should focus on growing the economy, cutting costs and driving efficiencies. I agree and that is where the second part of the policy letter comes in. A number of initiatives have been identified that have the potential to raise an additional £30 million to £40 million. These include making savings and cost efficiencies, growing the economy and increasing participation rates, growing the size of the working population and reviewing corporate tax options. I agree. We should be doing more to identify where we can make savings and drive efficiencies. But we need to be careful.

2910 For example, we could spend less on capital expenditure, but we have all seen what happens when infrastructure is underinvested in. Buildings, walls, paths, steps falling into disrepair. Indeed, capital expenditure can bring huge economic benefits, so long as the money is invested wisely and on the right things.

2915 In terms of increased participation rates and growing the size of the working population, I could not agree more. We are currently in the middle of a jobs crisis and urgently need to find ways to fill the large number of open vacancies that exist across all business sectors. Clearly we can fill some of these roles by increasing participation rates, but we will also need to encourage more people to live and work here.

2920 But if you want people to stay in Guernsey or move to Guernsey, we have got to do something about the second crisis that the Island faces: the housing crisis. People are leaving Guernsey because they cannot afford a home and our children are moving abroad for the same reasons. Businesses struggle to fill open positions because of the lack of housing and all the cost of housing. This is another issue that needs to be prioritised and soon.

2925 And finally, P&R is already looking to develop proposals for raising further revenues from the corporate sector which do not negatively impact Guernsey's competitive position or compliance with international standards.

2930 So lots of ideas, but the reality is that whilst collectively these and other initiatives could raise £30 million to £40 million, they are certainly not enough to fill the structural deficit. When developing this policy letter, the States sought expert advice from some of the world's leading tax experts and since it was published, the policy letter has been viewed by many people and organisations. Here is what GAT had to say in a letter sent to all Deputies in relation to Standard & Poor's recent report:

We refer to the attached Standard & Poor's report dated Friday the 13th of January 2023, in which both Guernsey's short- and long-term sovereign credit ratings have been lowered. We urge the States' Assembly to note the concerns highlighted within the S&P report and take immediate action to address the structural deficit and the tax package outlined in the S&P report, and recognise that these steps, combined with growth, immigration and a robust reporting framework, are the only viable options to ensure Guernsey's future economic stability.

Here is some of what GIBA had to say in a letter that it sent to all Deputies:

The island's existing finance industry has grown on the basis of tax, regulatory stability and certainty so GIBA supports measures which seek to ... [address] the deficit with a clear and timely plan on the implementation of tax reforms.

[...]

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 proposals also attempt to ... [balance] the island's sources of tax revenue in line with other jurisdictions ...

2935 As a member of the Committee *for* Economic Development, I want all sectors of our economy to be successful. But as finance sector lead, much of my time is of course focused on that sector. I meet with individual companies, the industry associations and, of course, Guernsey Finance. Why? Because the finance services sector is the Island's biggest employer, with around 6,000 employees. It is also the biggest single contributor to the Island's GDP, about 36% or so.

2940 So it is vitally important to listen to what it has to say and let's not forget how many thousands of jobs and businesses benefit from a thriving financial services sector, from legal and accountancy services, to retail, hospitality and of course construction. If the finance sector is buoyant, which it is, the wider economy benefits. However, if it sneezes, so does the rest of the economy.

2945 So, and I repeat again, sir, the message is clear: if we want to retain existing business and attract new business, we cannot have uncertainty because every business, whatever sector it operates in, needs certainty to be able to thrive. 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.

2950 I do believe that there are real opportunities to reduce the structural deficit, but the States will need to pivot from a 'spend and worry later' mentality to a more considered approach; reduce cost, grow the economy and invest in Guernsey's future responsibly. However, this alone will not be enough to close the fiscal deficit. We cannot bury our heads in the sand and pretend that there is not a problem. We cannot keep kicking the can down the road in the hope that we will discover a magic money tree. And we cannot keep putting off difficult decisions because it is politically difficult, or for whatever reason, because that will simply compound the problem.

2955 Everyone agrees that there is a structural deficit, S&P's recent downgrade was a wakeup call, the time to act is now. That is why I support this policy letter. I do not actually believe there is an alternative and doing nothing is not an option.

Thank you.

2960 **The Bailiff:** Deputy St Pier.

Deputy St Pier: Sir, I am very pleased to second this amendment and I would like commend Deputy Soulsby, who has put so much work into it. It has been a real pleasure to work with her, and indeed with many others who have contributed to it.

2965 Sir, Deputy Dudley-Owen cannot work out what this amendment is about and I think she appears to be looking for, or perhaps in, shadows that simply do not exist. Deputy Moakes, and indeed others, have spoken about the need to avoid uncertainty. But with respect to Deputy Moakes, there will be far greater uncertainty if we emerge from this debate this week with nothing else. **(A Member:** Hear, hear.)

2970 I have been told by some Members that there are others who will not support this amendment because it is being lodged by Deputy Soulsby and myself, it has been laid by Deputy Soulsby and myself. I must say that this information is second-hand, so it may not actually be the case, and I hope that it is not. This issue is far too important for the decision to be made because of personality politics. **(Deputy Queripel:** Hear, hear.) It is a decision that must be made on whether these alternative Propositions presented by this amendment are better than the ones in the original policy letter. **(Deputy Queripel:** Hear, hear.) If Members do not like any particular alternative Proposition, such as members of the Guernsey Party, then they can vote them down in the final votes.

2980 Sir, a lot has been said about the S&P downgrade and that has become a convenient bogeyman to beat us with. It is a red herring – it is a *complete* red herring – and as is often the case, let me be the one to give the history lesson. Around 2009-10, when Deputy Parkinson was Treasury Minister, his Department brought proposals to borrow and it was necessary to get a credit rating. We had never had one before, so S&P were commissioned to give us one. When those borrowing proposals

2985 were rejected and thrown out by the 2008-10 States, the credit rating was no longer needed and in order to avoid the annual costs of retaining one, S&P were let go and we went without a credit rating for a number of years.

When I was Treasury Minister in the 2012 to 2016 term, we brought fresh borrowing proposals to the States, so we needed a fresh credit rating. So we re-engaged S&P. Let's be very clear: we only have a credit rating because we *pay* for one. If we do not want to borrow again, we do not need a credit rating and we can let it go again, and then we will not be downgraded.

2990 As Deputy Falla said, the only real consequence of the downgrade is that our borrowing cost, if we ever want to borrow again, will be slightly higher; 0.01% is the increase, according to Deputy Trott, based on the market value of our existing bond, which means *nothing* if we are not planning to issue another bond.

2995 In any event, A+ is still investment grade. Anything above BBB- is and we are well ahead of that. So it will make little or no difference to our ability to raise funds. There is absolutely no damage to the finance industry and it is irresponsible for anyone to suggest that it will be, especially, if I may say so, the President of the Committee *for* Economic Development. Bermuda is A+, for instance –

3000 **Deputy Inder:** Point of correction, sir.

The Bailiff: Point of correction.

3005 **Deputy Inder:** Deputy St Pier is entirely misleading the Assembly, as one would expect. What I spoke about was trajectory. I spoke about the ability to market. That is what I spoke about. And it is unreasonable, unfair, for him to use his position, with his history, to play politics, because that is not what I said.

The Bailiff: Deputy St Pier.

3010 **Deputy St Pier:** Bermuda is A+, for instance, and Cayman is Moody's AA3, which is equivalent to an S&P A-, so two grades below Guernsey. And neither of their finance sectors are damaged by their ratings, or indeed the trajectory of their ratings that has taken them there. The credit rating of each individual bank or other company that operates in our jurisdiction has a credit rating and they are *not* – I repeat, they are *not* – remotely impacted by any credit rating or no credit rating of the States of Guernsey.

3015 Deputy Inder has told us that his job means *everything* to him and he has also told us that it means *nothing* to him. He has also told us that the entire finance industry was a result of luck and not as a result of any action or strategy from Government. If he truly believes those two statements, it does rather beg the question, what is the point of Deputy Inder? (*Laughter*) Or at least, what is the point of the President of Economic Development? Maybe there is a saving in there somewhere. (*Laughter and interjection*)

3020 Sir, the reduction in the Fiscal Framework capital expenditure rule from 2% to 1.5% reduces the forecast structural deficit. It does *not* change a single penny of actual capital expenditure. Deputy Roffey is very protective of that rule, perhaps because it was his amendment in 2020 that revised the form of P&R's original, dare I say it, evidence-backed recommendation of 1.5%. So the idea that Proposition 5 somehow threatens the GHA's building programme is another red herring.

3025 Page 7 of P&R's letter of comment provides a table in which P&R assumes a 1.5% allowance for capital investment rather than 2%. And this produces a bottom line that reads:

Surplus available to support the growing cost of public services.

3030 That surplus is £40 million for P&R versus £28 million for ours. So that answers Deputy Roffey's question as to where the funds are coming from. And in any event, since Deputy Roffey has spoken, P&R appear to have lodged Amendment 10 that concedes that point by seeking to revise the fiscal rule in the way we are suggesting.

Deputy Aldwell has said, in essence, and I am paraphrasing, that there are no or few savings to be found and she cited the good work that the Committee *for* Home Affairs undertake to, quite
 3035 rightly, ensure that every penny is wisely spent. But is it really the most cost-efficient model to have two fire services, one managed by Home Affairs and the other by the ports?

If we actually look at the outturn in the last accounts for 2021, take a look at the segmental analysis on page 80. *Every single* Committee underspent. Economic Development by 6.6%; ESC by 10%; ESS by 2.3%; E&I by 3.2%; HSC – even HSC – by 1.3%; Home Affairs by 3.9%; and P&R by 8.5%.
 3040 That is the actual versus the authorised, so that takes account of transfers in the year. The overall underspend was £25 million, which is 4.8%. So the idea that 1% cannot be taken out of budget next year is absurd. In light of that outturn, if Deputy Moakes truly believes that every stone has been turned, he is either very naïve or clearly he been drinking the Kool-Aid.

In the last term, we gave Committees 3% savings annual targets and everybody told us that that was undeliverable. But guess what? They were all delivered. And there was more baked in to the draft 2021 Budget, which the new P&R Committee took out after the election. But those who are worried about slash and burn to budgets or projects, cutting all the easy lines like Overseas Aid, which has been done before, justified by the need to look after our own first, then reject this amendment and with no other alternative allow that process to begin unbridled.
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Deputy Gollop has talked about hits from the past and that we could have done more. And Deputy Murray said it was all going to take far too long to review our spending. But much of this work has already been *done*, particularly for our three biggest spending Committees: Health, Home and Education. Priority-based budgeting was undertaken in the last term for Home and Education, and a lot of work was done in relation to the Law Officers.
 3050

And Health’s Partnership of Purpose, delivering health and social care in different ways, was born out of two expensive reports commissioned from KPMG and Grant Thornton, but have not been actively progressed this term. All that work identified how things could be done differently. As Deputy Gollop has said, we need to get on and deliver those changes in practice that have been previously identified. We are *not* starting with a blank sheet, or we should not be. In any event, since Deputy Murray spoke, P&R have conceded this point *too*, by recognising the need to review services in Amendment 10.
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 3060

Deputy Roffey has misunderstood the purpose of lifting the drains on expenditure. Yes, that work is defined, those savings that do exist. Not primarily because it will solve the problem entirely, because it will not. I agree with him absolutely, and indeed with Deputy Le Tocq, on that very same point. Savings alone will not save us. They are both right and to suggest otherwise to the community is wholly misleading, but they will help. But this work is mainly to do it in such a way and with such public engagement that the community have faith that it has been done properly, because that is what is absent.
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Deputy Roffey also says that the Fairer Alternative does not raise as much revenue as the policy letter. Our proposals do not raise as much *gross* revenue, but our proposals raise more *net* revenue savings, after the savings that we are suggesting and the changes in the capital requirement in the fiscal framework. It is those net savings that ensure that the Social Security reforms are fundable.
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Deputy Roffey has said that corporate tax proposals will come this year. That is not actually what the policy letter’s Proposition says. The second half of Proposition 4 relates to:

an alternative corporate vehicle or other appropriate form ... or taxing structure which will be subject to income tax at 15% or such other rate or basis as the review may determine.

That is in much narrower a scope that is promised by November 2023, not the wider scope that is referred to in the policy letter, or indeed in our amendment.
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The special Committees do not trample all over our system of Government. It is firmly part of our Committee system, as Deputy Trott said, and dare I say it, as Deputy Roffey very well knows.

With regard to tourism, £½ million from an emissions charge to cruise ships – others have talked about this – and £2 million from staying visitors, what I will say to the people who are concerned about that, is it is considerably less than £6 million taken from that same group in GST. **(A Member:**
 3080

Hear, hear.) Deputy Inder cannot have it both ways – that this amendment is all about delay and does nothing, but at the same time it is going to apparently damage the tourist sector. Which is it?

3085 We should not forget that the hospitality sector has pitched a visitors levy to both P&R *and* ED in the last couple of years, and have offered to collect it. And they are actually more supportive of *this* proposal than of GST.

3090 We are told that P&R is looking at TRP on non-domestic, non-public parking. We are told they are also looking at the public sector pension scheme and we are told they are also looking at redundancy terms. But that information has only come out as a result of this amendment and the debate around the policy letter. There is not a *single* word in relation to any of those topics in the policy letter that references them. So at best, it looks like a reaction from the publication of our amendment, as nobody knew anything about them before.

3095 This amendment will help us rebuild trust and confidence with our community by engaging effectively with them in this process. It will enable Government to demonstrate that it has done *everything* it can before tax increases on households are needed. Deputy de Lisle said this amendment includes *provision* for GST in the long term. It emphatically does *not*. And for those who support the red ribbon campaign, this amendment unambiguously takes GST off the table for the duration of this term of Government. That is all we can do, that is all *any* of us can do. It does not and *cannot*, as Deputy Burford has said, bind the next States.

3100 None of us know who the electorate will place in our seats in June 2025 and it would be highly misleading for our community for any of us to attempt to spin that any Proposition or Resolution of this States can and will kill GST forever. It is as disingenuous – if I may say so, sir – as any proposal that purports to limit or prohibit any change in the rate for any period beyond this term. (A Member: Hear, hear.) For those in the red ribbon campaign, this amendment is the *only* viable option that will enable us to salvage *anything* positive from this debate.

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Deputy Queripel and another Member: Hear, hear.

The Bailiff: Deputy Le Tocq.

3110

Deputy Le Tocq: Thank you, sir.

I do not really like preaching at evensong, because people tend to fall asleep, but I will try and make it as entertaining as possible.

3115 Sir, I am going to try and restrict my comments to the amendment that is before us. I was contacted yesterday and today, actually, by a couple of people who have turned to be in favour of our proposals. (A Member: Two?) Yes, two, incredible though it might seem. (Laughter) There are more than that, but these particular two, (Interjection) sir, were very worried and concerned for my reputation and said that I ought to try and disassociate from the proposals on that basis; that my reputation would be ruined. Well, sir, I had to say to them, as someone who follows a carpenter who got nailed to a tree and called it success, (Laughter) I am not really bothered about reputation. I think that went a long time ago. (Laughter)

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3125 As such, sir, I do want to start by saying that I believe this amendment is well-intentioned and I think a lot of effort has been put into it. Somewhat, I think, out of frustration. Frustration which I know many share in this Assembly and in our community. The sort of frustration that comes out of a desire for *anything but* GST. And that is difficult because the task that we were given was to consider everything on the table, to look at everything. I can certainly vouch for my colleagues that I do not think there was anyone around the table who really wanted to look at GST, and Deputy Roffey has already mentioned that.

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3130 I will not labour that point, but the fact that we have spent so long looking at this and following what we were mandated to do with all options on the table, and still have not been able to avoid that, demonstrates, I think, the seriousness of our condition. Deputy St Pier has just referred to it, others have referred to it, sir, there seems to be general agreement in this Assembly that we have a problem. We have a *growing* problem. There are varying views about how urgent the issue is, but

3135 I have not heard anyone get up and say, 'We have no problem at all.' Some people have said that outside, but I think we recognise that. So that is one thing I think which we should certainly bang.

3140 The question is then perhaps one of how do we resolve it and the question of timing, which has also been raised. This amendment I do not think really addresses those things. And whilst it is well-intentioned, as I said, and there are some good ideas in that, and Members will see that I, along with my colleagues, have tried to take some of those good ideas, because we are willing to incorporate some of them into our Propositions, really, we cannot accept this amendment and I cannot support it as it is. I want to give a number of reasons for that. Some reasons have already been given by colleagues who have spoken, but I will highlight some things that are particular to me.

3145 The first is this amendment is not anywhere near as progressive as I feel it needs to be for our community at this time. I know that our community does not recognise, perhaps a section of it, certainly, does not recognise that our Propositions are progressive. But I cannot support this, because effectively, I would be better off under these proposals in the amendment. And I am above median earnings. I am a wealthy Guernseyman by standards. Not as wealthy as some, but I am wealthy, and I am willing to pay more. But under these proposals, I would not.

3150 It is fairer, in a sense, because everybody will be affected by this, whereas *we* have sought in *our* proposals to ensure that those on low incomes and middle-income earners are protected. Protected from not only from the changes we need to bring in, but the current situation that we are in. We do hope that inflation will go down and some of the current financial issues will improve, but the fact is – and I will come to this in a moment, sir – if we think this is not the right time, we could kick it down the line, and this is effectively what is mainly done in this amendment, to a time when it is even *worse* than the situation that we find ourselves in economically at the moment.

3155 Faced with that position and particularly for someone like myself, sir, who has been in the Assembly many years and resisted GST as a standalone, simple solution. This is not a simple solution. It is complex, which is why lots of people have not understood it and it is very difficult to put into bullet points or to headlines, but some people have only read those.

3160 And this amendment seeks to do that but unfortunately, whether it is intentional or not, parts of it are smoke and mirrors, sir, in the sense that it is saying what we will do is reduce the capital allocation to 1.5% and that means the problem is not as big as it was before. But remember, that is only a minimum. If our infrastructure needs more investment, we are going to have to do something about that. It really does not resolve the problem, it is just like clever accounting. That is smoke and mirrors. It makes the problem look not as bad, but we need to realise that the problem *is* a real serious problem and it is one that we have not been doing for some time.

3170 But not only is it smoke and mirrors, sir. There is an elephant in the room. And the elephant, sir, is that – and it has been hinted at, hinted at even in the papers that we have been given alongside – some sort of consumption tax may be needed in the future. Well of course it will be needed in the future and I am really fearful that when we get to that place that we will be so pushed that we will not be able to do the progressive things that we have an opportunity to do now.

3175 I cannot, in all sincerity, sir, vote for this amendment, because I would feel it is wrong to do so, as someone who will benefit because it protects me effectively for a short term, at least. I do not feel that is right. I cannot do that.

3180 Some who have spoken on it and ... Well, first of all, I would just thank Deputy Vermeulen, at lunch time, for reminding me of a Mark Twain quote. He said, 'The truth hurts' and unfortunately most people only quote that bit of it, but as usual, there was another context, something else that he said. He said the truth hurts, but silence kills. And this amendment is silent on a lot of the real issues that it puts into a few, effectively, various Committees that are set up, out of Members here, to try and resolve things.

3185 We do need to find consensus and we certainly do need to walk out of here with something. *But* we have already had two years, we have had opportunities for consultation with one another, with members of the public. Deputy Soulsby has been involved in that whilst she was on P&R and we have turned over so many stones that can we really believe that *substantial* alternatives can be

found to fill that hole that is clearly here in the funding? If it is not filled, then the burden will be on the lower paid and on middle-income earners, quite clearly, and we have been squeezing them for many years. I am not willing to do that.

3190 And that is why the truth hurts. I will speak the truth. I will always try and speak the truth in love, but sometimes, as I said to my kids, it is hard to do that because you do not want to hear what I am saying. I have come to that conclusion myself through hard consideration of what alternatives might be there.

3195 It was I think Deputy Burford who said, in fact she commended P&R for the progressiveness of our proposals, but said that the timing was wrong. I cannot see how she can support this and say the timing is *right* in terms of doing this any more so, because if it is voted through, we have already heard of several Members who will say, 'Well, I'll vote it through, but I won't vote for that bit and I won't vote this bit' and they will cherry-pick and we will end up with nothing anyway. That is not helpful.

3200 We have got to try and find some real consensus, some compromise, and I am always one to try and do that, where we can, in order to ensure that our community is not fooled, is not duped into thinking that they are off the hook in some way. Our problems, in the main, are not only our problems. They are being faced by most of western society. Some are, because we are very small, and some are very difficult to address.

3205 Another point, sir, I will move on. Another point of why I cannot support this is that there are implications, in certain measures, and there are some new measures here that are probably worth looking at, but really if we think they are sustainable, visitor levies, levies on visiting cruise ships, those sorts of things, they are behaviour-type taxes. And we know what happens with that on tobacco or on fuel. Eventually people start saying, 'Well, I won't drive a petrol car anymore' or, 'I'll stop smoking, because it's got too expensive.' They change behaviour. So they are not sustainable forms of income and they produce very little anyway, even in terms of what we have been given in terms of estimates of what they would bring in.

3210 Sir, there is a few points that I want to raise in terms of corrections to what has been published by the proposer and seconder of this amendment. Firstly, it talks about income inequality as a growing issue, and I accept that income inequality is something we should regularly keep an eye on and look at. But I am not sure where they got their figures from, because the latest figures that we have available show that in the last three years that we have records for, 2018, 2019 and 2020, the proportion of the population whose household income was less than 60% of the median has gone down from 19.6 in 2018 to 16.5 the year after, to 14.8 the year after that.

3220 It could be argued that in 2018, perhaps, we had one in five children who were in households of that sort, but the UK has one in four, and we are certainly not in that position. The trend seems to be going in the other direction. We have not got details for the last two years, but we have to work on what we are looking at. That is not enough to persuade me to say that the proposals that are in this amendment would resolve this thing. I honestly think it would make things worse and I cannot vote for that at all.

3225 Sir, we have a situation where I believe that some Members in this Assembly are so opposed to the concept of any form of GST that they will almost embrace anything. And that is a dangerous position to be in; to blindly embrace anything that does not have it. For a number of years now, sir, we have recognised, some of those who have spoken for this amendment have recognised that we are over-dependent on taxation on employment.

3230 And as a result of that, if we continue to put a burden on those who are employed, if there was a downturn in the economy and if there was large unemployment, as there was when I was at university, both in the UK and here, but here primarily in the late 1970s and early 1980s because of the diminishing horticultural industry and we saw 1,800, 2,000 unemployed people, where would we be if we put all our eggs in that basket?

3235 We do need to diversify. And really, we have looked at all the other opportunities and nothing gives us the opportunity to diversify and use some of those funds to help those most affected

during such times as a GST. It is the least-worst option, but it is one that we have come to the conclusion of, that we need to seriously embrace.

3240 So this amendment, sir, just seems to look at a number of different things. Some of them quite small; some of them, as I said, unsustainable; some of them will require quite a significant proportion of time that I do not really feel we have; and it is false hope, sir, to believe that there can be other solutions out there.

3245 I am not saying we should not do this alongside, because we certainly need to make savings. We certainly need to investigate all other forms. And that is why I will seek to lay an amendment that adds that in explicitly – although we have I think indicated all of those things anyway in the policy letter. We certainly need to do those things, but they are *not* going to provide a silver bullet. GST does not by itself either, because it is regressive by itself. But the package we put together enables us to help those who otherwise are affected by it.

3250 I am actually proud of that, and I am proud of the fact that when we have done drop-ins and we have done engagement with people in the public, a large number have said, ‘Oh, I get it now. I didn’t realise that you were actually creating an environment where you taxed ...’ And many said they wanted to tax the very rich as opposed to more taxes right across the board. This amendment does not touch those things. It does not bring in that sort of income from those.

3255 Even if we talk about the visitor economy, the sort of income that we need and we would get with our measures are not the sorts of incomes here. In fact, it might put people off. If people come to Guernsey off a cruise liner or on holiday, I do not believe any do come because we have got GST. Certainly Jersey’s figures do not seem to demonstrate that at all. But they come here and they would buy things and they would have meals out. They would not notice that they are doing that because most of them probably come from the UK where they are paying 20% VAT. And anyway, if you look
3260 at Jersey, the prices, the costs of those things are roughly the same.

So I cannot support this, but I would like to take some of the ideas out of that that we can put alongside ours and enable us to present something that you can still vote against GST if you want to, if you are really that put out by it, but that we do not walk away with nothing here, because we are still in danger of doing that.

3265

The Bailiff: Before I call Deputy Helyar, who might wish to speak now, is there anyone who wants to speak in favour of this amendment who has not yet spoken? The reason I say that is I do not particularly want to have two members of the Policy & Resources Committee speaking one after the other – and then a third, potentially.

3270

Deputy Fairclough, thank you.

Deputy Fairclough: Thank you, sir.

3275 I will be supporting this amendment. Yesterday, in opening debate, Deputy Ferbrache said that a solution to the fiscal deficit we are facing should be based on evidence, fact and what is best for the community. (*Interjection*) Well, sir, I would suggest that this is probably as close to meeting that aspiration as any of the proposals currently before us.

3280 I commend the Deputies behind this amendment for putting together, not just a fair, but a credible alternative to those in the policy letter in such a relatively short space of time. This considers the right size of Government moving forward, but also that a staged approach is taken with immediate action with regard to cuts in spending – getting our own house in order, as the public have put it.

3285 A lot has been made of manifesto pledges of course, and I get that, but I also understand that circumstances change and individuals and Deputies have the right to change their minds. That is what happens when you keep your minds open to possibilities. But I was very clear in my manifesto; I chose my words carefully as I usually try to do. But I had an email from a member of the public on Tuesday saying, ‘Simon, you never mentioned GST at the last election, what is your view now?’ To which I replied, ‘In my manifesto I said a full appraisal is needed of States’ spending, alongside the

already planned tax and benefits review *before* key decisions can be made on how to tackle the inevitable deficit in public finances.'

3290 I still believe that the full appraisal has not been completed and that more work is needed before new taxes are foisted on the population and perhaps that is why we are getting some of these late amendments coming in now.

In the lead up to this debate, I raised the question of where the recurring savings are to justify transformation costs of £37 million and about the failure to meet projected £10 million savings, which I have heard it said that we are miles away from. But there it is in black and white in P&R's letter of comment on the amendment, in the current budget, savings to be delivered, £10 million.

3295 The 'right-sizing' of Government, a term we ditched at the first iteration of the Government Work Plan, should I believe be picked up and run with again. (**Deputy Vermeulen:** Hear, hear.) And I sincerely hope that this priority 4 of the GWP, reshaping Government, is now moulded accordingly. My understanding is that this workstream has ground to a halt, (*Interjection*) maybe underlining Deputy Roffey's point about subcommittees. But if they really are of such little value, why did we have the Housing Action Group? Or even, dare I say it, the tax and social security working party? That is right. Not because he was on them, but perhaps because it is useful to work across Committees, utilising the skills of those best placed to take matters forward.

3305 The Reshaping Government subcommittee could also pay a significant part in what is done moving forward, especially if it starts meeting again, not least by potentially reducing the number of Deputies in the Assembly, (**A Member:** Hear, hear.) one of the many recurring themes in emails we have received. And, as was originally envisaged, by streamlining Government, something we all signed up to when agreeing it.

3310 Despite Deputy Mahoney's reservations, I welcome all the correspondence and engagement we have had from the public on this issue and thank all those who took the time and effort to get in touch with us. Many have included a simple three-word 'No to GST' but countless others have gone into great detail about why they oppose the substantive Propositions. And I have learnt much from the letters, emails, phone calls and discussions I have had with Islanders ahead of this debate. Maybe, just maybe, there has never been a better time to reintroduce motor tax or introduce paid parking, because those, to some members of the public, seem more palatable than GST.

3315 I respectfully suggest that the Island will never be more engaged than it is right at this moment – we might even have a few people listening on the radio for once – and that is why I urge States' Members, whatever the outcome of this debate, to take on board the views of the hundreds and hundreds of people who have engaged on this issue; consultation one simply cannot buy.

3320 It is always that at the eleventh hour, when there is the very real prospect of something happening, Islanders sit up, take notice and engage; and for good reason. But the simple fact is that we, as Deputies, have no monopoly on the wisdom that is needed to move the Island forward – far from it. I suppose that is why we pay consultants millions of pounds every year. I have got a better idea: why don't we listen to local people? (**Two Members:** Hear, hear.)

3325 Moreover, this amendment seeks a more pragmatic and realistic approach with regard to capital spending, just one of the assumptions. Which, depending which day of the week it is, varies from £80 million to £100 million or, as I heard somewhere yesterday, even £120 million. I am sorry: for me, this is part of the problem. Differing numbers are being bandied around and do not exactly give one confidence in the issue we are trying to solve. (*Interjection*) That is the kind of messaging that turns people off the proposals.

3330 On the 2% target of GDP on capital spend, ahead of and during the session that I attended with P&R during the first week of January, I questioned the lack of information in the policy letter, or indeed elsewhere, on the capital portfolio programme. And while there was reticence to explain this due to commercial sensitivities, it was agreed detail on this would be circulated to those present or to Members. But I have not received this. Where is it? What is involved in it?

3335 How can I, as a States' Member, look Islanders in the eye and tell them that I will impose new taxes on them when I am not even aware of what we are committed to spend and the vagaries of

our accounting systems (**A Member:** Hear, hear.) and standards which, as others have said, remain
3340 unaddressed? (*Interjections*)

As I explained at that meeting, I have been back to the GWP of June 2022, but again, there is
scant information. Is this information even up to date anymore? It showed that £583 million will be
required between 2022 and 2025. Major capital of £410 million; minor capital of £84 million;
3345 contingency of £35 million; recovery, one-off, of £18 million; and transformation costs I have
referred to, £37 million. Total capital and one-off of *£583 million*, Members, over the next
three years.

Deputy Ferbrache yesterday confirmed that the Hospital, the Corporate Housing Programme, a
computer system and the bridge to Castle Emplacement were on the list. I think those were the
ones that he specifically referred to in passing. But I at a Scrutiny hearing have asked for more
3350 information on capital spending and its phasing, and was told it was something that was being
looked at. Is it? Again, I have not had time to look at amendments that might be coming forward.

I am all for getting houses built, the second phase of modernising the Hospital. Yes, although
understandably perhaps, that is on pause I believe, a bridge to the Castle, and computer systems
less so. But, £583 million. And unless I can be convinced otherwise, an assumption of 1.5% is much
3355 more pragmatic – and even that looks ambitious at the moment.

The danger facing us here this week is that we are heading for nothing; kicking the can down
the road to nowhere. A situation where none of the significant structural amendments, if I can call
them that, or the original substantive Propositions will attract the support of a majority of Members.
Having spoken to a number of colleagues, there seem to be mixed views as to whether that is a
3360 good or a bad thing. Deputies Meerveld and Ferbrache agreed on *The Guernsey Press* podcast that
it would be better to end up with nothing than a bad solution. (**A Member:** Hear, hear.) Well, vote
for this and you will get neither of those outcomes. This is something that we can work with and
I will be voting in favour of Amendment 4.

Thank you, sir.

3365

The Bailiff: Deputy Haskins.

Deputy Haskins: Thank you, sir.

I guess I will find out whether I get to speak in debate, probably later tonight. If this succeeds,
3370 I guess I will not, as I will be mainly focusing on the GST element. So I shall only peak to this
amendment.

Deputy Roffey very ably spoke to this amendment, as did Deputy Le Tocq. Deputy Roffey
highlighted that this was an expensive version of nothing. I would probably go further and say it is
dangerous. Because it is dangerous to tourism, as we have heard from Deputy Vermeulen, who
3375 estimated to spend £150 million per year. It says to Health & Social Care, 'Oh, don't worry about
your budget.' It says, 'Don't catch up on the infrastructure deficit that we did not do last term, or
the term before that.' Infrastructure spending is needed for many reasons. (**Deputy Vermeulen:**
Hear, hear.) For example, to make sure that we can accommodate the plus-300 net migration that
we seek.

But what else happens if you do not spend enough on your infrastructure? Perhaps a crumbling
harbour, or sea defences? Need I explain why that might be dangerous. In any case, these two extra
Committees seem like a waste of resource and officer time. Deputy Matthews and Deputy St Pier
believe Members can vote certain elements down. Okay. But then there is no plan on how to address
the shortfall that each one of those will have.

3385 I do not think that this is the best, least-worst alternative and I shall not support it.

The Bailiff: Deputy Helyar.

Deputy Helyar: Thank you, sir.

3390 If I could just pick up on a point, because it does fall within my portfolio. Several Members have mentioned IPSAS accounts. I have said in the Chamber, during I think the last Budget debate and the one before it, and several times outside the Chamber and in meetings with Members, there is a commitment for IPSAS to be completed before the end of this term, and if it is not, there will be trouble.

3395 We have had the first set of bridging accounts towards that. IPSAS cannot happen overnight, we have to have bridging between the position that we report at the moment in the way that it is reported and in the way it will be reported under those accounts. But I am confident that it will happen.

3400 So as you might expect, I do not support the amendment. I will start with what I consider to be the biggest problem and that is the proposed first States Investigation & Advisory Committee. In my view we simply do not need any more talking shops. This first proposed Committee would be asked:

To determine the role and size of government, as an important precursor to establishing the revenues that need to be raised to fund the services that are needed by the community.

3405 During the debate on the Tax Review in the autumn of 2021, there were many calls to cut the expenditure of the States rather than raise taxes. Those comments are obviously being reflected again today. A wise and experienced Member made a very powerful speech at the time outlining why that is neither realistic nor deliverable and I thought it might be helpful to read some of the excerpts from that speech:

Embarking on a savings programme is far easier in theory than practice. It is not really something that can be done around a table producing lists of stuff that can be stopped or changed. It in itself takes up resources and takes people away from other work that has already been prioritised. Also, you have to think really carefully about the consequences of your actions ...

We literally cannot afford to wait and look at what savings we can make before deciding, as the train has already left the station and we do not have the luxury of time. We need to make in-principle decisions now. Kicking the can down the road will only make matters worse. Be in no doubt, all those who think we can make savings painlessly. We cannot. The difficult reality is the only way we can prevent taxes from rising is through cutting services.

And finally:

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

3410 Well, sir, I have certainly had my big boy pants on for a couple of years now and I have had to wear them continuously over that period – metaphorically, of course.

3415 Despite not wanting or liking GST and despite the fact that it would have been politically far easier for me to also baulk at the difficulties and objections, wave my hands in the air and jump ship from P&R, I have not. Because it is my responsibility in this role, as Deputy Ferbrache said yesterday in relation to an excellent speech which Deputy Trott made in 2020, to say it like it is, whether people like it or not, because that is what is in Guernsey's best interests, rather than my own or that of any particular lobby group or political party.

3420 Of course the wise words I quoted just now were those of Deputy Soulsby, the proposer of this amendment. I would really appreciate Deputy Soulsby explaining what has changed in Guernsey's economic situation since September 2021 to warrant such a total *volte-face* so we can now comfortably tread water and strategize as proposed by this amendment. Because by any sensible reckoning, a £43-million loss last year makes things significantly worse, not better. Forty-three million pounds is the equivalent in today's money of 26 years of funding for Guille-Allès Library.

3425 As a result of the 2021 debate, in the early part of 2022, Principal Committees were asked to look at their budgets and to identify where they would look if they needed to reduce Committee spend by 5%, 10% or 15%. The Committees reluctantly complied and the results are quite telling,

being coated in caveats about the limited opportunities and severe impact that even a 5% reduction would have on services and just how damaging this might be.

3430 Nobody came back with a list of things they felt maybe we do not need to be doing or that somebody else could do for less money – *nobody*. And some said they had no ideas whatsoever. Sir, most Members of the States sit on at least one Principal Committee. I would urge them to think back to that exercise and ask themselves some questions.

(1) Are there any services your Committee is providing that are inappropriate for the Government to provide or could be done for less in a different way? If the answer is yes, then I urge them to start planning to close or outsource that service now.

3435 (2) Do they think that a large piece of work by a new special Committee, which has no staff resources except those taken off other prioritised work, and costing millions of pounds of taxpayers' money, will tell them anything about their Committee's work that they do not already know? I doubt it.

3440 Sir, we all know that there are areas where our services need to be remodelled. Many Members, particularly those who have been in this Assembly across multiple terms, will have worked on policy development on individual areas, looking at finding cost-effective solutions to service provision – in some cases, several times. These are the most complex and controversial policy letters that the Assembly generally sees and the work and solutions always span several years.

3445 A great example is the Supported Living and Ageing Well Strategy (SLAWS). This began life as the Older People's Strategy in the 2008 term. The initial SLAW Strategy document was debated in 2016 and in 2023, the final model of care services has still yet to be resolved or costed. If it takes more than *15 years* to resolve the appropriate model for a single service area, is it *really* feasible to look at the *hundreds* of services that we provide to the community and decide what should be in and what should be out, and what should be different in two and a half years' time?

3450 Do Members really believe that if we attempt this mammoth task it will be possible in that timeframe to deliver anything with enough detail to be meaningful? No. Sir, officers have placed the estimate of supporting this work at a total cost of more than £2 million. Indeed, Deputy Soulsby confirmed in her speech during the first Tax Review debate that such work:

... cost[s] a lot of time and resources to administer with consultant fees in the millions ...

3455 So I have to ask, sir, which statement is true: the words uttered in that debate or the newfound spirit of special Committees, which will require resources, conveniently politically splitting P&R's mandate, coupled with a delay being suggested by this amendment? The estimates of the costs of this amendment based on similar but more contained work done simultaneously includes up to £1 million of external consultancy fees and £1.2 million of staff costs, which are going to have to be
3460 diverted from supporting existing Committee priorities.

In summary, before I move on to the rest of this amendment, this proposed Committee would be an expensive exercise in navel-gazing, which will do little but waste precious time and resources when we have neither to spare.

3465 We can, however, get on with the things we know *might* be realistic and here are a few: restricting the residency requirements on access to long-term care and re-examining the issue of funding models considered by the previous States in 2020, work which is already under way. We are also looking at requirements for private health insurance for older migrants arriving in Guernsey and could –and I know this is unpopular – consider restricting access to family allowance further and means-testing access to states pensions, something which Deputy Roffey is not very keen on, for
3470 those with significant income or assets.

I would be very much in favour of exploring any or all of these, but we do not need an expensive piece of work and another two and half years to strategize about where to look. We know where cuttable costs are, like these. We just need to get on with it.

One final quote from Deputy Soulsby, for now:

We do need to make savings, not to prevent taxes from rising but to minimise the cost increases.

3475 And this is exactly what is included in the Policy & Resources Committee proposals. I would urge
Members not to be seduced by the attraction of doing one final piece of work before making any
3480 decisions on tax and not lumber the Assembly with this white elephant. If you believe the public
needs more evidence of a commitment to efficiency and savings, the Soulsby amendment is *not* the
way to achieve it. Members should reject this amendment and select those of the original
Propositions from the originals which they prefer, particularly Proposition 3 as may be amended.

Moving on to the second special Committee, the original Propositions direct the Policy &
Resources Committee to continue the work it has already begun on corporate tax and come back
to the States with firm proposals in November this year; just 10 months away. Adding another
Committee to do this does nothing other than confuse who is responsible for delivering fiscal policy.
3485 Special Committees can be useful where policy spans mandates but that is not the case here. The
development of tax policy is core to P&R's mandate. There is no ambiguity in that.

What is more, we are also responsible for international representation and the two matters are
inextricably linked. We cannot consider our relationship with our neighbours, with the UK, the EU
and with the rest of the world without considering our plans on corporate tax. Dividing the
3490 responsibility for corporate tax policy from those responsible for international engagement would
be foolhardy.

If tempted to vote for this amendment because Members want specific individuals involved in
tax policy development, then a simpler and cheaper way is to request P&R to incorporate them in
discussions or appoint them on to a subcommittee. It would be a refreshing change to see
3495 Deputy St Pier or Deputy Parkinson, for example, actually take part in a collaborate process given
they have been almost exclusively absent from any P&R tax presentations or seminars over the past
two years. This is quite surprising given their experience, the strength of their opinions on the
subject and, indeed, their professional expertise.

A vote for this amendment is not necessary to get this work done. It simply extends the
3500 timeframe out further, adding crucial uncertainty to business when we need maximum confidence.

Moving on to the long list of things this amendment asks us to approve, we have circulated
some notes on the Committee's position ahead of the debate, so I will be brief. First, we must all
recognise if we do nothing to raise revenues some serious cuts will be needed in order to be credible
with entities such as Standard & Poor's. In fact, voting for cuts instead of taxes is one of the options
3505 afforded to you in the original Propositions. If that is what you want, you do not need this
amendment at all. Most importantly we cannot leave this debate, as many have said already, without
a clear route forward.

Turning to capital. The assumptions in relation to capital spend are simply that: assumptions.
And I have commented in the past that they are arguable and indeed arbitrary. I have also expressed
3510 a view that we should have a red box for what we can afford and only prioritise the top few matters
which can fit within it. Indeed, I suggested the approach in P&R and in this Chamber in relation to
the Government Work Plan last year and brought a successful amendment demanding that these
things be prioritised by *all* Members. For those with short memories, sir, Deputy Soulsby strongly
objected to that and voted against it. Apparently now, though, it is okay to have a new Committee
3515 and spend valuable time prioritising.

On the surface of it, the amendment's recommendations are alleged to be worth £19 million,
which is a substantial part of this amendment's financial promise. However, the reality of capital
spending is that we spend as much as our needs require at any given time and for too long that
was not very much. Deputy Soulsby is correct in stating that historically we have rarely spent 2% of
3520 our GDP on capital, but that does not mean that we should not have. What that means today is that
we are currently playing catch up, and the longer that we dither, the bigger the bill will get.

In any event, whether the assumption is 1.5% or 2% is a red herring. The deficit with a
2% assumption is in the range of £100 million to £120 million and with 1.5% it is £80 million to

3525 £100 million. We cannot afford either of them. The policy letter shows a route to closing that huge funding gap. This amendment most certainly does not.

The Community and Infrastructure Contribution is essentially the idea of a levy lifted from the corporate tax work. It is ironic given that I suggested the levy to Ernst & Young and asked them to include it, and hybrids, including it with other corporate tax options. Based on our discussions to date with Finance and other organisations, it is probably the option within the EY work most favoured by, or rather least objectionable to, local industry.

3530 However, there are some significant issues within the amendment proposals. Levies exist outside the tax framework, but if they are applied only to companies taxed at zero per cent, as Deputy Soulsby suggests, it carries the risk of being seen as a fee to access a favourable tax rate, which the European Code of Conduct are unlikely to view with any favour. You also, as I think has been said earlier, cannot have this tax twice. If we levy for a Community and Infrastructure Contribution, we cannot then tax again when we come round to the corporate tax proposals.

3540 In Proposition 7, the proposers intend to keep the structure of the Social Security contribution system with a minor change and I am glad we can agree on that. It is an excellent proposal and it has been a very important part of the work. The difficulty is, of course – I think it has been mentioned earlier – the Social Security scheme needs £34 million. A plan is already in place to raise that money if the Tax Review fails, as we know, as agreed by the States in October 2021.

3545 But when officers ran the Soulsby/St Pier proposals through the States' own model, it reveals it will raise only £21 million in contributions revenue. Sir – and I would ask those members of the ESS Committee considering voting for this amendment to take particular note – with no other significant source of revenue to make up the shortfall, the funds under the Social Security mandate would remain financially more sustainable if every single Proposition laid in this debate were lost and we changed nothing at all than if the Assembly decided to pass Deputy Soulsby's amendment.

3550 Sir, the voting for and against this amendment will be very revealing, against the constant drip drip we get from certain Members on Twitter and from the media in relation to tribalism. Putting the ESS Committee in an unsustainable financial position to support a political friend's amendment against the P&R proposals would be a most revealing public position to assume, particularly when the poorest people in Guernsey will bear a disproportionate burden of meeting the gap.

Sir, the other smaller tax measures outlined have been dealt with by numerous other Members. They are – and I am being polite – trivial in the context of the deficit issues that we face.

3555 The last of the Propositions I am going to discuss is Proposition 16, one that Members have probably given little thought to:

To direct the Policy & Resources Committee to report back on the impact of the measures arising from the above propositions by June 2026 –

– the important part now –

– and, if required, set out any measures necessary to address the sustainability of the financial position.

3560 Let's ignore for a minute the fact that returning to the States with major proposals on tax within 12 months of an election is completely unfeasible. Sir, the warning I would wish to give to those Members considering voting for this amendment because they do not want GST, take note: this amendment does *not* take GST off the table.

3565 The proposer of this amendment supported a package including GST in the last Tax Review debate, (**A Member:** Hear, hear.) as did the seconder. In fact, Deputy St Pier has stated on multiple occasions his belief that GST is the right step, (**A Member:** Hear, hear.) including in his speech on the green paper debate on this issue just over a year ago, where he set out six strong reasons why he supported GST. He, unlike me, has always been a believer. I am a *very* reluctant convert. In a rational and non-tribal Assembly, sir, we would both now know that for the stability of our tax base and our long-term financial future, adding a GST to our tax arsenal is the right choice.

3570 Sir, the issues in this policy letter have been brewing for five political terms. This amendment is an expensive exercise in can-kicking and procrastination. I say to Members of the States, there is no road left to kick the can down. By 2026, our financial situation will have deteriorated to a point where it will be significantly harder to recover and in just 17 years we will have 5,500 more pensioners and *no* money to pay their pensions. These are not arguable or doubtful figures. I am one of that cohort of pensioners in 2038 and so are several other Deputies in this Chamber.

3575 I do not want my children or anyone else's to have to suddenly pay much higher income or other taxes in the future to pay for my state pension because we have delayed making a difficult decision today. (**A Member:** Hear, hear.) The more urgently we make the difficult decisions about funding these long-term liabilities, the easier it will be for Guernsey as a whole, because we can manage the problem over a longer period.

3580 Sir, I would urge Members to reject this amendment and support Policy & Resources' proposals.

The Bailiff: Deputy Meerveld.

Deputy Meerveld: Thank you, sir.

3585 I do have a rather long speech and I do not know about other Members, but I am getting rather tired. May I put it to the Assembly that we adjourn tonight and continue tomorrow? (*Interjections*)

3590 **The Bailiff:** Let me deal with it slightly differently. How many Members still wish to speak on this amendment before I turn to the President of Policy & Resources and the proposer to deal with their replies to it? When you say you have got a long speech, Deputy Meerveld, how long do you think is long?

3595 **Deputy Meerveld:** Somewhat shorter than Deputy Ferbrache's, (*Laughter*) but that is not saying a lot. I do not know, sir, until I get into it.

The Bailiff: And Deputy Blin? (**Deputy Blin:** Short, sir.) Shall we take Deputy Blin, just to use the time that we have got now and then adjourn? (**Several Members:** Pour!) No, I am not putting that to you. (*Laughter*) I am calling Deputy Blin to speak.

3600 **A Member:** We all become Presiding Officer.

Deputy Blin: Thank you, sir.

3605 In effect, just the situation has occurred like this, I would still like to speak in general debate on the area, so this is really just a sum-up of a thought on this. From the grassroots side, I have always been anti the GST. I have listened very carefully to all the Members and attended, I believe, all of the presentations by P&R on this and I can see some of the aspects of it. But I do not want to go into that detail. It is really about talking with colleagues, talking with friends, talking with family about everything.

3610 So what will happen? Everyone has this fear that if Proposition 1 is the only thing that comes from P&R and that we know we have a problem and that is it, then, yes, I agree that is going to have a fundamental issue in what we do next and that is the bit I personally very much struggle with: that we need to find some sort of other route or continuation.

3615 The term, I believe, was used in social media, I think by Deputy Kazantseva-Miller, of slash and burn. I have fear of that; that actually, if this does not go the right way and Deputy Helyar has explained that the other alternative to no GST is cut, cut, cut. So I get that, I understand that and that is a consequence that although I am standing against the GST, it is a consequence and I have to bear that responsibility, that will be something that everyone should be listening to, not only in the Assembly, but outside, that this is an effect.

3620 So now it comes to ... I have been listening, as I said, very clearly to all the speeches and particularly to the last speaker, Deputy Helyar. It puts us in a very strange situation. I would like to

leave this Chamber in the next day or two days and be able to say that another action is taking place, the amendment will lead to other investigation.

3625 The first part of this is obviously whether or not we are going to have the SIAC, the Committee, and then of course, talking with Deputy Soulsby, we could actually pick and choose ... Not pick and choose, maybe that is a bit light, but we could actually select the ones we believe in, we could work in. I just feel that we are in effect reinventing the wheel or going to bring back to the table a whole series of thoughtful and well-prepared ideas, but just from listening to various Members talking today, in each case there are pros and cons. But overall, where I am leaning to is is this going to be effective? Is this going to *not* create more difficulty?

3630 We used the word 'tribal', we have referred to 'media' – God knows how the media is going to react to the end of this with no action. But what I do not wish to see, and I am going to refer to Deputy ... the President of ESC, I do not know what ...

Several Members: Dudley-Owen. (*Laughter and interjections*)

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Deputy Blin: To when working on Education and all the issues around it, and I would always try to give faith to the President or to the Committee in what they are doing. This is hard because they get torn in every corner, but overall you have to give that responsibility. I would *like* to do the same thing with P&R. I am totally opposed to the GST, I know and I am aware of the consequence of that, but I would like to give that opportunity to them.

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I therefore, when I am talking to fellow Members, in effect, I am now leaning towards the consequences of actually not supporting the Soulsby/St Pier amendment, only because I am hoping, and maybe there could be a way that through P&R, there could be a final path to say, rather than just cutting and all this, there might be more conversations of that extra push to what we can do. Because it is consequential. Throughout this day, I have just heard all the consequences from the actions here.

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And referring back to the Deputies Soulsby and St Pier amendment, I can see through every single aspect there is work that could be done, but there are challenges on each level. And how is this going to work with two members of P&R who have got granular-level detail from the officers, etc., and coming in with another group who are going to try to exchange more information and ideas to make it work? I can just sense that we are going to slow ourselves down more.

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So as much as I do not want to leave here saying it is just ... The worst scenario I can imagine is just Proposition 1 and that is it, and the way we will be perceived, not only by the media, but internationally, etc., I am just leaning towards this aspect that I feel that we have to ... I am just, basically, my feeling currently now is that I will not be supporting this but I truly do hope that maybe there is something else that can be adjusted, maybe an amendment coming through on that to get us through.

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Thank you, sir.

3660 **The Bailiff:** Members of the States, it might be helpful if you just wait briefly so that you can have a paper copy of all the amendments that have come through during the course of today, so that you can consider those overnight, as well.

We will resume tomorrow at 9.30 in the morning.

The Assembly adjourned at 5.32 p.m.