



OFFICIAL REPORT

OF THE

STATES OF DELIBERATION

OF THE

ISLAND OF GUERNSEY

HANSARD

Royal Court House, Guernsey, Wednesday, 8th April 2015

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Present:

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

Law Officers

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

People's Deputies

St. Peter Port South

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

St. Peter Port North

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

St. Sampson

Deputies K. A. Stewart, P. L. Gillson, S. J. Ogier, L. S. Trott

The Vale

Deputies, D. B. Jones, L. B. Queripel, M. M. Lowe,
A. R. Le Lièvre, A. Spruce, G. M. Collins

The Castel

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

The West

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

The South-East

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

Representatives of the Island of Alderney

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

The Clerk to the States of Deliberation

J. Torode, Esq. (H.M. Greffier)

Absent at the Evocation

Miss M. M. E. Pullum, Q.C. (H.M. Comptroller);
Deputy B. L. Brehaut (*relevé à 09h 56*); Deputy P. A. Sherbourne; Deputy M. J. Storey (*indisposé*);
Deputy G. A. St Pier (*relevé à 14h 30*); Deputy P. R. Le Pelley; Deputy M. J. Fallaize (*relevé à 09h 56*);
Deputy D. J. Duquemin; Deputy A. H. Adam; Deputy Y. Burford;
Deputy P. A. Luxon (*relevé à 12h 12*); Deputy M. P. J. Hadley

Business transacted

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States of Deliberation

The States met at 9.30 a.m.

[THE BAILIFF *in the Chair*]

PRAYERS

The Greffier

EVOCATION

Billet d'État IV

TREASURY & RESOURCES DEPARTMENT AND SOCIAL SECURITY DEPARTMENT

Planning a Sustainable Future – The Personal Tax, Pensions and Benefits Review – Debate continued

The Greffier Sir, continuation of debate on Billet d'État IV, Article I: Treasury & Resources Department and Social Security Department – Planning a Sustainable Future – The Personal Tax, Pensions and Benefits Review.

5 **The Bailiff:** Members of the States, good morning to you all and a special welcome to those who have changed their holiday arrangements or cancelled their family holidays to be here. Thank you very much.

We continue, now, with the debate on the Personal Tax, Pensions and Benefits Review. I remind you that all the amendments have been dealt with and that what I understand was agreed, as a result of the voting last time, is that we will now proceed with general debate on all Propositions, as amended, except for those in Module 3 because there will be a separate debate on Module 3. And, for the benefit of anybody listening who does not have access to a Billet, Module 3 is entitled 'Targeting Benefits Expenditure' and the Propositions on Module 3 all relate to the so-called 'universal benefits', those that are paid regardless of people's financial circumstances and include benefits such as Family Allowance, prescription charges, TV licence fees for those over a certain age, the Health Benefit Grant for primary care appointments, and so on.

15 So, there will be a separate debate on those items, but we will proceed now with general debate on all other Propositions and, after we have voted on those Propositions, the States will have to decide whether to debate Module 3 next or to defer it to a later date.

20 I call, first, Deputy David Jones.

Deputy David Jones: Thank you, Mr Bailiff, Members of the States.

This review is, actually, only the second occasion that I can recall in my time in Government when we as a States have looked at changing the fundamental way people are taxed in this Island, since the introduction of the iniquitous Zero-10.

And when I first saw a rough draft of these proposals at the Policy Council, I have to say that it did fill me with some serious misgivings. Some of them are pretty hard-nosed, especially if you are lower down the earnings scale or on fixed income. However, having said that, I completely agree with the two Ministers heading up this review, that is was a debate that this States simply had to have, given the changing demographic, social and fiscal landscape of this Island in the next decade and beyond, and with all the inevitable demands made on the public purse.

The big ticket items that the Island faces in the next decade or so can be managed, but only if we have a plan to do so – and this review shows how some of it might be done. I, like other Deputies, did approach T&R and Social Security Ministers fairly early on after seeing sight of the proposals, suggesting that the review would be better debated as a Green Paper rather than trying to get decision on the more far-reaching proposals in a single sitting of the States. That, as they say, is history and after four pretty gruelling days in here many proposals that were not deferred for further consideration were amended and we are, as they say, where we are – that awful phrase.

However, some of these proposals could have significant consequences for many people, and I am not a great fan of the kind of 'jam tomorrow' pledges when it comes to the less well-off in our community. I am afraid we see that all too often in our political lives and we need something much more substantial than that.

These documents lay bare, warts and all, some of the massive problems we face as a community. One of them, the increase in pension age being pursued by most western countries as their populations are living much longer, and this is something that I believe we could make a decision on fairly quickly.

Then, there is the issue of whether we should carry on paying universal benefits to people who clearly do not need them. Also, how we will fund the millions needed for a modern healthcare system, with demands on its services stretching our ability to pay for it.

All these subjects will concentrate the minds of Deputies and staff for several years to come and just pretending none of it is happening will result in the misery for many. And for the benefit of those who think I have become rabidly right wing all of a sudden, after watching –

A Member: All of a sudden!

Deputy David Jones: – the video blog, I have not... and the T&R Minister acknowledged that at Beaucamps.

We may not all agree on some of what is being proposed, but we are agreed that everything should be on the table. The one thing I will not do is deceive all those vulnerable or elderly people who need the support that they are currently receiving for a promise of something better tomorrow. I will not be party to anything that appears to give to the poor with one hand and then snatches it back with the other. And one of the reasons I will not do that is because my view is that we do need to see the SWBIC report first, which I believe will have significant bearing on the people at the bottom of the earnings scale; many people who could be affected by any changes to the universal benefit and increase in direct taxes are likely to be our tenants in social housing for instance, and the working poor as I have described many of them. Protecting them from squeezed benefits and making sure the allowances that they continue to receive are adequate for their needs must be a priority of this States.

Moving on to demographic: the demographic make-up of our population is changing rapidly and the smart thing to do is to recognise it, and not just imagine that it is not going to happen or that it is far enough away to be somebody else's problem. My least favourite option would be to rapidly increase the population, to help redress the balance – which to me would be a bit like inviting more people into a waterlogged boat in order to help bail it out. *(Laughter)* The reason I say that is because there has never been a cost benefit analysis carried out to see whether the benefits of bringing more people into Guernsey are outweighed by the costs of providing services for them and their families. So I am not sure that the Island would be better off, but it is a big

piece of work nonetheless, and it has to be done before we think of enlarging our population as a policy, to help balance the demographics.

80 Now, the Report tells us that one of its main aims is to reduce Guernsey's reliance on direct taxes by reducing the amount of money taken in the form of Income Tax and Social Security, and increasing the amount of money taken in indirect taxation including things like TRP – in fact, eye-watering rises in TRP, I suggest. More on that in a minute.

85 We have already agreed to cap what Government can take from its population in taxes to 28% GDP. Is that the right level? We do not know, is the honest answer. It was ridiculed by some Members of the States as being meaningless but it does send, in my view, a powerful message to our people that what Government takes out of the economy to run itself will now, at least, have a ceiling. I accept that we do take less than that at the moment, but you do not need a crystal ball to see that the tax yield will have to either increase if we are to maintain our services, or we will have to cut the size of Government to make the taxes we take go further.

90 What is missing in these documents – and a point I made at the time the Report came to Policy Council – is the link between corporate taxes and personal taxes. Now T&R will tell us that they are two separate issues when clearly that is not the case, as the hefty increases already borne by the public in direct taxation are as a direct result of the introduction of Zero-10 – that is inescapable. So, in my humble opinion you cannot look at personal taxes in isolation, there has to be a joined-up look at taxation and social pressures requiring increased expenditure in the round, together with the tax burden of course, on the families of this Island.

100 Now, the next point I want to make is that the idea of moving towards indirect taxation does not take on board people's ability to pay, and this comment will not be anything new to any of you as it is something I bang on about at budget time every year. Now, Module 4 talked about establishing the sustainable tax base. The only fair tax system is to look at income and tax people accordingly.

105 My original thoughts were that we should have a progressive tax system that has bandings for earning groups, where an increased flat rate is paid dependent on which tax band you are in; and last time we were here I had every intention of supporting Deputy Soulsby's amendment, which would have given us just that. So why didn't I? Well, I changed my mind after a speech made by Deputy Roger Perrot, a man I have huge respect for and listen carefully to – which is of course what these debates are about. The speech reminded us sharply that the 20p flat rate had been the real consistent and enduring factor of our economy for decades, and we discard it at incredible risk to our financial stability and our financial reputation.

110 Deputy Perrot reminded us all that it has been, without doubt, Guernsey's biggest marketing point when it comes to attracting business to these shores, and in global finance it is the only real insignia that identifies us as remaining a low tax jurisdiction. And, of course, it is line with our competitors and their headline rate of tax.

115 His point that we do have to be incredibly careful not to become uncompetitive, if we are not to avoid putting everything we have at risk, was certainly not lost on me. And given that we have already lost some of our edge after repeated assaults on us from the OECD, the meddlesome EU, the perfidious British government – and not to mention the US FATCA, the UK FATCA, which have made trading of late much more demanding. So, having changed my mind, I have to say I would not be averse to supporting an amendment that has a tax banding below the 20p threshold, to help those on low incomes or looking at other financial help that we can give by redistribution. By that I mean that if the 20p rate is to remain sacrosanct, then we will have to make life fairer for those at the bottom of the income scale with much fairer division of the Island's income; which leads neatly back into universal benefits.

125

The Bailiff: Are you speaking on Module 3? You can do –

Deputy David Jones: General debate, sorry.

130 **The Bailiff:** – it is just that you would be unable to speak later.

Deputy David Jones: I would rather get it all out the way now, sir.

I am not opposed to looking at the universal benefits as I do not think we should be giving them automatically to those who clearly do not need them, while many of the poor in our community clearly *do* need more financial help. And while I am on the subject of universal benefits, I want to make it clear that I do not support the means testing system for everyone who receives them, as that would be a very expensive clerical nightmare, in my view. By far the best way would be a claw-back mechanism through the tax system, from those who do not need to receive them. We already have this system in place – the Income Tax system, I mean – and it would be much fairer and easier to do it that way.

Now that might sound to some of you something like a tax credit system, and I suppose it is in a way, but it is certainly preferable to the blunt tool of means testing which can inevitably lead to people falling through the net. We could have a very ‘Guernsey claw-back system’ which people much brighter and higher up the food chain than me will have to structure.

So moving back to TRP again, many current pensioners are property owners living on small fixed incomes, and the rate of TRP for instance will be a significant part of their budget already. We have already had a 95% increase in TRP over the last few years and, as with their medical costs, to this same group of people. So scrapping all free prescriptions and ratcheting up TRP will hit this group particularly hard.

I might also add – as T&R keep comparing TRP rate with the UK, and recently I read it again that the Environment Department have done the same in justifying rises in driving test fees with Jersey and the UK – I have a real loathing for these UK comparisons, because I appear unable to convince our civil servants, or even other Deputies, to stop doing it. Maybe we should just apply for a Hampshire postcode and let that sorry lot in Westminster take over the whole of the Island, if we are to continue to be so bereft of thinking for ourselves.

So the next part I want to talk about is the idea of raising tax allowances to offset some of the withdrawal of benefits. The figure of £17,500 is quoted in the review. Now, it sounds a credible concept but again I come back to asking about those below the tax threshold. What will offset their loss of universal benefits and rises in property taxes? Will they be forced to queue down at Wheadon House for whatever benefits that they can get in order just to live?

Now, if we are saying, ‘Trust us’ a bit like *Kaa*... Who is *Kaa*, I hear you ask. Well, you remember him, he was the snake in the film *The Jungle Book*, the character with the spiralling eyes who kept saying, ‘Trust me, trust me.’ Well I think most of our people – and a good many of us in here – are going to need a lot more than that, if the joint boards are hoping for any real support for several of these proposals.

Also, I just want to touch on pensions. At this point, this is something that has clearly worried many of our older residents – needlessly, I have to add, because we are talking about many years down the road. But the issue of pensions is something that does need long-term planning and again, putting it off will only build funding problems for the future. My view is that, while the demographic numbers are scary, it is not necessarily the menacing disaster that some would have us believe. Not everyone will stop work on the stroke of midnight the day that they are due to retire because they have reached the age milestone – whatever that may be in the future. Present evidence already shows that a significant number of people past the current retirement age have part-time employment and that, in my view, will not change very much in the future.

There is clear evidence that we are living longer. Just look at me: I am a modern medical marvel (*Laughter*) and if I had known I was going to live so long I would have taken better care of myself, I can tell you! (*Laughter*)

Anyway, as the Report says, people stay in further education and are training longer before they start their actual working life, so for many their time in work is essentially shorter overall. But not for all: there will be a significant number of people who started work at 16 who did not go onto tertiary education. I started work at 15. I am now 65. I have been in manual work all my life

apart from the last 15 years – when, according to some members of the public, I have done very little. Which brings me back to the point that Deputy Queripel raised in his speech: he and I both have real concerns particularly for the manual workers on this Island.

185 I understand completely why it has to be raised – you will get no argument from me over that. But if you have been on a jack hammer for 40 years of your life working on the roads, you are pretty worn out at the end of it. So continuing in that kind of work is simply not a viable option. Now, the plan, as I understand it, is that companies would have to make provision for those employees to do lighter duties in the last few years before their eventual retirement, or retrain for something else... pay attention Deputy Gollop! (*Laughter*)

190 My experience is that they usually run very lean companies and I am guessing that they will not have lots of back office jobs for former manual workers who need light duties. Now maybe there will be government grants to companies to keep these people on for some extra years or some retraining, or whatever; but I have to ask what money will be available for all of that? And is that really going to be a cheaper option than paying pensions to people who clearly cannot carry on because of the back-breaking working life that they have previously had? We could, of course, increase contribution rates, but I suspect that is going to happen anyway to help the longevity of the fund. So, there is not a huge amount of wriggle room there.

200 There is a quite a bit on what we want to see happen in extending the pension age and, as I have said previously, I have no doubt that that has to happen – but we need to have a detailed plan for the future rather than just a leap of faith. The review recognised that there is some real number crunching to be done – some of it fairly quickly – and, again, a big chunk of that will hopefully be presented by Deputy Le Lièvre's Report from SWBIC.

205 Finally, I have very fixed views on tax increases. I will not support such taxes as a general GST or punishing TRP rises, I am afraid, so you might ask me then where is the money to come from? Firstly, I do favour a territorial tax. I accept some of the things that the Treasury Minister says on this issue but nonetheless I would support it. I also support the ending of universal benefits, which will give more money where it is needed.

210 I would also support a *limited* luxury goods tax on items that we do not need to live a decent life but are pure indulgences, really, on our part. Now, that is not a general GST: in fact it is far from it. I would also support some form of parcel tax on internet goods in order to level the playing field a little for Island stores, but only in conjunction with a territorial tax. And the biggest invoice of all: the States' pay bill which increases every year and is now running at about £4 million a week.

215 There is one other option to prevent some of these fated increases in taxes and – before T&R Minister leaps to his feet... well he will not, because he is not here – I accept in 4.4.2 of Module 4 it does tell us that it is not the intention to raise more revenue. However, I do think any government can really make that statement, as nobody knows what some future States may decide. That is the true nature of the beast.

220 In the meantime, to mitigate levelling high taxes, we could for instance stop wasting tens of thousands of pounds we have already collected in from the taxpayer trying to socially engineer people to do things that they have zero interest in achieving, extending the nanny state into every aspect of their lives, which then requires that we spend lots of money policing it all. The public would much rather we spent money on things that they *do* support, like opening the public toilets, for instance – [*Inaudible*] – sorry. Or we could stop subsidising empty seats on buses at £3 a seat. (*Laughter*) Or we could just jump the constant wish lists of civil servant advisers eager to persuade their – I was going to say 'gullible', but I will not – their political boards, that all they put before you is absolutely necessary, when it is often nothing of the kind.

230 We could stop letting perceived health and safety issues rule our lives and cost millions to implement for no discernible benefit whatsoever – that would save another few quid. And HE is an old ploy: when your advisers find resistance to a plan to expand the empire, put a health and safety sticker on it and it will frighten the Deputies witless into supporting it. And it works every time – well, it certainly seems to be working down at the harbour. (*Laughter*)

235 We could stop adding to the States colossal pay bill – steady – (*Interjection and laughter*) by creating jobs in Departments that we could all live without and have done so for several decades, jobs not absolutely essential to the administration of the Island. And you have to remember, as I said, 50% of our entire income goes on pay. So one in ten of our employees is earning in excess of £70,000 a year, over twice the Island average wage.

240 As you know I could go on, but I will leave it there. So, let's stop wasting money and perhaps some of these proposals may not be necessary in the first place.

Thank you, sir.

The Bailiff: Just before I call the next speaker: Deputy Fallaize, do you wish to be relevé?

245 **Deputy Fallaize:** Yes, please, sir. Thank you.

The Bailiff: Deputy Lester Queripel.

250 **Deputy Lester Queripel:** Sir, before I speak I need some clarification, please. Seeing as Deputy Jones spoke on Module 3, are we all permitted to speak?

The Bailiff: Well, he has spoken. Let me put it to Members.

255 Is it the will... I am not quite sure whether it has been resolved – because I was not here last time – that Module 3 would be a separate debate, or taken as part of the main debate. So, let's just clarify that now. I will put to you the Proposition that we have a separate debate on Module 3. Those in favour; those against.

Members voted Pour.

260 **The Bailiff:** Well, that is quite clear, the wish is that we have a separate debate on Module 3, so I would ask that Members do not...

Mr Procureur, are you...?

265 **The Procureur:** That does not overcome Deputy Queripel's question, with respect. He thought that we were doing this, but wanted to speak on both at the same time. Now, you told Deputy Jones that he could speak on both at the same time.

The only thing I would say is, if you are having a separate debate on Module 3, those who have already spoken on Module 3 will not be able to speak again.

270 **The Bailiff:** Will not be able to speak again in that separate debate... that is right. So, that is what I was intending. (*Interjection*) Yes.

So it is a difficult way, perhaps, of proceeding but if you have already prepared a speech on the assumption that we are covering both or *all* modules in that speech you can deliver it, but you will not be able to speak again in the separate debate on Module 3.

275 **Deputy Lester Queripel:** Sir, thank you.

The Bailiff: It is your choice. It is rather like with an amendment: if people speak in general debate on the amendment, they cannot speak again in general debate.

Deputy Bebb.

280 **Deputy Bebb:** Sorry, could I seek clarification? Are we, therefore, having the debate on Module 3 first, which is what I believe was resolved last time? (*Interjections*)

285 **The Bailiff:** No, my understanding is it was to be delayed, because it was thought that there would not be time to complete everything at this sitting and therefore there was discussion about deferring Module 3 until the end of May.

So, Deputy Lowe.

290 **Deputy Lowe:** I just wanted to remind Members, it was sent around from the Bailiff's Office yesterday and it was very clear: general debate on all Propositions, as amended, other than Module 3; and then after that voting on all Propositions, as amended, other than Module 3; and then States to decide whether to debate Module 3 or defer it to either later in the meeting or to the end of May.

295 **The Bailiff:** That is my understanding of what had been agreed two weeks ago. The difficulty is, if you speak now on Module 3 and the debate on Module 3 is then deferred until the end of May, people may have forgotten what it is that you have said. So, if you wish to make a speech which will influence the outcome of the debate on Module 3 –

300 **The Procureur:** No, sir, people will not have forgotten what Deputy Queripel says. *(Laughter)*

Deputy Lester Queripel: Don't make me laugh.

305 **The Bailiff:** Well, that is a matter for Members, how they wish to...

Deputy Lester Queripel: In that case, sir, I will just speak in general debate and leave my Module 3 speech until such time as we debate Module 3.

310 So, even though I had written five speeches for our March States' debate, I only made two of them and I dispensed with three. And the reason I did that was because my colleagues made the points in their speeches that I would only have repeated, had I made mine.

315 But now we are in general debate, I do feel the need to make this speech on behalf of the many Islanders who have spoken to me about the proposals themselves and the way in which they were presented to the public. So, sir, this is a plea on behalf of those Islanders regarding any future presentations, because the message I was getting is that there were not enough public presentations, that the ones that were staged were poorly advertised and that there was not enough time allowed for questions.

So, my questions to the Minister are these: will there actually *be* any more presentations to the public on these proposals?

320 Number two: will you be allowing a lot more time for questions to be asked at those presentations?

Number three: will you be publicising those presentations well in advance of them taking place?

325 I stand to be corrected, sir, but the only advertisement I saw publicising the presentation at Beaucamps School on Sunday was actually placed in the Guernsey press on the previous Wednesday. Surely, sir, four days' notice is not enough for people with family commitments and busy lives. So, I look forward to the Minister's response to those questions.

330 And, just to expand for a moment on the need for future presentations to be publicised more comprehensively, I was talking to members of Age Concern who were at one of our centres on the Tuesday prior to the Sunday presentation and not a single member knew about the presentation itself – and it was only because our team of minibus drivers made a supreme effort that we were able to get 40 or so of our members along to the presentation.

And, of course, sir, if one is not happy with the way which things are done, then I believe one should offer to help. So I would like to offer my services to the Departments regarding organising and publicising any future presentations. Perhaps I could help to organise an exclusive

335 presentation for pensioners, for example; and I sincerely hope the Departments feel I can be of some assistance in one way or another.

And my colleagues will be pleased to hear this is a very short speech, sir, and before I conclude I would like to make one more plea on behalf of Islanders who have spoken to me about the review, because many of them have told me they were extremely upset to hear Deputy Langlois say in the media that, even though the States had rejected GST, it will come back.

And that came at a time when the people very much needed to celebrate the fact that we had dispensed with GST – and here was Deputy Langlois saying GST will come back. And it is *because* he said that, sir, that many of our – (*Interjection*)

I will give way to Deputy Langlois, sir.

The Bailiff: Deputy Langlois.

Deputy Langlois: Sir, it seems fair to deal with that matter now because it could get lost in a welter of comments later.

I defend my right absolutely, to come back and offer a personal opinion after a debate. I stand by what I said: the fiscal situation of this Island has been expressed very clearly in the previous debate and my belief is that a form of indirect tax, in some shape or form of GST, will return. Now, I believe that I would be extremely politically dishonest if I did not actually *express* that.

The Bailiff: Deputy Queripel.

Deputy Lester Queripel: Thank you, sir.

Sir, the fact is that it is because of what Deputy Langlois said, many of our fellow Islanders are still living in fear of GST, (*Laughter*) because all the headline needed to say was, 'States reject GST.'

And, sir, I have the greatest respect for Deputy Langlois –

I will give way to Deputy Langlois again, sir.

Deputy Langlois: Sorry, I make one final comment because of what the Deputy has just said. Like all of us in this place, we have very limited control over what Guernsey Press headlines say. Just remember that.

The Bailiff: Deputy Conder, you asked...

Deputy Conder: No.

The Bailiff: Yes, Deputy Queripel has given way to you.

Deputy Conder: Sorry, I was standing next to Deputy Langlois when he made his comment. I actually endorse what he just said. He actually said he believed that the States would have to return to GST one day. Of course, he has every right to say that. (*Interjections*)

The Bailiff: Deputy Queripel.

Deputy Lester Queripel: Thank you, sir.

I agree Deputy Langlois has every right to say that but I just feel that, judging by the comments made to me by my fellow Islanders, that was a time they needed to celebrate the fact that we had rejected GST.

So, sir... I will give way to Deputy Kuttelwascher, sir.

The Bailiff: Deputy Kuttelwascher.

Deputy Lester Queripel: I feel like a yo-yo.

390 **Deputy Kuttelwascher:** Sir, one thing I think Deputy Queripel forgets is that what we decide here today is only binding until the end of this term, which is just over a year. What the next States do we have no control over, and GST may well be put on the table. So, at the moment all that is on the table is an abeyance of considering GST further until the end of this term – and we can do no more.

395 **The Procureur:** Just a constitutional point. What the States decides today is not necessarily binding even until the end of this term. They can do as they like. *(Laughter and interjection)*

The Bailiff: Deputy Queripel.

400 **Deputy Lester Queripel:** Sir, I am only too aware of being misquoted in the press, this happens to all of us, it has happened to me. But, I do think we sometimes need to be a little bit more considerate of things that we do say in the media.

And having said that, sir, I would actually like to praise the Departments, because they have produced a large print version of the review itself and I think that was extremely thoughtful and considerate of them.

405 Thank you, sir.

The Bailiff: Deputy Laurie Queripel.

410 **Deputy Laurie Queripel:** Thank you, sir. I would like to get it all out the way now including Module 3, if I may.

The Bailiff: Module 3 as well?

415 **Deputy Laurie Queripel:** Yes, thank you, sir, just to make that clear.

There are some real concerns in regard to the possible effects of removing universal benefits and, sir, despite the points made in this Report about targeting these benefits and putting in place mitigating measures – which have not, as yet, been formulated or described in any detail, so it is hard to be assured or confident that these measures will be adequate – there is a feeling that potentially some people will still fall between the cracks, and the resultant changes will be unsettling and confusing.

420 So I am extremely grateful to the two organisations that have brought our attention to these matters via their comments: the Mental Health Service Users Group and the Guernsey Community Foundation. They are clearly, sir, fulfilling a vital and valuable role and function within our society and deserve our gratitude for that.

425 Sir, their opinions and analysis confirm that, whilst the Report's proposals might be effective in achieving their fiscal aims, it will be at a cost to some of the most and more vulnerable people within our Island, sir: no real attempt to better distribute wealth, just a reshuffle.

430 Sir, the Report tells us there will be winners and losers but unfortunately, of those most likely to come up short, many of them simply cannot afford to be on the losing side.

This project should have been seen, sir, as an opportunity to activate some of the social policy aims of the States' Strategic Plan, as well as addressing fiscal matters; but in their original form, sir, the proposals were not and are not likely to do that. And I use that phrase, sir, 'were not and are not' because we know that some of the proposals have been amended and are slightly more progressive in nature.

435 In fact, sir, because of their conservative nature, the original proposals – as revealed by the Guernsey Community Foundation analysis – would have worked and in some cases will work against some of the social policy aims of the States' Strategic Plan. Far from empowering Islanders

440 who need to be empowered, helping them to greater financial independence and a better quality of life, their lot would have been, and could be, made worse, sir.

Sir, the last paragraph of the e-mail received from the Guernsey Community Foundation by States' Members, is worth reading I think. 'Following the debate, a period of consultation and further research will enable the impact of the proposals to be researched and the means of reducing or removing the impact upon less well-off and vulnerable groups determined. The Foundation is fully committing to playing its part in continuing to work with the States, business and community groups, to address the concerns which it acknowledges require significant action in the future. Indeed it would like to repeat its previous offer to commission research in this area, at no cost to the States.'

450 So, I think that is a very generous offer on behalf of the Guernsey Community Foundation and I really do hope that the joint boards take that offer under serious consideration.

Now, sir, turning to the comments made by the Mental Health Service Users Group: to my shame I had not even considered the impact of the proposed changes in regard to universal benefits on some of the most vulnerable people within our community – and that does not only include, sir, the members of the group, there is a wider range of people than that.

455 Sir, the observations made by the representatives of the users' group bear reading and considerable reflection on behalf of the joint boards and Assembly Members, and they said this: 'However, we urge you to give very careful consideration before voting for implementation of change. We respectfully ask you to bear in mind that we service users struggle with change. We appreciate and rely upon all kinds of support: personal, professional, occupational and financial. We worry if incapacitated by our illness which, in turn, makes us feel insecure and a failure to society. Many of us are in a lower paid or part-time employment, some cannot find employment, some are not employable and rely upon a starter's salary and fall just outside of the benefit system. Statistically we are 1.4% of the population. We are many who will find the burden of added charges very hard to bear. We are many for whom an increased tax allowance will not bring any benefit. We are many who will be unable to afford a personal pension or one of value.'

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465 Sir, in the past three years I have dealt with people who find life extremely difficult. A change of routine for them can be – and *will* be – unsettling, confusing, stressful and bewildering. So I am, sir, in effect making a case for an amendment that was formulated but has not been placed, because in part it was encompassed in paragraph 24A of the successful so-called Green Paper amendment placed by Deputy St Pier and Deputy Langlois. But in part, sir, that unplaced amendment read as follows: 'To note that, in respect of universal benefits referred to in Propositions 19, 23 and 24, an alternative policy could be to maintain them' – in other words, to maintain the universal benefits, sir – 'but claw them back or tax them back from higher earners, by making them subject to taxation up to the point where the highest earners pay 100% of tax on all universal benefits received'.

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475 So, I think that – as Deputy Dave Jones has already alluded to, sir – taxing back universal benefits is a better approach. I get the impression that it would be less disruptive, that you would not have to design the structures and expend the resources needed to undertake the means testing process, but rather just use the system that is already in place. And I honestly get the impression that it would safeguard the benefits for people who to varying degrees need them, and I think lessen the potential for grey areas and for people to fall between the cracks and, therefore, get the measure of help that they genuinely need, sir.

480 So I believe it is the mark of a civilised and caring society to have these mechanisms in place, where people can receive benefits and assistance and their need can be assessed in a more discreet way than being subject to means testing, which would without doubt be a daunting, undignified and confusing prospect for some, sir. And, as I say that, my thoughts turn to the Island's pensioners.

485 Sir, we know, as Deputy Kuttelwascher pointed out the last time we were in this Chamber, not all pensioners are struggling, sir. In fact, many are not; quite a few of them are what we might term 'comfortably off'. But we would do well to remind ourselves, sir, how many of those elderly

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Islanders got to that position. Some will have been here during the Occupation. Some will have come back to the Island after being evacuated as children, some born soon after. But, all who fit into those categories to some extent will have witnessed the aftermath of the Occupation and its devastating impact. An Island on its knees, sir, a scene that most of us cannot even imagine.

495 **(A Member:** Hear, hear.)

That group of people, sir, helped to build the Island back up. They suffered hardship, sacrificed, and through sheer hard work and determination got this Island back on its feet, sir, and laid the foundations for what we enjoy today. They created what we might call the first wave of wealth out of the Occupation and what we enjoy today and that wealth, sir, was built on the back of all that work and sacrifice that they endured. And it was borne, in most part, sir, stoically and resolutely.

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Now, sir, I say that, because I am now being contacted by parishioners, pensioners, who are of those generations. They have heard so much of this talk, now, sir: living longer, drawing pensions and benefits, etc. and that is despite the messaging that has gone out, sir; and I know that some effort has been made to put out a positive message to pensioners but nonetheless, sir, despite that messaging, I have been told – this is a first-hand account, sir, what I have been told by some of these pensioners – they feel as if they are a liability. They feel as if they are to *blame* for this issue that we are facing – and that is a *great* shame, sir.

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So, we have to continue to put out the right message and subjecting these people I have described to means testing will put out the wrong message. Whatever social policy we have in place, sir, including universal benefits, it is this group of people through their immense contribution – and I mean financially and otherwise – we have to remember that, if you go back to the years following the Occupation, many of these people, sir, ran their own businesses. They either worked full-time in their own business or they did a full-time job and then they came home in the evening to –

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The Bailiff: Do you give way to Deputy Langlois?

Deputy Laurie Queripel: Yes, I will give way to Deputy Langlois, sir.

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Deputy Langlois: Thank you, Deputy Queripel.

I just feel, because of the sequence of thoughts that have been expressed, can I just reinforce the message that there have been no proposals – and as long as I have anything to do with it there will be no proposals – to means test pension benefits. It is just that the words used could have led people to believe that.

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Deputy Queripel: Thank you, sir.

And the point I am making, sir, is I was under the impression actually that there were some proposals to means test all the benefits across the benefits spectrum; and so what I am saying is far better to tax them back, sir, rather than just subject people to means testing.

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And my comments still stand, sir. I appreciate Deputy Langlois' comments, but I think actually the prospect, or the ordeal, or the stigma of means testing for some people will only add to the problem of people being reluctant to come forward and seek the help that they genuinely need. So, far better, sir, far less fussy, far less of an ordeal to tax back universal benefits, regardless of which benefit it is.

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We need to ensure that hardship is not visited upon anybody, sir. That nobody goes without what they need and that people feel valued and part of an inclusive society.

So, we need to get that message, quite clearly, sir, out to people who are either pensioners or receiving benefits and in need of those benefits. We need to get the right message, sir, out to those people.

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Sir, turning to more general points now: for all that has been said about the Report over the last few days of debate – and I know that it is a truncated debate because we met two weeks ago. And there has been quite a bit of criticism of the Report, sir, and I have criticised the Report

myself, but the Report does have a lot going for it. A lot of work has been undertaken, the right issues have been raised and it is a very informative document. It is some of the proposals, sir, that I am not particularly enamoured with and I am glad that some of them have been amended, sir.

So, I think the Report has been a touch disingenuous in stating that it is not about raising extra revenue, but rather diversifying the tax base and raising the same amount of revenue by a different means. We all know that for very well-publicised reasons in the coming years, there will be extra pressure on public services and more funds will be required to fund those services. And how those funds are required, sir, is very important and we need to make the right choices in regard to how we fund those services, and we need in my opinion to do it via progressive taxation means.

And we need to start close to home, sir. I agree with some of the points that Deputy Dave Jones was making. We need to ensure that the revenues that we currently receive are being used to best effect. I think I am right in saying that Deputy St Pier said, some time ago, that extra revenues should not be sought, sir, until the States were running as efficiently and effectively as possible. Sir, that should not include cutting essential and core services; in fact, we should be able to enhance some of those services. It should not include increased fees and charges. It should include working smarter. It should include restraint and looking at costs across the organisation, sir, including paid costs.

So just coming to a final point, sir, we cannot have it both ways. If we take an approach that is too conservative in regard to taxation methods, how can we expect lower to middle earners to play a full part in society? To do all the things that we want them to: to buy homes, have children, base their careers and their businesses here, plus put adequate amounts aside for their later years. They cannot do that by us adding to their financial burden, we have to be more progressive in our thinking, sir.

Now, in regard to revenue and increasing revenue, sir – and I have already cautioned against trying to increase revenue without being able to justify that action. However, I would very much accept and welcome a larger contribution from the corporate sector, and I am sure I am not alone amongst Assembly Members who will be keeping a close eye on T&R keeping an eye on this situation and expecting to hear something from them in the not-too-distant future in regard to the taxation of the corporate sector, sir.

Thank you, sir.

The Bailiff: Deputy Bebb.

Deputy Bebb: Thank you, Mr Le Bailli.

There are two points which I would like to just make generally, before I move to the main points that I want to make in this debate.

I do still think that the 28% figure that we have for a cap on taxation is a mistake. Having thought about it further, of course, we made reference to other jurisdictions that have actually had these fiscal rules in place; and the one that of course springs to mind as being the most obvious to all of us is the Golden Rule that Gordon Brown had. And I thought to myself, well realistically yes that rule was broken, but would anybody *not* have broken that rule? The answer of course is 'no' – they *would* have broken that rule, there was no way around it.

So, just when the government was trying to do something that was right – and for me to say that the Labour government was trying to do something that was right is quite something. But just when they were trying to do something that was right, they were further castigated and they were castigated for a long period of time afterwards.

We are, if we approve Proposition 6, we will put that millstone around a future States' neck. (**A Member:** Hear, hear.) And I feel that it is an error on our behalf to vote for Proposition 6. So I would make that reference.

In relation to Proposition 13, I also want to say that I personally, being 41 now, always expected to work until I was 70. I had long come to the conclusion that the time of me retiring at 65 had passed.

I have looked at the economic models – and I know that nobody really likes to look at the economic model of Japan – however, it is a society where people work for a lot longer, always have, and they are quite adept and used to the prospect that people move from a more labour-intensive work to more lighter labour work, and that is something that is just a natural part of society there. I see no reason why it could not become here, but it will take some getting used to and it does require us to think of how we move to such a model. Therefore, I look forward to seeing the proposals as to how that would be facilitated.

Having said that, I now wish to move to main thrust of what I wanted to speak about and that is Proposition 30, 31 and 32. Members, I do feel that we are possibly approaching a great error, if we were to approve these Propositions. They are to have individual taxation. Now, many people will think that I would now stand and make a speech directly pleading for the basics of society, that marriage and family life form the basis of that society and that we should protect such a system, and that we should legislate to encourage people to enter into marriage and into stable relationships, and that a relationship obviously being a wonderful way to raise children. I agree with all of that. But, I am not going to plead on that basis, because I think that other people will do a better job of doing that than I, but what I will do is I will plead on the basis of carers.

I am firmly of the belief that, as a government, we are fairly appalling at looking after carers. We do not support them sufficiently; we make life extra difficult for them and we say that, with a promise of SLAWS, it will all be better. And this is no criticism of the work being done at the moment, but it has been an awful long time coming and it will be an awful long time coming yet. In the interim, what is being proposed is that the rug is being taken out from under the feet of people who care.

In my time working on the mental health and working with HSSD, I came across a number of carers who were doing valiant, excellent work – but very difficult work. And I thought to myself, we really do not do a very good job of looking after them, even at HSSD. We do a fair job, but we are really not doing anywhere near what we should be. And I was wondering what is it that would actually give some voice as to why we should do more. And I am fortunate that I was actually given the figures in 2011 as to how much the UK estimate the carers' worth to their economy. And that is £119 billion, annually.

Now, I know that we should be careful about translating the UK figures to Guernsey. However, it is plausible that, if we do translate them directly at £119 million, we are still talking of a fairly large number. And that they contribute that to our economy by looking after people, day in and day out, frequently without thanks, with very little support and frequently at the verge of crisis. And when crisis hits, that is very, very expensive for this Government.

When crisis hits... and unfortunately there are too many cases that I can think of, whereby partners feel that enough is enough and they walk away. And when that situation happens, we do not look at the cost of taking the person they are caring for into our care, because if only that were the case and then it would not be as bad; but, no, at the same time the carer themselves fall into crisis and frequently suffer from mental health issues.

The cost is exponentially larger. It is substantial and it goes on for a very large period of time. Frequently, we find that carers are not able to take those people back into their care in their lifetime. So, we are talking of lifetime additional costs.

Even more pernicious somehow, is 31 and 32, where people are caring for a severely disabled child at times; and I have, unfortunately, come across the exact problem that I mentioned before, that the carers hit crisis point. The children are taken into care because they can no longer do it and that is an exceptionally large cost for HSSD; but, at the same time, the carer themselves also are taking into the care of HSSD because of their mental health state. They are also suffering, severely from physical health on a regular basis, because if a child is severely disabled and requires physical lifting, we all know there are problems that come with that, in physical care.

645 We are bad at caring for carers. We are, as a government, fairly awful. I am quite content to say those words. I see that we have lots of good intentions, but I think that as Deputy Harwood said once, 'Fine words, buttered no parsnips'. And it is quite tragic, when actually we are in that situation, as a government, that we pay good lip service but do little. I know that there is work underway, but it is not there yet.

650 Therefore, Members, to actually vote for this before SWBIC is reported, literally would be to punish carers and the possibility of the financial cost would be extensive. Therefore, I can see no reason for us to currently support Proposition 30, 31 and 32 unless we have already decided what we are going to do to support our carers.

I cannot stress how strongly I feel about this. I have *seen* people fall into complete crisis. Realistically, we could be pushing them there sooner and it seems to be folly, to be pushing people towards financial crisis in order to then cause them to be in crisis, to cause us to be in financial crisis, because of the ever-increasing HSSD Bill.

660 Therefore, Members, please reject Propositions 30, 31 and 32 and let us have a proper discussion when the SLAWS debate is actually had. Let us look at taxation of individuals and on partners at that point in time, because until then this is one of the very few things that we do to support carers. And I do not think that now is the time to be removing it.

Thank you.

The Bailiff: Next, I call the Chief Minister, Deputy Le Tocq.

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Deputy Le Tocq: Thank you, Mr Bailiff.

I am glad to rise to speak after Deputy Bebb's words and I thank him for them. I think it is important that this Assembly realises the importance of some of the decisions that we are called to make, but also some of the situations at the moment.

670 And I will pick up just to begin with his comments on carers, because I did mention earlier in debate a couple of weeks ago, a comment regarding carers and the fact that I would say they have been ignored to a large degree by the States, because they go about doing what otherwise we would have to provide for as a government, in a hidden way. Most carers are hidden and they do not want in fact to be seen, because of the multiplicity of different circumstances. And what is done in terms of support of carers – and there have been some good initiatives to support carers to get them together to discuss their needs – but very little, really, in terms of government aid. And we need to be careful, because they are hidden, when we start dealing with and changing a system that may then bring more of them into the situation where they cannot continue to care; and, as illustrated by Deputy Bebb, that would then put more pressure upon us to provide.

680 In fact in our current system there are many doing that now, here; and I speak – and I have mentioned it before – as someone who along with my wife, did spend seven years caring for my elderly parents and I do not regret any of that time. But I was shocked at the time at what we had to go through, and did spend quite a number of times thinking that if my parents did not have someone like myself and my wife to care for them and to fight their cause, how would others deal with that? Because I am prepared to knock on doors until I get an answer, but I know there are some that give up way before that – or perhaps feel too proud to ask in the first place.

685 So this does not deal with that, and I know that the authors of the Report have said, 'Well, they will be dealt with in other ways, by SLAWS, by SWBIC' etc. – but really we cannot wait for those sorts of things, we need to address them at the same time. And not to find solutions maybe, but at least to air them at the moment and to be well advised not to think that we have made decisions that either will not *affect* those hidden agents of care in our community, but realising that in the future we are going to require more to be done through that delivery of care.

690 I was very privileged to be, a couple of months ago, at a British-Irish Council – it was a ministerial conference in Edinburgh, on preventative spend. And I have spoken to a few Members, sir, on this issue but if other Members are interested I can certainly provide a link to a document, a brochure, that illustrates some of the work that has been done by the British-Irish Council in the

last two years, particularly on the ageing demographic; and this was particularly on innovative approaches to preventative spend with an ageing population.

700 And it was fascinating to see that amongst the different jurisdictions represented around the table in the BIC we all have the same problems: the analysis of the ageing population, that fewer people will be in work in the future compared to those who either are in need of care or in education, and how do you restructure our tax and benefits system in order to deal with that?

705 Analysis of the problem was absolutely the same in all the jurisdictions, large and small. The desired outcomes were absolutely the same: everyone wants to see better care, more appropriate systems and structures in place. But in the middle there is a plethora of different types of innovation that is taking place and we can learn from one another.

710 And I am glad that it is certainly flagged up in this Report, that we will be looking to co-operate where possible with Jersey and other jurisdictions, where we can learn from one another and even share resources in an appropriate way. But we are certainly not alone in facing the issues that this Report tackles and deals with.

715 The comment that Her Majesty's Procureur may have made slightly flippantly earlier, that this Assembly makes decisions but does not necessarily stand by them or even have to be bound by them for very long is in a sense a sad indictment on our whole debate. We have spent hours discussing this and I hope that some of the issues that have been raised will be taken very, very seriously by Members here and, at the very least, send a signal to those who follow on after us that they cannot be ignored. And one good thing about this debate has been that it has raised long-term problems and I do believe the penny is beginning to drop in a number of people's minds and thinking, that these are not things that we can put off or say a future States will have to resolve them in due course. We have to make changes now. That is how serious it is.

720 And, with regard to the comments that have been made on the decisions on GST, for example – just to pick up something that Deputy Lester Queripel made before – I stand by my Deputy Chief Minister in his right to say that it will likely have to come back, because I think we face the issue; no-one in fact has laid an amendment to get rid of enabling legislation which is still there. So, in terms of needing it we could still put it into place fairly quickly, we put that enabling legislation in years ago when Deputy Trott was Treasury & Resources Minister.

725 The fact is, we will need to look at some of these things in far greater detail and I think, as we look at voting on the Propositions, some issues are clear and I expect will be passed unanimously. We have a changing demographic; we have an ageing population. We will need greater discipline in terms of our spend and our tax, and how we tax people in the future, and how big we want Government to be. That is clear.

730 Sir, some issues will need much further work and some of that is highlighted in the Report, but I do not think we perhaps realise quite how much further work will be necessary. I think even as a result of the several days of debate, it has become clear that much wider consideration and indeed consultation will be needed in order to effect those changes, especially when it involves the lowest income families and individuals in our society. And also the way in which Government and employers will need to work together in order to find ways of achieving the balance of mutual responsibility in terms of long-term support and provision – and I will come back to this in a moment.

740 Sir, also, some issues have not been fully addressed or mentioned in this Report and the authors highlight some of those. They are not trying to hide that fact, but I think whilst we have yet to debate Module 3 it seems to me that when the debrief and the wash-up occurs, serious consideration should be given to the manner in which policies to address the issues, which have been highlighted in the Report, and how we take that forward and bring people with us.

745 Whilst some consultation did take place in the preparation of this document, what I would like to see and indeed will be suggesting to the two Departments – and I would certainly support myself, through Policy Council and the Social Policy Group – is the setting up of working parties to include, along with politicians and civil servants, representatives of care providers, third sector agencies, as well as businesses and employers, so as to work together to bring together all those

750 stakeholders in our policy development; and, in doing so, I would hope therefore, to take people with us towards the solutions, not just offer solutions at the end.

And I think, if there is any place where perhaps we have lacked here, it is *early* engagement in that policy formation. So, where we will need further development I will be encouraging early engagement, so that we come to a position where we can bring people through those things, all the various stakeholders together.

755 In fact, we have this, sir, we do this regularly with regard to fiscal and economic issues, where we have longstanding working groups and forums with industry, established through for example, the Financial Services Forum in conjunction with Commerce & Employment and the Policy Council. Such forums, for where fiscal and social policy overlap – and this is obviously one area – will be essential in the future in taking our whole community with us and ensuring that the fears
760 that have been expressed by certain individuals and sectors of our community, are kept to a minimum and greater ongoing communication is achieved, so that misunderstanding does not occur. People get angry and fearful when they are either not informed or ill-informed, and they are put in that position when we do not include them early on in communication.

765 Sir, I believe when we get on to, hopefully, debate Module 3 one of the things that should come out of that is an opportunity for us to explore together exactly what we want to do that we have done in the past where appropriate, and to perhaps highlight some of the areas where we could see some change, so that then work can happen afterwards. The way our government works, of course, is very different in the sort of system we have to other places where perhaps more would have been done behind closed doors.

770 But it is good that we have this debate; it is good that people have had an opportunity to express their concerns and fears; and it is good that we are addressing some of these long term issues, which we cannot be immune to – in fact, every day that goes by, the situation is becoming more serious. We need to change the way in which we provide our services and the sorts of services we provide for the future, and if that alone has been the lesson that we have learned by
775 these several hours of debate, then that has been a good one to learn.

The Bailiff: Next, Deputy Brouard, then Deputy Domaille and Deputy Harwood.

Deputy Brouard: Thank you, sir.

780 If I can just pick up on something that Deputy Bebb was saying. I totally agree with him, we all owe a debt to those who care for others in our society.

Two points I would like to make: one, Social Security, certainly in my time there with Deputy Dorey we did in fact increase the amount of income that carers can now earn when they are caring for someone, which will certainly help a small way towards that.

785 But one of the main things, I think, we would need to look at as a society and especially as the States, is that we can do better when we have somebody actually responsible. Now whether that is for an elderly person like my mother, who passed away a couple of years ago, or whether it is a child or a family, when you have multi-agencies involved everyone looks at their particular role and their particular job – and the focus, sometimes, is lost. Everyone does their own job perfectly
790 well, the Police do theirs, the home visitor does theirs; but until you have one person responsible for that family, or responsible for that child, or responsible for that family who has got a difficulty with a carer, until you have one person actually nominated it is a lot harder to make it work.

So, if anyone going back to their Departments, please, if you can arrange your system that Mr Bourgaize has got responsibility for that family, or Mr Le Page has got responsibility for that
795 group, that is the way to go – because when everybody is responsible, no-one tends to be. And I think that is one area where we can certainly sharpen up our pencil.

My next item – I do not really want to go there – I have got a red button on my desk and it says, 'Do not push the red button.' But I am going to have to push the red button and it is thanks to Deputy Dave Jones who was saying, 'Stop wasting money, States.' Hopefully he will forget that I

800 said this – and he has already spoken, so he will not speak again, which is quite useful. *(Laughter)*
And by May it will all be forgotten.

But this is a Minister who is one of the Policy Council who is telling us, ‘Oh well, what about the waste?’ Well, why don’t you do something about it? Now, *you* try and do something about it. My God, is it difficult! Is it really... I will give you two examples, I will use one from Housing I have
805 been on about for ages: why did we knock down those buildings in Mont Arrivé? They were perfectly reasonably solid built houses. They were cleared away to put better housing in its place – but to me, that was an absolutely waste.

When I went round a place called Maison Maritaine there were some pretty nice, well-built, structured buildings; the gutters were in a terrible condition with grass growing out of them, with
810 people living underneath them – I thought that was an appalling state of affairs. But we demolished them and then rebuilt. Now for me, that was a waste. I would have rather have built the new premises on a new site and said to a developer, ‘Look, here is this site, there is a chance... Can you make some flats out of this? Use the material you have got.’

The same with Mont Arrivé: could we not have said, ‘Actually, if we sell each of those houses
815 off at £200,000 a pop, or something like that, could not some young families perhaps get in?’ And yes, they were tired and yes, they needed maintenance, but somebody could have done that to that property over time. Now, that is a waste. That is what I wrote to Housing about and that is where they told me to go away.

And it is the same ... I have got an issue with road cleaning at the moment. How many letters
820 have I written to PSD to explain that the roads are not being kept clean?

A Member: Three.

A Member: Two. *(Laughter)*

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Deputy Brouard: It is continuous. But you try and explain to them that it is a waste cleaning Prince Albert Road when it does not need it. I have had every excuse given me in the book, ‘Well, it is always due on a Tuesday.’ ‘We have got the machine.’ ‘My boss told me I had to go this way.’ ‘I did not know, when I started at the top of the road it was not going to be clean at the bottom.’

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And it just goes on and on. And I have taken photographs – and in fact even this morning, I have brought my camera phone with me and I took... The little machine was cleaning the pavement up the Grange here. Why? There were a few cigarettes. I photographed it before the machine has gone up. I will give it to Deputy Ogier, I will explain to him, what is the waste of paying that person £15 or £20 per hour with the machinery to do that? What a waste of
835 Government funds. Will I get anywhere? Probably not. Will the board listen – they are all here? Probably not.

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So please, when you talk about waste raise the issue with the Department, but do not please try and do some sort of, ‘Well, there is somewhere else we can waste.’ If there is a place that we are wasting money – sorry Deputy... *[Inaudible]* please say it. Make sure that Department knows about it, tell me, ask questions or whatever in this Assembly, but do not let our public think that there is vast amounts of waste in the States. There just is not. I wish there were, because we could solve a lot of problems today – and I am sorry I had to push that red button.

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Talking to the debate about tax and benefit, the difficulty I had with this – and I was really privileged because my Minister was away and I went to the Policy Council when it was being proposed. I struggled reading the Report, to understand what we were trying to fix. Now, I have got the idea of the demographics but then listen to Deputy Dorey and actually we are 800 people down in 2014 or 2015 so, that problem is not really laid out in it.

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Then the Report is sort of telling you, ‘Well by the way, we have got a very narrow base.’ Well, we have only got a narrow base, because most of the other countries on page 36 of the Appendix have actually got Corporation Taxes, etc. So we have deliberately got rid of our Corporation Taxes in effect and then we complain we have got a narrow base based on Income Tax. *(Laughter)* But

we brought that on ourselves on purpose. So of course we are bound to be reliant on individuals – that is the way it is going to be.

855 And then the other bit I was starting to struggle with is the 'It is tax neutral'. Okay, so we are going to move the deckchairs around a bit, but it is tax neutral. But I do not think it *can* be tax neutral, not in the longer term. I think Islanders are going to demand more services – and I have the sneaking suspicion those services are going to cost me more. So what was the Report trying to do? Now, cynically guessing, I think that the idea was that we would get GST in at a low level, keep all the deckchairs roughly as they were and no real tax increase, but later on GST would be
860 the lever that would cover any shortfall which was going to be required. But then that was all denied.

And then on the radio Deputy Langlois, I think, on the Sunday phone-in said, 'We are going to need more money.' But that is not what this Report says. It says in several places it is tax neutral and I think that is why the Report has been – some people will say savaged, I would say mildly
865 amended – but that is why it has drawn all these amendments up, because we are trying to fix things which were not really laid out clearly enough as to what the problem was we were trying to fix.

I hope... and I do not blame the two boards, because it must have been incredibly difficult. You have got 10 of you there across the piece, very miniature – almost a microcosm of the States –
870 trying to come up with this, and then the staff trying to go away and writing it. So I can understand how it has got where it has got; but if it would have been me, I would have preferred a little bit simpler and a straightforward match.

I think we will need more money in the future. I think the savings and the wastage that we do in the States, I do not think is really there; and if you think some Department is wasting money doing something, for goodness' sake say so. Do not come to me and say in here, 'Somebody else
875 is wasting it.' Look at your own place.

And thank you very much, sir, please forget I ever pushed that red button.

The Bailiff: Deputy Domaille.

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Deputy Domaille: Thank you, sir.

Just Deputy Brouard mentioning grass growing in gutters, I have got grass growing in my gutters. I saw what happened when Deputy Brouard tried clearing his gutters with a bucket, (*Laughter*) so I have decided it is safer to leave it as it is!

885 Now, moving on to these proposals. Like others, I commend the people who produced this Report. I think it is a really good piece of work and I am not saying that to then say, 'Well I think it is a load of rubbish.' It is a really good piece of work. There is a lot of worthwhile stuff in there. I think we have had a discussion that had to be had, and I think it has been extremely worthwhile.

That said – and the Chief Minister has alluded to this – there is clearly a lot more work to be undertaken and there will be several iterations and changes made as proposals are developed.
890 Most importantly, actually, future events are going to overtake and we are talking here about proposals that are going span, I think, four different Assemblies. So to even begin to believe that what we are discussing today is going to happen, I am afraid we are fooling ourselves – and so I am adopting the approach that I regard these proposals as a starting point, a starter for 10 if you
895 like. And they are very worthwhile in that regard, but only in that regard. And I will certainly be reserving my position on detailed proposals as they come through, because the devil very much is in the detail.

Just by way of example, if you look at Proposition 3 – and this is only one example – it has got a requirement in there for transitional measures 'to ensure that any groups of people
900 disadvantaged by the measures are adequately protected.' Well, I am sorry, I am very sure when those measures come forward they are not going to adequately protect *every* group in every circumstance. It cannot be done, we are making a change here. So I think we just have to be realistic and accept that.

905 I think there is one message that I think we do need to make very clear at this point and that is, actually, future States will not be able – even if they do raise more taxes, even if they do spend more – to provide for everybody in the future, and individuals are going to have to take more responsibility for their own future well-being.

Thank you, sir.

910 **The Bailiff:** Deputy Harwood.

Deputy Harwood: Thank you, sir.

915 In addressing this Assembly in general debate, I am anxious to draw my fellow Members back to the fundamental aspects of the review on which this Report is based and away, to some extent, from some of the detailed Propositions that we have been debating with most of the amendments.

But before doing so, may I also add my congratulations to members of both committees, to T&R and SSD who have toiled over many months to deliver this extremely important document, together with its very useful Appendices.

920 There were some sceptics amongst us at the outset who questioned the appropriateness of T&R and SSD working together to produce such a report. It was absolutely essential from the outset that Policy Council encouraged and facilitated such a joint approach; and in that respect I would also wish to congratulate the small team of policy advisers and researchers drawn from Policy Council and from each of the two Departments, who bore much of the heavy lifting behind the scenes to deliver this Report. To them, we all owe a great debt of gratitude. (**A Member:** Hear, hear.)

925 If I have a criticism of the outcome in the Report that we are now debating, it is perhaps that the authors were over-optimistic in combining such an important fundamental piece of work with such a range of detailed Propositions, thereby allowing attention to be drawn both publically and within this Chamber away from the critical long-term issues that we need to address, to identify and agree the long-term direction of travel, before attempting to put in place the detail of each short step along that way.

930 As others have said, sir, this Report only seeks to rebalance the methods of funding, it does not begin to address how we go about raising any additional funding, which I am certain we will need to do in the future. It also, as Deputy Brouard has admirably illustrated, does not begin to address the issue of savings and further savings that the States of Guernsey may achieve; and, in this regard and as others have said, the only significant saving we can make is in terms of the numbers of staff and staff salaries. I throw a suggestion and a gauntlet down that the only effective saving we could look to achieve would be to seek to reduce the headcount of States' employees – excluding teachers, excluding nurses, but the rest of the States headcount – by a factor of about 10% over a period of five years. Taking up, again, Deputy Stewart's previous issues that he has raised, by moving more and more to smart e-government: that will be essential if we are to maintain the ability to deliver the frontline services that our population require.

940 The importance of the Report in my opinion lies in the information contained in section 2.2, which sets out clearly the challenges that we face and the content of questions posed in Module 1 of the Report covering the first nine Propositions. Thereafter, the Report begins to draw attention to detailed Propositions that I think should only be considered at a second stage, after full debate on the matters raised in the first nine Propositions.

945 The most critical issue for this Assembly at this juncture is to understand fully the challenges that the Bailiwick faces over the next 20 years and beyond; to understand the consequences that flow from those challenges and to agree in broad terms, how they may be addressed. Sir, those challenges are summarised on pages 274 through to page 276 of the Report, and more fully in Appendix 1 that sets out in some detail principles and issues to be followed in the preparation of the Report.

955 Now, predictably, as others have said, the most significant of those challenges relates to
demographics: a challenge we face in common with most other developed countries. Now, two
features in particular deserve our attention and are drawn from the demographic challenge. Firstly
the dependency ratio: that is to say the number of persons in employment contributing Income
Tax and social insurance contributions in relation to the number of persons in the population in
960 retirement no longer making such – or at best, reduced – contributions, but who are in turn
drawing pensions and other benefits from the States.

Sir, the present ratio is shown as being about 3.6, i.e. approximately 43,000 supporting 12,000,
but reduces by 2050 to about 2.1, i.e. approximately 40,000 supporting 20,000. But – and there are
several big buts in this diagnosis – even this scary illustration assumes a level of net immigration
965 of some 200 persons per annum helping to sustain the number of the working population. It also
assumes a retirement age going up to 67.

Now, in Japan – as Deputy Bebb has already referred to – the equivalent ratio has already hit
the level of 2.2 and the debt required to service that dependency ratio is twice, i.e. two times its
national GDP. Clearly we could not sustain that level of debt. Clearly we need to act well in
970 advance of suffering such a dependency ratio: the lower the ratio, i.e. the more pensioners to be
supported by the working population, the greater the fiscal burden that we place upon our
children, our grandchildren and our great grandchildren.

Secondly, an ageing population will also bring an increase in demand for health and care
provisions. Appendix 1 to the Report, at page 29, suggested that if the States continues on its
975 current path with its current system of tax, pensions and benefits, then to meet all the expenditure
area outlined – that is to say universal family allowances, subsidies on medical prescriptions,
subsidies on GP and nurses' appointments and free TV licences and the current funding model,
excluding the largely unknown pressure on healthcare – the States would need to find an
estimated £60 million to £70 million, per annum, to support it.

Perhaps we can begin to see just how quickly the States could build up a level of debt
equivalent to that in Japan if we do nothing.

Although we have known about and certainly talked about the demographic time-bomb,
perhaps for the first time we begin to appreciate the magnitude, the enormity of the fiscal
consequences for our Island – and in particular for the working population and future generations
985 who will be forced to bear the not insubstantial burden of finding an extra £60 million to £70
million per annum from revenue, if we choose to do nothing. Sir, to do nothing is not an option;
we have to act before the Island is overwhelmed by our own demographics.

Sir, throughout the Report and certainly in the supporting Appendices, there is an assumption
of future growth prospects. In addition to the assumptions of net immigration – which in light of
990 recent experiences is perhaps questionable – there is the further assumption that the Bailiwick will
sustain a rate of economic growth in real terms of 1.5% per annum. This means that if inflation is
at 2%, then the Island will need to sustain growth of 3.5%. I suggest, sir, again this is an
assumption that in the light of the state of the global economy is perhaps somewhat optimistic;
and in particular has been made even more optimistic if we refer to the Labour Party
995 announcement today regarding the possibility of introducing an attack on non-domiciliaries into
their manifesto.

Failure to achieve that level of growth will increase the rate of attrition to the General
Insurance Fund and the Long Term Care Fund, not only at current contribution rates but also at
the higher rates suggested in the Government Actuaries' Report, included in the Appendices to
1000 the main Report. There is already evidence of a failure to achieve precisely the previously
projected contribution levels according to the Government Actuaries. Paragraph B3.14 of
appendix 5c states:

'However, actual contribution income has been lower in recent years than projected by our models. This may reflect
smaller proportions of the population contributing to the scheme and lower earnings increases in recent years.'

1005 You should also bear in mind that a failure to achieve the assumed growth target further impacts the amount of Income Tax that is collected. This in turn also impacts upon the sustainability of the ability of the States to make the annual grant to the General Insurance Fund out of revenue.

1010 Against the demographic issues it is necessary to consider the sustainability of the annual uprating of the States' pension and also the pension age. Sir, whilst I have sympathy with those who argue that we should not increase the pension age beyond the current increase to 67, and those who argue to retain an annual uplift to the States' pension above inflation, I seriously challenge the sustainability of either route. Certainly as regards the question of the uplift, I would draw to the attention of Members, paragraphs A5e.9 and A5e.10 in Appendix 5e. Those paragraphs usefully point out the cost to the States of allowing the Supplementary Benefit system to cover any shortfall would be significantly less than the cost to General Insurance Fund of continuing to increase pensions by more than RPIX each year. Sir, that cost to the General Insurance Fund would require an increase in contributions of between 0.6% and 1.3%, to make the fund sustainable. In monetary terms, this increase would extract a further £7 million to £14 million per annum from the workforce, or from employers, if applied today.

1020 With reference to the pension age, maybe there would be merit in looking to evolve a system that would allow people to begin drawing a pension at 67, but at less than full entitlement until age of 70. There are very strongly-held views about the advisability or practicality of extending the retirement to 70, not least for those grandparents who provide unpaid support for the care of their grandchildren, thereby assisting *their* children to continue or return to full-time employment.

1025 Sir, remember that in order to counter the impact of the demographics from the dependency ratio, we need to keep as many people as possible in gainful, taxable employment.

1030 Sir, the Report includes an important analysis to the arguments in favour of imposing a cap on the total income of the States, i.e. the total amount taken by the States from the pockets of its population. Given the limits upon the scope to take further income from the corporate sector, it is inevitable that the bulk of the income and any increases in income required by the States to deal with the demographic situation, must come from the pockets of the individual members of the population, whether by means of direct or indirect taxation or charges the net effect is the same: the individual members of our society will have less residual income to spend.

1035 The Report rightly draws attention to our over-reliance upon direct taxation and contributions based on income. Whilst I recognise that we do display such over-reliance I question the assumption in the Report that we should look to lessen that dependency. Unless we can magic up new sources of taxing or charging the corporate sector, we have to rely upon the personal sector. The more that we move away from direct to indirect taxation or charges within the personal sector, the more aggressive the effect. The more we move away from direct to indirect taxation charges within the personal sector, we break the test of affordability. At least with a direct system of tax and contributions the amount taken relates to that person's income and, therefore, his or her ability to pay.

1040 Sir, Proposition 6 recommends an amendment to the fiscal framework by setting a cap on the amount of income taken by the States in taxes, social insurance contributions and fees and charges. That cap is proposed at 28% of GDP.

1045 Sir, I applaud the authors of the Report in recommending such a cap; I did not accept the first Fallaize green amendment which sought not to incorporate such a cap. I believe that it is important that the States determines the overall amount of income that it should take from peoples' pockets; and I believe that our colleagues in the various lobby groups, and in the public generally, would expect to know that there was such a limit. I do, however, question whether the figure of 28% is the correct cap, especially given the Report recognises that the cap, if adopted, would be approximately 1% of GDP less than the total projected funding requirements of the known and estimable pressures on long-term spending if nothing is done to mitigate the projected cost.

1055

Appendix 4 shows the mitigation of approximately £32 million would be achieved through changes to the old age pension, rental benefits and to universal benefits.

1060 Elsewhere in Appendix 1 to the Report it has been stated that to pay for all the known pressures outlined in this paper, without any form of mitigation, would require an increase in income of approximately 30% of GDP. 'This does not include' – and I am quoting – 'the unknown expenditure pressure on health and social care.'

I cannot help feeling that to set the cap as low as 28% of GDP is setting up an unrealistic expectation and a hostage to future fortunes.

1065 Sir, with reference to Proposition 28 on the subject of Mortgage Interest Relief, I raise the question of why only impose a limit on the private home owner and not, for example, in respect of interest relief claimed by the landlord against rental income? Surely the same arguments used in support of the imposition of the limit apply equally to the residential property investor, i.e. the risk to the States of an uplift in mortgage interest rates recovered against the rental income on Guernsey property, the pressure on house prices caused by the more attractive mortgage
1070 packages available to the residential property investor, against the first time buyer, and the fact that unlimited interest relief afforded to the residential property investor amounts to an unfair subsidy, especially given that no tax relief is afforded to the tenant. (**A Member:** Hear, hear.)

1075 Sir, with reference to Proposition 30 in the matter of independent taxation, I share the concerns expressed both by Deputy Bebb and by the Chief Minister. I have sympathy for those who have pointed out the particular impact that the proposals would have upon pensioner couples and those couples in the lower deciles where there is only one breadwinner. Sir, I have suggested the joint committees look more closely again at the model used in the Isle of Man, i.e. where there is an ability to elect for joint assessment.

1080 Sir, finally in the issue to the extent that additional direct tax is to be raised, I would urge the joint committees to give priority to raising such income by means of Income Tax rather than from increases in social insurance contributions, recognising the greater impact that increased social insurance contributions will have upon the lower earners, by virtue of the lower threshold in the social insurance system compared with the Income Tax personal allowance and in view, also, of the impact of the upper earnings cap on high earners.

1085 Whilst I would like to support the suggestion that the lower earnings level for social insurance contributions are to be applied as an allowance, I recognise however that the cost of such a change – approximately £12 million per annum – would add significantly to what is already a huge burden to be adopted to address our demographic problems.

1090 Sir, subject to those minor qualifications, I will be supporting the Propositions. (*Laughter*).

The Bailiff: Thank you very much.
Deputy Soulsby.

1095 **Deputy Soulsby:** Sir, I just wish to focus briefly on recommendation 17, and more generally on the comments made about healthcare and social care in this Report.

Throughout this Report it states that the costs of healthcare will rise. All Members will be aware of the statement made by the HSSD Minister two weeks ago setting out the cost pressures for this year, some of which are one-off and others recurring. The current board is looking at truly transformational changes to our health and social care model that focusses on patients and the
1100 need to do things differently to enable people to live independent lives for as long as possible. This includes increased focus on social and community services and the use of Talley Health and Talley Care. However, whilst people are staying fitter longer – the idea of old is changing – it is clear that with an ageing population demands on those services will rise.

1105 Now, with this in mind it is interesting to read the results of the consultation in 2013 set out in the Appendix, where it states 45% of respondents stated that they would not accept an increase in taxation to fund all the rising demand for health and long-term care in the future, with only

35% being in favour. And respondents were equally split on whether tax-funded health and long-term care should be reduced and people should pay more themselves.

1110 So the taxpayer is not willing to provide a blank cheque for Health and Social Services. Consequently, we are going to have some difficult questions to answer in the future: what services should we provide? How do we provide them? And how much are we willing to pay for them?

1115 The benchmark review currently being undertaken jointly between T&R and HSSD, will be the starting point of this process but at some point we – and when I say ‘we’ I mean all stakeholders on this Island – will need to have a role in deciding what shape our future health and social care model will take. But of course we do not know what our future model will look like now and more importantly in the context of this debate, how much it will cost. Therefore, given not only the views of taxpayers regarding how much they are willing to contribute, as well as a 28% cap on income this Assembly agreed just two weeks ago, we need to have an open mind as to other alternative forms of funding to enable us to provide the health, social and community care that

1120 meets the public’s expectations.

Finally, I would like to thank the T&R and SSD Ministers for putting in motion in this review. An open and honest debate has taken place. I do regret that given the profound nature of the matters before us, longer time was not given between the Report being published and going to the States. However, this is merely the beginning of a process and I agree with what Chief Minister

1125 said earlier, it is important that as more meat is put on the bones we do not just talk about good governance, but demonstrate it by engaging with our stakeholders, the people of Guernsey.

The Bailiff: Does anyone else wish to speak or can I call on Deputy Langlois to reply to the debate?

1130 Deputy Wilkie.

Deputy Wilkie: I am going to speak, sir, in general debate and on the Green Paper as well, sir.

I do applaud the joint committees for trying to tackle the long term fiscal pressures this Island and other western democracies will face over the next 50 years. However, I am not convinced that

1135 they have found the answer with this Report.

This Report has been promoted as a balanced and cohesive package. It has also been promoted as a revenue neutral plan. This Report, it is said, does not seek to increase the tax take but to broaden the tax base and to reduce our reliance on earning-related taxes. But I am struggling to believe that, sir. I have heard speeches from at least three of the joint committee

1140 members that this Report will raise much-needed taxes for the expenditure pressures that we will face. Now, either they did not understand the Report they were bringing to the States or there is an ulterior motive to raise more taxes through the proposed system. Neither of these scenarios are very palatable; however, I believe it is the latter – and this is alluded to in paragraph 5.1.4 –

‘While the package presented is broadly revenue neutral, the recommendations are structured in such a way that it would be possible to raise additional revenues from within this structure should the States agree it to be necessary as more detailed information of potential cost pressures becomes available.’

1145

So it is there in black and white.

If this is the case, then why the 28% cap? I believe this was put in place to quell people’s fears about GST, which could be subsequently raised every time the Government required more money. However, if we are to believe the joint committee’s own figures in Appendix 4, that the known

1150 cost pressures are: General Revenue and capital investment £20 million; SWBIC £7 million; SLAWS £18 million; and obviously we have heard recently from the HSSD Minister about the cost pressures there, that will probably be £5 million plus. That is £50 million of known expenditure. That will exceed the £38 million of headroom we have before the cap is breached.

We are already predicting we will exceed the cap by some £12 million of known costs, which

1155 will have to be funded somehow. And these are the known costs; this does not obviously include the unknown costs that we are not yet to know.

1160 These types of contradictions appear all over the Report and it makes it very difficult to understand the joint committee's strategic direction. They state that they are not raising taxes through these proposals and then they say they might have no choice but to raise taxes; and if you are not confused enough at this stage, they throw in a cap that they know will be breached.

1165 Module 3 of the Pension and Tax Benefits Review had to be turned into a Green Paper. As stated in the amendment it does not identify the amount of money to be given to mitigate its impact, the form in which those mitigations will be and what impact it will have on Islanders' finances. To bring proposals without the mitigation is disingenuous at the very least to those who will be affected. The thrust of Module 3, to remove universal benefits from those who do not need it, is a principle I do not disagree with. However, to do so without clearly spelling out how you are going to support the most affected by this withdrawals is clearly not good government.

1170 Proposition 3 is nowhere where it needs to be in explaining how the mitigation will be introduced and should not be waved around by members of the joint committee as their 'Get Out of Jail Free' card. And what would happen if these proposals had been passed, but the future mitigation package had not been passed? What an awful dilemma some of our poorest Islanders would have been put in.

And here is another contradiction: how can these two statements in the Report be compatible? In paragraph 7.2.1:

'Overall, including both taxation and benefit changes, households would experience a minimal impact from these changes.'

1175 Now, if you compare that to paragraph 7.3.21:

'... 49% of lone parent households would be negatively impacted.'

For some households in this group, the impact could be very significant. They are compatible, because phrases like 'overall' and 'on average' are smokescreens. Within each income group there are winners and losers: 6,800 households with an income under £33,000 will win, but 3,600 will lose and some by thousands of pounds a year.

1180 The results of the consultations are used to back up a number of decisions of the joint boards, notably removing universal benefits and not means-testing pensions; however, the demographic analysis of the 248 responses to the consultation at the end of Appendix 2 reveals a significant skew towards people with higher incomes. The Report recognises this bias but seems to accept it as inevitable. The implication that 14 responses from the third sector organisations are sufficient compensations is laughable. This imbalance could have been anticipated and certainly has been known to the joint board since August 2013. That is plenty of time to run a further exercise specifically designed to engage people with lower incomes.

1190 The joint board claims to be determined to protect people on low incomes during the transition period; yet the tools it is relying on do not apply to everyone. What if you do not claim benefits or a pension, but you do not earn much either? Just keeping your own chin about water, which is surely the kind of personal responsibility that Guernsey is so keen to encourage, is about to become much, much harder. I will give you an example – and this is a layperson's estimate and I am not an accountant. A single mum of one disabled and one non-disabled child, husband has died and mortgage paid off by life assurance; mum works part-time, school hours, earning £12,000 per annum; receives Severe Disability Benefit, plus Carer's Allowance; earning more than the requirement rate, not paying rent, so she is not on the Supplementary Benefit system. She is already taken out of the tax system by personal allowance, plus the Child Allowance, so will not get any benefit from the rise in personal allowance. She will get a benefit from a Social Security allowance of about £408 per annum, but she will lose a Family Allowance of £1,654 per annum.

1200 **The Bailiff:** Are you going to give way to Deputy Langlois?

Deputy Wilkie: I give way to Deputy Langlois.

Deputy Langlois: Thank you, sir.

1205 Deputy Wilkie is in danger of misleading the Assembly in the sense that he has taken a very specific case; he has done a lot of analysis, making a lot of assumptions. The long-term plans of these Propositions spread over a period of 10 years – as has been explained on a number of occasions – also involves the mitigation of hardship cases throughout. And therefore any one of us could make up a situation and a scenario which would appear to be scary at the moment.

1210 I think to scaremonger in this way, particularly to a group of people who would feel vulnerable, is inappropriate.

The Bailiff: Deputy Wilkie.

1215 **Deputy Wilkie:** Sir, I thank the Minister for his intervention but I have to disagree with him. I think it is quite right to point out these issues at this stage, and it is not scaremongering because we do not have the mitigating detail.

1220 So, she will lose £1,654 per annum. She would have paid GST if the Report had not been amended. She would have been exempt from prescription charges but now pays £1. Doctors' bills will cost more and she will pay more in TRP. This could add up to a significant amount of income lost.

1225 And the Report does not put a figure on how many Islanders would be pulled into the benefit system by the changes. What is clear is that the relative value of being on Supplementary Benefit is about to increase significantly, increasing the challenge of pulling yourself out of the benefit trap. Many hard-working people do not want to be in the Supplementary Benefit system. Having universal benefits means that they do not feel that they are a burden to the States and I would echo Deputy Laurie Queripel's idea of clawing back universal benefits through taxation.

1230 The Propositions with regard to removing universal benefits are precise and costed and have some swift deadlines, e.g. 2016 for both the imposition of the £1 charge and the withdrawal of the £12 GP subsidy. By contrast, actions to mitigate the impact of these changes e.g. prescription passports, are loose suggestions with no defined timeline for introduction. As stated in paragraph 5.3.34, 'Within the context of the review it has not been possible to investigate these mitigating actions to any great extent.' How can such definitive and immediate withdrawal of benefits be justified?

1235 The £1 is not just a nominal sum: the Report assumes that it is. To someone on low income and therefore it is reasonable to charge £1 per prescription to those who are on Supplementary Benefit, but it fails to recognise that some people require 10 to 20 different drugs each month. That £1 can be a significant sum to someone on benefits, especially if much of their benefit payment is used to service debt. Debt is easy to accrue when you have no buffer, when your washing machine dies. Some members of the Guernsey Disability Alliance charities do not go to their doctors, because they cannot afford the bus fare – which is £1.

1245 The Medical Expenses Assistance Scheme as currently operated is not sufficient to neutralise the impact of the increased costs of GP visits on people with low incomes, who are not claiming. It is designed for one-off costs, e.g. chronic conditions treated by the GP in repeated visits over a short period, and of course physio- or dental care. There is a limit on how much savings you can have: £3,000 or more if you are single and £5,000 or more as a couple. Each case is considered on merit, rules are not statutory. A claim must be greater than £100, but bills can only be a maximum of three months old.

1250 Taking away universal benefits is relatively easy for SSD: a flick of a switch. But devising a more complex, targeted scheme to replace them is more challenging and easily subject to delay. Social Security's resources are predominantly occupied with the day-to-day delivery of the current system. The Department has very little resource for changing the system, as evidenced by the review of the Attendance Allowance Carer's Allowance, which began in 2008 but was not fully implemented until six years' later.

1255 It is not clear whether the resources allocated to the PTR project take this into account. There is nothing in the proposals that would cause high earners to share the raw financial pain that the losers in the lower income deciles will feel. Indeed, higher earners have cause to celebrate: rather than a cap on Social Security contributions being lifted as might be anticipated, it may be lowered.

1260 In paragraph 5.3.22 it states that the Fiscal Affairs Department of the IMF are not too keen on trying to use personal allowance instead of cash benefits – and yet that is exactly what this Report recommends. This Report has been trumpeted as a way of mitigating our demographic issues and this is the main driver for broadening the tax base, but if you take all of these proposals into account then you find it is young families who are hit hardest: the loss of Transferable Tax
1265 Allowance, the loss of Family Allowance, the loss of Doctors' grants, the costs of prescriptions, the loss of Mortgage Relief and the ongoing costs of child care. This all adds up to a very unattractive proposal if you want to start a family. The loss of young families will exasperate the demographic problem and will worsen the very issue that this Report seeks to address.

1270 And why has the joint committee decided they do not have to comply with the social policy section of the States' Strategic Plan? How has the joint committee taken into consideration the Disability and Inclusion Strategy when developing this policy? What steps have been taken to engage with the disabled community during the consultation stage? I do not know.

1275 And I would, in closing, ask the Treasury Minister if he was here, in his reply to the debate to explain how much of the £12 million saved from universal benefits will be used in the mitigation for those most affected by the changes?

Sir, I cannot support this Report; and I thank you.

The Bailiff: I have made a note, Deputy Wilkie, that you have spoken on Module 3. Deputy Conder, and then Deputy Ogier.

1280 **Deputy Conder:** Thank you, sir.

I will be brief. I think the forensic analysis undertaken by a number of colleagues has dealt with many of the issues in the Report. I have in previously speaking on the Report paid tribute to the authors, all 10 of them, for bringing this to the States and for the extraordinary amount of hard
1285 work that has gone into... this debate, as the Chief Minister said, had to be had and I am really pleased that we are spending so much time on it.

I think the whole Report has, perhaps, been bedevilled by the fact that it has been presented as fiscally neutral – and we have had that debate, I am not going to go back into that now. It might have been better perhaps to have produced a number of scenarios in terms of increased
1290 revenue takes and where they might have come from. But that is to, in some ways, nit-pick and I would not wish the authors to feel beleaguered. It is in the nature of our debating chamber that we want to forensically examine and to criticise bits of it and change bits of it but, colleagues, we have to recognise the enormous service the Deputy Chief Minister, the Treasury & Resources Minister and their colleagues have done to this Island and to us. **(Two Members: Hear, hear.)**

1295 I expect to vote on each Proposition on its merits, but in general I want to support this Report and will deal with each Proposition.

I would ask the Deputy Chief Minister, however, on the assumption that he will be replying to the debate, to focus or address for me just a key part of this which does give me great concern; and it has already been raised by the Chief Minister and Deputy Harwood, and that is this matter
1300 of independent taxation that we propose to move away from joint allowances. If I may, in the main Report, paragraph 5.4.38 says:

'The current tax system is structured in such a way that married couples and unmarried couples with children are able to transfer any unused tax allowance between spouses, enabling those couples to reduce their tax liability. This facility is not available to unmarried couples without children or to same sex couples.'

And that is discriminatory.

1305 I welcome that actually, as I am sure many do, in terms of removing the discriminatory nature of only recognising same sex married couples with children, but I think the way it is structured and in the Propositions it does give me cause for concern.

And I hope the Deputy Chief Minister can give us some reassurance, particularly in terms of Proposition 30, because it says – and forgive me for reading so much out:

‘To agree to move towards a system of independent taxation in which all tax payers are treated as individuals, by removing the ability to transfer tax allowances between married couples or couples with children, with each tax payer being assessed on an individual basis, and direct the Treasury and Resources Department to bring forward proposals to effect this in its annual Budget Reports.’

1310 Now, if we approve Proposition 30 that means that is going to happen and we will next see it in a budget report. And in all probability if we approve this we will be supporting those budget proposals. That does give me real cause for concern.

And in the Appendices many of the issues in terms of the impact upon specific relationships and couples are highlighted, but without any clear way in which it could be mitigated. In Appendix A8e.19 – the page un-numbered for that – it said:

‘When considered by household structure, those most vulnerable to the change [*to independent taxation*] could include:

• Pensioner couples whose income is assigned to one spouse and who are unable to significantly rearrange their financial affairs’

1315 Well of course they will not be able to. So many pensioners will be depending on one pension from the historic married life in which most likely the husband has been earning and the wife has limited pension or limited pension income. They will most certainly suffer as a result of this without mitigation.

Secondly:

‘Couples where one spouse does not work or works limited hours in order to provide childcare’

1320 Again, they are able to benefit at the moment particularly, obviously, that applies to lower incomes, they may be able to benefit by transferring, in most cases, the wife’s allowance to the husband.

And finally, and very significantly:

‘Couples where one spouse is prevented from working by illness, disability or incapacity’

Actually those three can be conflated, because there will be many pensioners who are also looking after a disabled, or ill, or incapacitated partner.

1325 Now, this seems a swingeing sledgehammer in those cases. There are – and I am not going to bore you by reading them all out, you can read them yourselves – suggestions how that could be mitigated; but Proposition 30, if we pass it, will make it happen unless we reject it at the budget stage. And I really would like to hear more about how what is, in principle, a good idea and similar to what so many other jurisdictions do inasmuch as it recognises the multifarious types of relationship that exist in society and treats people equally. There are real impacts here which will have impact on real people.

1330 Now, Deputy Bebb in his excellent speech made the case, I think it was the UK – he will correct me if I am wrong – quoting, I think, the £19 billion value that carers give to society in terms of reduction in care costs to society as a whole. That is extraordinarily significant and is going to become greater. As – and we have all talked about demographics – we all get older, the need for almost certainly one relatively healthy partner to look after another less-healthy partner, is going to become greater unless society through care homes and in-home care is going to take that responsibility. It is inevitable, as we all get older, that the role of the carer is going to become greater and greater, and by withdrawing this allowance we make that a greater burden.

1340 So, I will struggle to support – in fact I do not think I can support – and I regret that because it is the right thing to do. I cannot support Propositions 30, 31 and 32 and I would urge colleagues not to. I believe I could if I was given more reassurance or if the joint team would come back with a clearer narrative as to how mitigation could be effected. But at this stage I feel I would struggle to support that.

1345 Again, I close on thanking our 10 colleagues for the extraordinary work they have done and we are in their debt. Thank you.

The Bailiff: Deputy Ogier, and then Deputy Perrot.

1350 **Deputy Ogier:** Thank you, sir.

There is really so much in here; I think all that most of can do is concentrate on a couple of points each and give those some in-depth investigation and analysis.

1355 This review, in my mind, was borne out of increasing concern that the burden of taxation, especially indirect taxation, was shifting from those most able to shoulder it to those least able to. Over the years we have had a number of speeches in the post Zero-10 world, saying how much of the indirect taxation is falling on those who are least able to, and for those on whose shoulders historically has not been the case.

1360 I want to deal with Proposition 30 which is independent taxation and the Proposal is to move to each individual having a tax allowance, which is not transferable in the way that it is now between couples. Now, I quite like change and I am not afraid of it. It should not be change for change sake, but must be carefully weighed and measured to be safe change. But I like change.

1365 I do not think the way we have done things is always the best way, is necessarily the best way, as our societies change, advance and evolve. However, I do think that the more traditional way of child-rearing has many benefits I would not wish to lose. I think having one parent at home with a child in their earlier years, in general, is beneficial. (**A Member:** Hear, hear.) I think that and it is also borne out by analysis and evidence which shows a multitude of benefits to a child who has a stay-at-home parent in the first few years of their life.

1370 Let us see what Proposition 30 would mean for those families who make that choice. A couple may have one breadwinner... Take two identical families: one couple may have one breadwinner earning £50,000, instead of two individuals earning around the average wage of £25,000 each. Both households have an income of £50,000. With the removal of the joint allowance, the couple with one breadwinner will see their tax bill move from £4,000 to £6,000, despite earning the same as their neighbours who earn £25,000 each, which is an increase of 50% on their taxation against the couple earning the average wage.

1375 The argument is that having tax allowances which are able to be combined discriminates against unmarried, co-habiting single parents and same sex couples as they have no second tax allowances they are able to combine with theirs. So our Proposition is to remove it: it is unequal or unfair so we will remove it. And by fixing one unfairness we create, in my view, another unfairness. We disadvantage those seeking the best outcomes for their children and to me this is an unwanted consequence. It goes against best practice, it goes against evidence, it makes things worse overall; and we fix one unfairness by creating an inequality or we remove one inequality by creating an unfairness – I am not sure which one it is. (*Interjection*)

1385 So, if you want to fix something, fix it. Allow co-habiting couples with children to combine their allowances, do not remove it for everyone which disadvantages so many people. It reminds me of how the issue ... It is a long-tried practice this: if something is unfair to some, remove it no matter how many people are affected on the other side.

1390 And it reminds me how the issue of female workers in some sectors earning less than their male counterparts was resolved: instead of the women being paid more to become equal with their male counterparts, the salaries of their male counterparts were held back for three years while the women caught up. Dreadful. What a way to solve something, what a morale boost. Both sides were unhappy.

But do not fix an inequality by making everything worse for everyone to make it fair; or do not fix an unfairness to make it equal. There is a difference between fair and equal; and do not make things equal when they should be fair.

1395 And I will vote against Proposition 30, but if it goes through I would strongly urge for consideration to be given to continuing the ability of couples to combine their tax allowances in the period before their child goes to school. So that those, including co-habiting partners, who are able to reorganise their affairs to give their children the best start, are able to do so without such a significant financial penalty.

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The Bailiff: Deputy Perrot.

Deputy Perrot: Alas, sir, you were not able to preside over the debate a couple of weeks ago. You, therefore, probably are unaware that my colleague on my right, Deputy Brouard, was not feeling his best during that debate. He not only had a bucket fall on his head, but he had a cold. Alas, I have caught it. *(Laughter)*

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Deputy Brouard: I am happy to share.

Deputy Perrot: Living as we do in our cold hovels in the west, *(Laughter)* these things do take some time to incubate and I had not intended to come in today, therefore I had not intended, in the time-honoured phrase, to speak today. *(Laughter)* If I did come in, I just hoped that the prepared speeches would wash over me, like soothing mogadon and I could let it all pass me by.

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But a couple of points have arisen and I am on my feet, really, just in case the Deputy Chief Minister does not pick up these points. Several Members have questioned the basis of this joint report and have questioned whether, really, there is some sort of secret text to it which is looking to raise additional funds now, to fund additional spending now.

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There were a couple of slips made, I think – just some verbal slips – made by several Members on the joint team which could have been interpreted that way. But I am on my feet to say that that is just *not* the case. The problem is purely one of demographics. The funds which we have at the moment cannot cope with the future population, and those Members who think that the funds *can* cope without any adjustments think that the moon is made of green cheese. It is just not true.

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Perhaps, I should pause while Deputy O'Hara receives his incoming call. *(Laughter)*. Anyway that is another £10 to your fund. *(Laughter)*.

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So, I do hope that I can nail this particular canard because if anybody believes it, it means that whoever believes it thinks that the joint boards are somehow being devious. They are not. There is not a hidden message. This is not to raise further funds for further spending. The whole idea is to support the changing demographic problems which we have. I say problems, it is the most wonderful thing **(A Member: Hear, hear.)** that between 1965 –and I forget the actual figure, it might be 2030, something like that – the life expectancy, on average for... I cannot remember if it is males or females or an average of both, I can never remember these things. But it will have gone up 11 years. That is a joy; that is something to celebrate. **(A Member: Hear, hear.)** But it *has* to be paid for – and that is what this is about.

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The other thing which I had to stand up for to defend myself, really, because there was a jibe at me when Deputy Wilkie said that people were waving a 'Get Out of Jail Free' card. Let me assure him that in my time, nobody got out of jail free when I was involved. *(Laughter and interjections)* They paid me bucket loads of money. *(Laughter)*

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But that is not the reason why I am on my feet. The reason why I am on my feet is because you must have regard to Proposition 3. It is there as a safeguard and if, during the course – it will not be in this parliament – of the next parliament Deputy Wilkie is lucky enough to be re-elected, it is for him to come back before Social Security or Treasury & Resources, or they will not be Treasury

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& Resources by then.... But it is for *him* to say, 'There is an *injustice* here. You sort it.' And he can then waive – he likes the term 'waive'. He can waive Proposition 3.

1445 And I am going to read it once more. I know I read it in the last debate but I am going to read it once more, because it seems that not enough people have paid attention to this Proposition, which is:

'To direct the Treasury and Resources Department and Social Security Department to co-ordinate their actions and report annually to the States on the transitional measures required as a result of the approval of Propositions 4 to 41 to ensure that any groups of people disadvantaged by the measures agreed are adequately protected throughout the transition period detailed in paragraphs 6.1.1 to 6.1.7 of that Report.'

1450 That is the protection given to people. It is not there as some sort of devious device. It is not there as a lie. It is there to be used and it is the mark of a responsible government to have that sort of Proposition; and not only is the Proposition there but there is actually a Transition Fund to support it. That is what we supported at the last debate.

So, I hope I have helped the Deputy Chief Minister, perhaps, in covering this point. No doubt he will do it far better than I will, but I did not want him to forget them.

1455 **The Bailiff:** Deputy Trott.

Deputy Trott: Thank you, sir.

Sir, Deputy Ogier is quite right that there is so much in this Report that it would just be impossible to cover everything, so I shall confine my comments to a few matters.

1460 I will start by reminding Members that this Report relies on two key assumptions: that net immigration to the Island continues at 200 people per year, consistent with recent experience; and this is despite this being counter to existing States' policy, which is to maintain the population at the level it was in 2007.

1465 And the second key assumption is that average earnings will grow by 1.5% per annum in real terms, so that is after taking into account the effects of inflation. And recent trends have not been as positive as this assumption.

Sir, this Report has many strengths and one of its strengths is the clear articulation of a number of very significant facts and a number jump out from the pages at me, as I am sure they do to other Members. I will just quote a few.

1470 The combined old age pensions, nursing care and healthcare costs make up a staggering 45% of States' expenditure. And the average number of people turning 65 each year between 2012 and 2015 is about 28% higher than it was between 2004 and 2008. So the problem is here and now and in fact, sir, by 2025 – so that is only 10 years hence – the number of people aged 65 or over is expected to be getting on for 50% more than in 2012. They are not long term demographic forecasts, they are happening right now.

1475 Now, sir, in the recent Jersey Senatorial election a number of their candidates, all but one in fact, seemed somewhat ill-prepared for a question that came at the hustings. And that question was, how much does it cost to run public services in Jersey? And only one, the existing Treasury Minister, got it right. Well the answer here, sir, all Members will now know having read this Report is a quite staggering £10 million a week. It costs £520 million a year to fund Guernsey's ongoing revenue costs: pensions, salaries and the like. A staggering figure.

1485 Now, sir, on page 32 I would argue that there is... That page 32 has on it some of the most important information for this community to hear – and I have done my best over the last few weeks to emphasize it. I will come to the details of what is on page 32 in a moment, but first let me explain why. There is a general perception amongst our community that the average citizen, whatever that may be, gets a bad deal from public services – and it is simply not true. The average citizen in Guernsey gets a *great* deal out of public services. (**A Member:** Hear, hear.)

And let's look now at Table B1.2 which estimates the average cost of various services. So, if you are an average tax payer – and by that I mean you are an average earner, so you are earning

1490 £30,000 a year, like many in this Assembly do, or not much more – you do not pay enough tax to educate a single child through its secondary education. So, not taking into account any other demands on public services, if you are earning £30,000 a year and you have a child, then your contribution to the tax take is insufficient to cover that single issue.

1495 Sir, if you are lucky enough to be about to become a parent, and again you are on average earnings, you do not pay enough tax to have that child... the cost of having that child delivered by caesarean section – and one in three children these days are delivered by that method.

If you have diabetes, it costs the public purse £2,000 a year, assuming you are type 1-dependent.

1500 And then the numbers get really quite staggering and others have referred to this. One year of long-term residential care for an older person, since the States' subsidy-only is a staggering £21,500 and if you transgress from residential care into requiring one year of long-term nursing care, the States' subsidy-only element on that is an unbelievable £40,000 a year. So the truth is, sir, that taxpayers get a very good deal.

1505 But not all taxpayers: some taxpayers pay a great deal more tax already than they consume in public services. And if one turns to page 41 in the Report, we are reminded in Box 2 of the combined average tax rate of someone who is earning a variety of different amounts, identified as employed and self-employed.

1510 Now, if someone is earning £50,000 a year and employed, their combined average tax rate is about 22%. If someone is earning £100,000 a year and employed, the combined average tax rate is 24%, generating a tax of £24,000.

1515 Now, the majority of people earning £100,000 a year will not be consuming public services anywhere near the amount of contribution they are making to General Revenue; and the figure is that much more severe if people are self-employed, because for someone earning £100,000 as a self-employed person they do not pay £24,000 a year combined, sir, they pay £28,500 because their combined average tax rate rises by 5% to 29%. And that was one of the reasons I moved that successful amendment, so that when we are determining how to introduce progressive tax rate, we bear in mind the importance of taking into account how people on £50,000 a year could be caught in a really quite unpleasant trap if we are not careful.

1520 Now, sir, my final comment relates to a question that was levied during the public consultation process. The question was: Should the States continue to provide the range of services it does today and increase taxation to pay for all increased future demand? That is a fairly simple question. The answer, from 55 %, was that they were not in favour. Not in favour of paying higher taxes to accommodate increased future demand.

1525 Now, what makes that answer interesting is I genuinely believe that we would get a different outcome if that question was asked again today. And that has been the importance of this debate, and it is also why I implored some colleagues to have this debate in its entirety over the last two or three weeks as a Green Paper; because it is a very slow burn, educating our community as to just how significant these issues, are and how difficult the solutions will become unless action is taken quickly and decisively.

1530 So, like others, sir, I am extremely grateful to the joint committees. I think that they have done a very good job and they have been well served by their executive support throughout this process.

1535 These are difficult decisions, sir. I cannot, however, support all of the Propositions. I think others have articulated the difficulties associated with independent taxation. I shall not be able to support that measure; but I will, sir, have no difficulty in supporting a raise in the pensionable age from 67 to 70. We should have had the courage to do that last time. I regret that we did not and this time it has my unequivocal support.

Thank you, sir.

1540 **The Bailiff:** Does anyone else wish to speak?
Deputy Gollop.

Deputy Gollop: Sir, it is actually quite difficult to separate the Module 3 material from the main debate, because the very nature of this exercise is of an integrated package; but I will not speak on the Module 3 material, so I will say relatively little at this stage.

1545 What I would comment on is we have heard from Deputy Harwood a masterclass, for the most part, in fiscal conservatism. But he ended on a strange note saying that, maybe, the 28% is optimistic in terms of restraining spend. And I can agree with what Deputy Perrot said in that the spend *might* be looked at again in the future, because the demographic trends are going in the wrong way.

1550 If I made any comments last time it is not only reflective of the belief that I see out there, that there are gaps in public services and regulated entities but of course in voting for 28%, we are assuming even within that figure an extra £30 million per year, which we have not currently budgeted for. But that is as maybe.

1555 I, too, salute the work the executive have done on our behalf. I can certainly think of one person who has done the work of two, if not three, civil servants and has been at the same time aiding other committees as well with their deliberations, and we have produced a very solid body of work.

1560 I think there is a lot more work to do on cajoling, perhaps, Income Tax to change their systems over time, to be more flexible; and I think many of the points people have made today could occur if, perhaps, we have another IT revolution in Income Tax, which would make changing taxation bits and pieces much simpler and easier. Maybe self-assessment is a way forward there, as well.

1565 And, I take on board what Deputy Harwood said about mortgage tax relief for landlords. But of course it comes back to what Deputy Brouard and, in a way, Deputy Jones said: that we do perhaps need to have more of a social strategy for property management on this Island and the role of the landlord in society. That is a separate debate but I think it is long overdue, and if we are going to take away certain benefits landlords currently enjoy, we need to put in compensatory incentives to ensure that they continue to play their role, because after all the private sector houses more people than the state or the tertiary sector – which is strange but true.

1570 Deputy Trott, too, has convincingly put across the realities that many taxpayers do get a relatively good deal for their spend, and I do not think that message has got across. I am intrigued, though, that he has come down from the view that perhaps the ground has shifted slightly leftwards in the public domain and that may have taken a group of ten of us by surprise – or at least some of us by surprise – but I think that is a point that we need to take on board.

1575 I think we have settled, for the moment, the question of the size of the state. We are organising the role of the economy and taxation, and the difficulty I think of separating Module 3 from the rest of the package is that the reduction in certain benefits were to be compensated through GST or some other mechanism to higher personal allowances and we have not yet fully identified the funding mechanism for that.

1580 I take on board the points Deputy Wilkie and others have made that personal tax allowances are irrelevant to those who are in difficult categories, who are squeezed between those ineligible for Supplementary Benefit and those who can benefit; but nevertheless if personal tax allowances were as generous, perhaps, as they are in Jersey we would lose some of the arguments about separating taxes according to the individual.

1585 I think this is really a work in progress, because until we have a clearer view of what allowances we can afford to give, then some of the social objections to the points will still be there.

1590 And I would also comment that we need to focus on what SWBIC is doing. As a member of SWBIC, everybody seems to put upon us that we will have the Wisdom of Solomon in somehow magically creating and sustaining greater fairness and equality across the Island. Well, I have to say that if people expect SWBIC to deliver a social, progressive package that is yet unseen, not only will it perhaps never arrive in this term, but even if it did arrive we would have to make some difficult decisions about winners and losers at that juncture.

The Bailiff: Yes, Deputy Green.

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Deputy Green: Sir, thank you.

I will be relatively brief and I might certainly ramble.

I agreed with the point that Deputy Trott made a moment ago about the shifting sands in this debate, because I think he is right. I think there probably is growing acceptance – from some anyway, and perhaps from more than we thought – that there may need to be more tax paid in order to sustain public services in the future. But it comes with a proviso, which Deputy Trott and Deputy Gollop did not deal with; and the proviso is that people need to be absolutely convinced that this States has done as much as it possibly can to trim its inefficiency.

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And I think there is a lot more that can be done on that and we have programmes in place. We have got the long-awaited Strategic Asset Management Plan, we talk about e-government, we talk about the pay cost of the States. All of those things can be the proper focus of streams of work in the future, but we have to make sure that we are as efficient as possible and as trim as possible as a government, if we are going to ask for more in taxation in order to maintain let alone enhance the public services we already have.

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The best thing about this Report, clearly, is the very long-term view that it takes. It is a conversation that we are having. I tend to agree with Deputy Domaille. I think it is a starting point; it is certainly not the finishing point. But it is a conversation that was always going to have to be had and I think, like LSI, I commend the two committees for commencing this work. Indeed, as Deputy Langlois points out, I was actually part of Social Security for two and-a-bit years, so I take credit for my own congratulation on that. *(Laughter)*

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No, the two committees do deserve credit for having this conversation, because they did not have to. It was said at some of the public meetings by both Ministers, that they could have very easily sailed through these four years to 2016 without even touching this and that would have been wrong, but they chose not to and that was absolutely to their credit. So, the best thing is the very long-term view being taken.

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Possibly one of the worst things is, wittingly or unwittingly, some of the uncertainty that has been created by some of the fall-out from this, but, right... In terms of the Propositions, there are some that clearly I am not going to be able to support. Deputy Bebb spoke eloquently before about Propositions 30, 31, 32. I will not be able to support those either, for much the same reasons.

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I will also not be able to support the Proposition in terms of the 28% limit on GDP for the reasons that I vented when I spoke on Deputy Fallaize's amendment to try to remove that. Again, I am not against a cap or limit on spending or, indeed, income but I just think the rate of 28% is optimistic in the extreme. We have heard some very forensic explanations as to why that is. I just do not think 28% of GDP is going to give us enough wriggle room to effectively deal with the consequences of the demographic situation that we have.

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So, there has been a lot of forensic analysis of this debate and I would rather give a more big-picture evaluation at this stage. I said earlier in this debate, before we adjourned for the Easter recess, that there were three non-negotiable red lines for myself, which will remain intact at the end of this process: the 20% generated in Income Tax, no GST and no capital taxation or no capital taxes – and that will still be the case.

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I applaud the two committees for having placed quite a lot of emphasis in the Report on the need to maintain and protect our competitive position, because I think that is something which very easily could be lost in the reams of information about the need to address the demographics. But I just think we have to do that. We have to maintain our competitive position in a socially responsible way and it is a massive challenge, because in order to put our public services and finances on a sustainable long-term basis, to do that in a way which will not make us uncompetitive, in a very competitive global marketplace, is very difficult. But we must take the community with us and we must take steps to ensure that those most disadvantaged in our communities are not left behind. And I take a slightly more optimistic view than some in this

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Assembly in terms of the mitigation that will be forthcoming. I know not all of the detail is here, but I am prepared to give the benefit of the doubt to the committees on that.

But, having stated those three red lines that will be protected by the end of this process, it is very clear that we will have to take some very tough decisions in the future in terms of taxation.

1650 The corporate tax conundrum clearly could have been given more emphasis in this process, but clearly that is something that is unfinished business and also the issue of TRP, which others have spoken on; clearly the extent of the rises in TRP is possibly going to be more than what even the current Proposition indicates.

1655 I was pleased that there was support for both of the amendments on the withdrawal or phasing out of personal income tax allowances for higher earners and I look forward to what Treasury & Resources comes back with on that.

1660 I would certainly ask Members to continue to support Proposition 27, which is the Proposition to raise the Personal Income Tax Allowances. My own view is that I would like the Personal Income Tax Allowance to be higher, primarily for the benefit of lower and middle income earners and that a phased withdrawal of allowances for higher earners would be a much better way of injecting an element of progressive tax system rather than having high rates, because as Deputy Perrot said and Deputy Jones made the same point this morning, the 20% rate is important and we should stick with it.

1665 So although in the absence of GST, we are perhaps not going to be able to go as far on the Personal Income Tax Allowances as we might have liked, I still think that Proposition 27 is a direction of travel that we should support and I will be supporting that.

1670 Finally, in relation to Mortgage Interest Tax Relief and the proposal on there, I will be supportive of that Proposition. I voted against Deputy Conder's amendment which seeks to delay that for 20 years rather than 10 – sorry, not delay, but to fade it out over 20 years rather than 10. And I do support that.

1675 I think, however, we have to be very clear that within the context of that decision, we have to very soon give some very strong direction indeed, in terms of housing policy in general and we need to make sure that the personal tax allowances are going to increase to balance that out. So I think we need a strong direction on helping first time buyers and we need that soon and we need to make sure that Proposition 27 is supported to counterbalance the loss. We need to support that to counterbalance sufficiently the loss that people are going to suffer.

So I will be voting against some of the Propositions, but I would dare say I will probably vote for the majority of them.

Thank you, sir.

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The Bailiff: Deputy Luxon, do you wish to be relevé?

Deputy Luxon: Yes, please.

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The Bailiff: Deputy Dorey.

Deputy Dorey: Thank you, sir. After the original presentation given by T&R and Social Security to States' Members, my first reaction was that it was harsh on families and harsh on pensioners. I would probably add that it is also harsh on the sick.

1690 My speech on GST – and I followed on the point made by Deputy Brouard in his speech – saying, what is the point? I have never really understood the point of this Report which fundamentally is to raise additional money through GST and also through reduction of universal benefits, and spread that by giving allowance on Social Security, increase tax allowance and reducing upper earnings limits on Social Security contributions.

1695 I have never seen the point. If we need extra money, yes, introduce extra taxes, but to just collect the same amount of money just replacing one tax with another, where you add to the expense of collection, you add to the expense to industry and you also have a number of effects, I

did not think was a sensible way to approach it. They say they want to diversify the tax base but basically they are collecting the same money from the same people.

1700 The only potential groups that they were going to collect extra on was from the finance industry in relation to a GST separate charge which I have said if there was the availability they can finance Guernsey Finance 100% rather than being funded from the taxpayer and from the tourist industry, which I said that you could use a bed tax if you wanted to raise more money from that part of the economy.

1705 In terms of the demographics in GST, I showed that in fact it has the biggest additional expense on the young and that is illustrated in the diagram. So the fact that we have an increasing older population, I do not think it actually solves the problem of collecting more money from them. That was not what the purpose was. But to me it had socially unacceptable outcomes. If you read Section 7 you talk about 49% of lone parents being negatively impacted; 41% of single pensioners being negatively impacted; 59% of pension couples being negatively impacted. Those
1710 to me are totally unacceptable, socially.

Deputy Perrot spoke about Proposition 3, but that is just the transition. This is what the outcome is. The outcome is not affected by any transition fund.

1715 The work of the Community Foundation: very good work. It said that 3,000 low income households would be worse off. These are just not acceptable; and for what reason?

I fully accept that there has been some excellent analysis done and the Appendices are very good, but I think they reach poor conclusions and for those reasons I will not be supporting a number of the Propositions.

1720 But I think Proposition 4 – perhaps because I take an interest particularly in population – illustrates my point. When they originally proposed to only look at population policy against economic... and that illustrates the lack of depth of thought in my view, that you should have looked at a far more broad way against the aims of the States' Strategic Plan.

1725 I, like others, will not support Proposition 6. I am not going to repeat the arguments made in the debate on the limit but I will not be supporting the 28% limit because I believe that we will have to face the fact that we will need to increase expenditure and it is just pointless. I think we have adequate control in no real terms growth and expenditure. That is the buffer that we come up against in budget time and I think that is more than adequate.

1730 Proposition 17 I will not support either. That is to do with saying to acknowledge that the present model provision of long term residential and nursing care for older people is financially unsustainable. We have SLAWS doing an investigation into that. I am not going to pre-judge the outcome. I will wait for their report to come back and then I will make a... When we see their report we can make a judgement, but to essentially pre-judge the outcome, I think is wrong.

1735 Proposition 27, which is about increasing tax allowances, again the funding for that was basically from the GST mainly, and I do not think there is much space to increase tax allowance. This is with the costs that the Island faces, but because of the link to 27A, which is to do with essentially 20 means 20, I will support it, but I do not think there much head space to increase tax allowances.

1740 Also, I will not support 30, 31 and 32 which are... Basically 31 and 32 fall if 30 is not supported. I think the arguments have been put very well by others on the effect on carers. Deputy Ogier said the effect on families and the fact that we should not discourage one parent from taking on childcare responsibilities and often that is the cheaper option, if you have got a number of younger children who are below school age where it might easily be cheaper for a couple for one to stay at home rather than the cost of sending them to childcare. Also there is the moral... that they want to care for their own children. I do not think we should discourage that. I do not think
1745 we should discourage carers and I also think that we have to be very aware that pension couples often have income which is mainly one of the couple earns from pensions and therefore they share the tax allowance between them and that gives them a standard of living. I think it is wrong to withdraw that.

1750 I will not be supporting 33 either: 33 is an interesting one which there has not been much
discussion about. One of the most interesting parts of it is that Section 7, which goes through the
effects of the demonstration and possible outcomes of the proposals, is not included in those. But
33 which is effectively looking at the upper earnings limit, is very clear what they have in mind
when you look through the Appendices and see what has been modelled. They have modelled
1755 reducing the upper earnings limit to £85,000 per year. It is currently £135,000. This will have a
potential benefit to the people who are non-employed of just under £5,000 if they are earning
£135,000 or more – sorry, if they have got income of £135,000 or more – or a self-employed
person earning £135,000 or more, £5,500. I just think that is not good.

The whole point is that we should be helping the least well-off in our society, not helping the
most wealthy in our society. I think there is no argument made for that and therefore I do not
1760 want them wasting time looking at our upper earnings limit.

I think Deputy Harwood covered Proposition 34: I also will not be supporting it, which is about
giving an allowance for contributions. In my time at Social Security we gave an allowance for the
over-65s, but that was balanced by an increase in the contribution rate; but it is very different
1765 allowance for employed people, because the employed people I suppose over 65 are actually
buying a product. The product is a pension contribution credit, which is a very valuable thing to
have, which will help them to have their full pension when they retire.

As Deputy Harwood said, they have estimated it will cost £12 million to give that allowance.
There is not the money there. I do not think we should be increasing contribution rates. I think it is
important that people do realise that that Social Security is not... I think it is very unfortunate that
1770 taxes and Social Security contributions have almost been combined into one, because they are
very different and you are paying for as I said a very valuable thing of a pension credit, and I think
that people should realise that and be aware they are paying for that.

There has been a lot about demographics in this debate. Sorry, just before I move to that... I
will also not support 35, because that is adjusting the grant because of the allowance and the
1775 change in the upper earnings limit.

Just finishing off on demographics, several Members have mentioned about demographics.
Deputy Trott mentioned about the fact that a lot of the Report is based on increasing the
population by 200 a year. We in fact have increased it by more than that since the resolution of
the States, which I seconded in the amendment from Deputy Roffey, to keep the population the
1780 same. I think we have to be very careful about constantly increasing our population. As I said we
are the 13th most densely-populated community territory on this earth, and I think we have to be
very careful if we constantly increase our population. In fact it can be counter to attracting people
to live here and attracting the people that we need to support our economy live here.

We have to think about the quality of life. I think we have to be extremely careful. And one of
1785 the interesting things is about length of life, if you look at the most recent graphs from the UK
and even if you look at our Guernsey Facts brochure, there has been a flattening out of length of
life in the last few years. The graph has definitely flattened out over the UK and here and I think as
ever, with actuaries it is all projections it is not predictions, and I think people need to be very
aware it is just projections based on certain facts, on certain estimates.

1790 I think, just looking at the latest figures, as I said there has been a not the lengthening of life
that has been predicted and I think you have to be careful about over-reacting to the situation.
The other interesting point is the graph which I mentioned during the debate on the amendment,
and Deputy Fallaize did, which clearly shows our working age population and there is a slight
decrease but in fact it increases with increasing the pension age to 70. So I think people need to
1795 look at that graph which is on Figure A5.8 and look at it and think that actually we do not have
such a problem as some people are predicting – that is Appendix 5f – because our working age
population is not falling like it, if we increase the pension age to 70, I think like people have been
predicting.

1800 Deputy Trott referred to the cuts by the increasing number of pensioners. That is precisely why we have funds – the Guernsey Health Fund, the Guernsey Insurance Fund, the Long-Term Care Fund – which total £840 million as it last was published. So we do have a significant buffer fund.

The other thing that we need to think about in terms of population is our fertility rate. As a community, in order to maintain yourself, you normally need a fertility rate of 2.1. We have a fertility rate of 1.65 – but I will come back to that when we discuss universal benefits.

1805 I think that covers all the points. Thank you.

The Bailiff: Does anyone else wish to speak before we rise for lunch? No?

Would anybody wish to speak for more than three minutes when we return, or can the...? No? In that case we will close the debate and Deputy Langlois will reply to the debate, then, when we return at 2.30 p.m.

1810 Thank you.

*The Assembly adjourned at 12.30 p.m.
and resumed its sitting at 2.30 p.m.*

**Planning a Sustainable Future –
The Personal Tax, Pensions and Benefits Review –
Debate concluded –
Propositions carried with amendments**

The Greffier: Billet d'État IV, Article I: continuation of debate on the Personal Tax, Pensions and Benefits Review.

1815 **The Bailiff:** Deputy St Pier, you wish to be relevé?

Deputy St Pier: I do, sir, thank you.

The Bailiff: And Deputy Brehaut as well.

1820 **Deputy Brehaut:** Thank you, sir. Thank you.

The Bailiff: And Deputy Langlois wishes to reply to the debate.
Deputy Langlois.

1825 **Deputy Langlois:** Thank you very much, sir.

I will try to keep this reasonably brief but it is the summing up of – albeit one morning's debate – but with a lot of overtones, undertones from the previous four days.

1830 I hope I still feel the same in the middle or end of the afternoon, but where we are at the moment I think it has been quite a notable day in the Assembly, in that it is certainly the first time in the six or seven years that I have been here where people have, particularly this morning, for the most part focussed on the medium- to long-term and turned their back on the short-term issues, which we normally have to be fairly obsessed with.

1835 I thank the vast majority of the Assembly, I thank you for that; and I thank even some of those who have come up with objections and disagreements and so on. I thank them for recognising that this has got to be tabled. This has got to be out in the open and hopefully if I think there is any – shall we say 'legacy' – from this debate I would like to see the reference back to it on occasions, when people remember that each of our shorter term debates is taken in the context of a longer running picture.

1840 The Treasury Minister and I have been determined throughout this to open up this discussion and to raise awareness of that, and I think that has been echoed through the media reports and so on.

1845 Can I also add my sincere thanks to the Policy Council staff and to one member in particular who is lurking in the background – trying to hide behind us as it were, in the best sort of way – to provide us with the technical support. This sort of document does not get produced by accident; there is a huge amount of work on that. Any of you who have worked in that sort of publishing field will know the amount of work that goes into that and as I say one civil servant, in particular, is to be hugely congratulated on their contribution. (**Several Members:** Hear, hear.)

1850 Unusually for me, I will go through the summing up in the order of the speeches, simply because the 41 Propositions mean that we were sort of ‘grasshoppering’ around and to pull everything together into themes, in this short order, would have been difficult.

1855 So, we started off with Deputy Jones: a rousing start and he made a lot of – (*Interjection*) well, no – yes. He made a number of key points, all of which I am quite sure people recognise and acknowledge. He has had concerns all the way through this exercise to make sure that any changes that are made have due regard for the effects on the population as a whole – and that is the theme which I will return to for a number of other speeches.

1860 Deputy Jones started the trend of recognising that planning cannot be put off. Sometimes people do – and I know Deputy Jones does not like this comparison – but sometimes people do, and particularly if I have been travelling on government business, say, ‘Well what is so different about Guernsey? What do you do differently?’ And I have said it to media on a number of occasions. I would like to think that the freedom our Government has – freedom from political parties, freedom from dogma and so on – enables us, more than other people and other places, to make plans early and to anticipate issues in advance, rather than waiting for the crisis and trying to sort out the mess. We do not always get it right, but this is an example of the sort of planning we are talking about. And Deputy Jones, quite rightly, highlighted the fact that pensions are an example of that.

1870 I will once again – I was going to say ‘take him to task’ but that is more than I dare – comment on his view of the rising pension age. A lot of the comments made about the way things will change between now and Deputy Fallaize’s 70th birthday when we first introduced this top pension age, are very much based on the changes of behaviour in employment and not only to do with the way individuals behave. And I honestly, sincerely believe that organisations will change.

1875 Also, Deputy Jones returns on occasions to the model – which many have lived through – of saying, ‘Well, I left school at such and such an age, and I went to work for so and so, and I was still working for them when I retired.’ That is already unusual and in my view it will become more unusual, so we are not asking companies who mainly employ manual labourers to suddenly invent lots of jobs to keep them busy. It is more that people will move around. And I think if the Government has some part to play in that, the *major* part they have to play in that is to make that transition easier, to make sure the transferability of any company pension is looked after, and to make sure that due regard is paid to the individual who has to make that change.

1880 I put the word ‘rant’ at that stage. No, sorry, that was a mistake. That was another bit, so it must have been somebody else.

1885 Deputy Lester Queripel complained about the lack of public communication. We may differ in detail on that. He asks three questions: will there be more presentations? Yes. Will there be more time to answer questions? Yes, providing that that does not then kill off a meeting because everybody leaves because there are just too many questions. And will they be advertised well in advance? I will say, yes.

1890 **Deputy Lester Queripel:** Sir, point of correction, if I may. I did not ask whether there would be time to *answer* questions; I asked if there would be time to *ask* questions.

Deputy Langlois: Fine, if they just want to ask them and they do not want any answers that will definitely be more efficient. That is fine! (*Laughter*)

1895 I would stress – and I welcome Deputy Queripel giving the opportunity to say this publicly yet again – we are so fortunate in this Island in terms of accessibility to Deputies for giving opinions, and I do occasionally get somewhat irritated by either groups or members of the public who say, 'Well, you haven't organised meetings for this; you haven't done this; you haven't asked that.' Sorry, we are all just there. We are waiting to be talked with and we answer an awful lot of e-mails and so on. That openness is there in the system and it does take two to tango in that. There has
1900 got to be two-way communication.

Deputy Laurie Queripel said there was a lot of talk about planning the implementation of Module 3. He said he thought this was a missed opportunity to enact a lot of Social Policy Group plans. This started a second theme that I detected this morning – and it is a slightly unfortunately one because it was one that we predicted back in September. We are just on the edge of saying,
1905 'Well, we cannot really define that, because we do not know what SWBIC is going to say.' 'We cannot really decide that, because we do not know what SLAWS is going to say' and so on, and so forth. And the missed opportunity on Social Policy Group plans I think largely comes into that category.

Social Policy Group is making progress – he would say that wouldn't he, as one of the
1910 members. Can I evidence it? Can I provide you the list? No, I will leave that to the Chief Minister and the appropriate moment, as the Chairman. But, nevertheless, I hear you. I hear the moans, I hear the worries and you are absolutely right to voice those worries. There is a short time remaining in this term and things have to appear, but if we simply wait for all of those plans before we propose a general direction for a project like this, nothing would ever get done.

1915 I would like to correct one misapprehension and that is that there were a lot of phrases used today which implied, and used the term 'the withdrawal of universal benefits'. The implication which is being pounced on by the media and others is that overnight there is an intention to make a declaration that such and such a universal benefit is no longer payable to anybody. Nothing could be further from the truth. All the time the two joint boards have said if we
1920 withdraw universal benefits from those who *do not* need them – a little phrase that seems to get left out all the time – we have got to do two things: (1) we have got to do it in a timescale that people can stand; and, (2) we must not withdraw them from people who *do* need them. And that takes a lot more detailed planning. That is why we are going to have the Green Paper debate on Module 3.

1925 And I certainly would like to publicly acknowledge that more consideration than perhaps *has* been given, *will* be given to the clawback method for that as opposed to the means testing method – a little bit technical. It is one of those strange issues, because you are trying to establish a general direction for personal tax and benefits. The technical aspects of the payments and the reclaim of payments, where not everybody is entitled to them is – what else can I say, but
1930 technical – and Income Tax technical work is not best designed by a committee of 47 or thereabouts. It is not quite as simple as it sounds, in other words.

Certainly, I am not doubting conversations that Deputy Laurie Queripel has had. I have certainly heard similar words, that there are pensioners who are beginning to say, 'I feel a bit guilty. I think we should, maybe in our working lives, have done something different. We have got
1935 the Island in this mess. We feel a bit guilty about it.' Please, please, please, do not go down that path. It is not on. There is no implication of that. This is a recognition of a whole set of circumstances that could not have been predicted much earlier than they have, and certainly it is not criticism of the people who have put their lives and heart and soul into this Island. (**A**
Member: Hear, hear.)

1940 Deputy Bebb came up with a couple of very good points relating to the benefits or otherwise of the 28% rule. The 28% rule, I would urge you still to support it. I think it would be a good discipline. If it then becomes something to beat a future government with, so be it, and that is the

point at which the more detailed balancing debate will knock in. It will certainly focus the mind on whether a whole range of *new* services can or cannot be offered, and so on.

1945 The second point he brought about I think was extremely valid and certainly must be noted by, particularly, the staff team who are moving us on from here. And that is followed by what the Chief Minister said, the whole situation of carers – that then comes into the independent taxation area which we are going to talk about. But the whole thing about carers, I think you are absolutely right. Were they considered? Yes. Were they considered in enough detail? No. And I think that is
1950 fair acknowledgement on our part that at the next stage of detail that situation has got to be dealt with.

And it is unfortunate – maybe for effect, at the end of his speech – that Deputy Bebb felt compelled to say that the proposals would punish carers. I hope he does not imagine that the two boards had any such motive in mind.

1955 The Chief Minister made a very good point about the co-ordination of the implementation with SLAWS and SWBIC. That is very different from saying we cannot do anything in deciding direction before we have got the details from those people. What this Report recognises, even though some people do not even acknowledge it from the wording in the Propositions, is that there must be that co-ordination. The safety net is there – we will return to Deputy Perrot's
1960 comments later. But the safety net is there in the wording if you want to see it.

If you want to simply be a blocker and say, 'Well I do not see that it is there and therefore it must be wrong' that is also something you are entitled to; but I can assure you that the words were put that form because 10 Members of this Assembly unanimously said those sorts of words must be there, because we need that safety net. And one particularly vociferous lady member of
1965 the group will never let us forget it.

Deputy Brouard, then. I have to say many of Deputy Brouard's comments are valid. They point to directions where, on previous occasions and maybe on future occasions, that savings could be made. They would be even more valid in the appropriate debate, not in this one. But nevertheless I think the Report clearly expresses the situation that, in proportion to the overall expenditure, the
1970 £520 million a year that Deputy Trott referred to, the amount that you could achieve by some of the savings that are being mentioned is so trivial; and also there is plenty of commitment in the Report, sir, to ongoing savings and ongoing efficiencies. So, I accept what Deputy Brouard is saying, that the need to accept that it has got to be kept in proportion.

Deputy Domaille said there is a lot more to be done: correct. Future events will overtake things: correct. The one thing about a set of projections or predictions like this is that they will be wrong to a greater or lesser extent; and these proposals are a starting point. The devil is in the detail. I never thought of Deputy Domaille as a sort of cliché man, but the devil in the detail is a good one on this occasion. It is not one I like usually but nevertheless he is spot on with that.

But I think he also flagged something which is maybe the volume is a little bit low in this Report on one central tenet of this. Whether we like it or not, with the direction that things are taking, individuals will need to take more personal responsibility; and yes, you can accuse me of repeating that phrase once too often in this Assembly, but it is very graphic in this particular
1980 example.

Deputy Soulsby points out that the highlight on aspects of the HSSD budget are timely but I quote, 'the tax payer is not going to be willing to provide a blank cheque for HSSD.' And I think her message was, do not imagine by various fairly broad and bland Propositions today, you are going to solve that problem overnight, there are a lot more big and difficult decisions to be taken in much more detail relating to the health aspects.

'We need an open mind about how to fund health' was a good phrase and I support her totally
1990 on that. And it will, if that comes through in a particular form and we as an Assembly say that there is a greater need, that will also be a future event which changes the quantum of what we are proposing here today.

I think Deputy Wilkie made his position clear and what can I say? He is very much, in my view, in the camp of saying, 'Let's wait and see and happens to SWBIC; and let's wait and see what

1995 happens to SLAWS; and then let's do this, let's do that.' And he says, 'We *will* breach the cap, if
the cap is there.' 'Overall, dealing with averages is just a set of smokescreens.' 'There is little
resource.'

Well, okay. Maybe one of the messages out of today is that there must be the resource and I
know that the two Ministers involved are inclined to say that has to be found in order to plan for
2000 the longer term future – that goes without saying.

He asked one very direct question and that was, how much of the £12 million will be used to
mitigate for the needy? And I cannot answer that and the Treasury Minister could not answer that,
because the whole direction of this Report is of identifying quantum amounts and if, when it
comes out the other side and after our Module 3 debate, the indications are that the vast majority
2005 of that will be used, then so be it. That is fine. But you do not allocate amounts in that sort of way.
The estimate is that £12 million will be released.

And we must, as Deputy Perrot said, protect the vulnerable during the transition – and there is
even a fund set aside for it.

Deputy Conder, thank you for your overall general support. We moved onto the independent
2010 taxation question – and I will not give way at the moment, thank you. We moved on to
independent taxation issue and I think what the independent taxation recommendations present
is a classic little case study in the difficulty of what we are trying to do here. Because in general
terms the two boards agreed that, for a number of reasons, independent taxation should come
into serious consideration and there are two main reasons for that. One is because it feels right.
2015 There is a whole movement and direction in the world towards equality, towards dealing with
diversity and there are reasons why independent taxation should probably form a part of that. The
other reason is because it would produce, as is outlined in the Report, some significant revenue;
and if you re-read Appendix 8e then it is all in there in A8e.17, un-numbered page, mitigation
through allowances and so on.

We believe that should be left on the table. A vote against those Propositions means not only
2020 closing the door to another source of funding, which we have apparently already closed the door
to on GST, but also putting off or putting a delay on any modernisation of the Guernsey taxation
system, where the husband and wife relationship is so central and critical and it is dealt with in a
particular way. I would be very sorry, as a member of Social Policy Group particularly, to see any
2025 suggestion that that direction should not be investigated further, because it seems to me to
continue with an outdated and outmoded way of dealing with it. So I would ask you, very
sincerely, to give due consideration before we throw that out.

Deputy Ogier: posing the question which must be addressed, and I like his style. Sorry, I did
not mean to say that – that was not what I was saying. He was in exactly the right territory to do
2030 with, again, the next phase of detail here because, if we go down a path where we make changes
– certainly not for change's sake. If we go down a path of making changes in order to benefit a
particularly group, then the effects and the trade-off against disadvantaging other groups – two
unfairnesses do not make a single fairness. And he highlighted the need.

Staying with that and staying with the independent taxation matter, the further consideration
2035 should involve what I understand is now a proposition or a certainty in the Isle of Man, where they
will go into a voluntary situation where you *may* opt for independent taxation or you *may* stay
with the old system; that is one possibility.

Other mitigations are grandfathering. Sorry, to explain the technical term for any listeners:
'grandfathering' is a term that says, 'Well, actually if we are going to change a system we should
2040 only change it for people who are younger and have got time to plan for it, and therefore
anybody in the current system can see it through.' Big advantages, big disadvantages of that.
There is the partial transfer during transition and there is greater support for care costs, which
could be added in. So there are plenty of options there and I would plead with you not to throw
that out today.

2045 I draw your attention to the wording. The wording is that we will 'move forward' that process. Now my interpretation of moving forward is moving from where we are and moving then in the right direction, when the detail has been worked out.

2050 I thank Deputy Perrot, very much, for pointing out that there is no hidden agenda here. We have had some fairly lively and fraught meetings between 10 of us and a couple of non-States' members. These are honest views presented in an honest package and I think it is very important that the fact that this is all about demographics is at the centre of it. And Proposition 3 presents a safeguard for the vulnerable. If you choose not to trust that then I am very unsure how this Assembly can actually move forward in this area at all.

2055 Now we move on to Deputy Trott. As has been mentioned in this Assembly before, I have known Deputy Trott in the connection with financial matters for quite some time. He was an early learner. (*Laughter*) The speed of learning was slow for a while but it has clearly speeded up, and he suddenly started really diverting the whole debate because he came out with facts and he started using facts – which is never very safe in this Assembly.

2060 What I am really saying is that Deputy Trott, in terms of getting to the heart of the reason for this Report, and the heart of the reason for the direction that is being taken, showed a remarkable grasp of figures. That is not compared with what he used to show, that is just a remarkable grasp of figures in absolute terms. And it was the right set of figures to say, 'This is why we have got to do things.' It also, interestingly, demonstrated something which is sometimes ignored in Guernsey and that is that there is, within our present system, very considerable redistribution without having the downsides of labels and branding, which puts off people from elsewhere.

2065 Deputy Gollop: he was ever so polite to the Treasury Minister's Income Tax system. I think he said it was ready for some development (*Laughter*) and suggested that whatever emerged should be more flexible. Yet again I give a plug to this, that there are two aspects to that: one is that if you have a system which has in the past had difficulties, is being improved steadily and also thoroughly duplicates a whole load of data and processes that take in place in my Department to do with collection of contributions, the importance of CATS is huge.

2070 And now I have probably lost half of any listeners that are out there, because I am not talking about pussy cats with long tails and cuddly bits. I am talking about the project and I have talked myself into this mess, because I do not know what CATS stands for. (*Laughter*) But there is a project, the acronym for which is CATS, to bring together the Income Tax and the contributions... contributions, there is the word – Contribution and Taxation System. Got it. Well done! (*Applause*). Thank you.

2080 The CATS programme is active. It is a huge task. We have got to move it forward because it will solve a lot of the issues that Deputy Gollop was referring to in terms of future flexibility. (*Interjections and laughter*)

Deputy Green took due credit for the early ideas in this and well done you. (*Laughter*) He said there must be more to be done for States' efficiency. I agree, and it has always been part of the process, as he knows.

2085 He regretted – and I would share this regret because there are always unintended public opinion consequences in a debate like this. He regretted – it goes back to something Deputy Lester Queripel said earlier – that the debate has itself produced a feeling of uncertainty in too many areas of the community. Uncertainty and worry. I am sorry but, in government, my belief is that sometimes that has to be there in order to put something honestly out in the open. If you do not go out honestly and openly then are you not going to get the whole story; and I certainly would apologise to anybody for whom the uncertainty has been taxing, worrying and so on but this has got to be tackled. We have got to get on with it.

2090 Deputy Dorey: I was somewhat surprised with his own comment in saying he never understood the point of the Report. Well I am afraid, Deputy Dorey, on this occasion my feeling, sir, is that Deputy Dorey is in a minority by now because we have certainly heard enough comments around today saying, 'We see absolutely the point of this Report; we may not agree with every drop and trickle of it, but it is necessary.'

2100 The work which was done, for example in the Community Foundation – I cannot find the exact table here right now – but there are examples of where the concern, the uncertainty that is being expressed, has been quantified. That is then picked up by the media who like numbers like that – 3,000 people will be worse off if you did this. Well, funnily enough on exactly the same table I think it says 7,500 people will be better off.

2105 So do you make changes without any winners or losers? The answer is no. But it is how you handle... sorry for the word, but 'the losers' in that situation. How you handle the transition and how you handle the losers, and what your justification is for the new system being fairer than the old one. It is as simple as that, because the only alternative is to change it by simply saying, 'Well, we will bring everybody up to the same standards at the losers and, in my view, it is simply unaffordable and will remain unaffordable.

2110 Finally, on Deputy Dorey's points, we had some reference to Proposition 33. There is a Proposition that says that Social Security must thoroughly review the situation between self-employed and non-employed and so on, because that particular classification is outdated.

2115 So, sir, can I move into a rather more general summing up. If this appears to be unprepared, it could not be further from the truth – Deputy Brehaut accused me of over-preparing last time. This is the back of a serviette, sir, from a café where I felt that there were a few things that should be said.

2120 To put the whole thing in context, sir, like many of us in this room – I almost said 'like you' sir, then I realised what a *faux pas* that would have been. I did not choose to be a baby boomer, I happened to have that thrust on me because we come into the world at a time chosen by somebody else. There are a number of you in this room, a very small number, who did not choose to be in a minority who will have onerous responsibilities in their older age – or as they near the end of their working career – because there will be so many of the baby boomers still hanging round, being a general (*Interjections*) need.

2125 The patterns of history – if this is not too pretentious overall – that are important to Government are the very familiar one year cycle. There is a one year cycle, there are the budgets, there is the annual uprating, there is what goes on on a year-by-year basis – and that will continue. In Guernsey at the moment there is a four-year political cycle and that has a certain effect on what we can do and what we cannot do at certain times, regardless of any cynicism about electoral pressures. It is just a reality. There are certain things you can do at the start of a session; there are certain things you need to leave later.

2130 We cannot bind the future States. That has been said over and over again, it is a constitutional truth and there is no argument about that. So that is a given. But what we can do is we can leave them with some wise guidance. We can leave them with an overall set of thoughts that says, 'This is the right general direction, justify yourself if you are going to come away from that direction.'

2135 And a lot has been made of the speed of change, the 10-year time period that runs through this; the period through the 35-year period through to 2049, that it runs through another part of this. Now, sir, look at the 20th century in terms of broad, historical terms. My grandmother was born in 1890 and lived until somewhere around 1970. However good or bad your 20th century history is, think very simply about the transition from a world of horse-drawn transport, that ran on time, (*Laughter*) of all sorts of facilities that you did not have through to a period of 1970, by which time the computer age had just about started; but she had seen the development of television, of an assumption that people live in decent homes, of in most cases indoor lavatories, etc. etc. *Huge* changes and, in her case, having lived through two world wars. She could not have predicted that.

2140 If you take my parents, my mother was born in 1921 and, you know, left us recently. She could not have predicted that before she was 23 she would have lived through the Occupation, that starting in 1921 where yet again there was no television, there was very little in the way of transport, there were all sorts of limitations on what food was available, and so on, and so forth. And yet through to last year she saw the most *incredible* transition to a point where she could see her grandson and great-grandson, in particular, doing jobs that she could never have believed.

2150 Let's leave my experience out of this, but I can assure you in 1947 that there was a lot less
around in technology terms than there is now. I certainly, from 1970 onwards, was involved in the
world of electronics and computing before I moved into the management field, and you could
never have guessed that the wired-up pieces of kit in a large room with air-conditioning would
have transitioned into this sort of thing. This phone has got more computing power than the first
commercial computer I worked on, and so on. Those are just one or two examples.

2155 What I am saying here is that we are trying to set a direction in a very soft area. An area where
this man needs to balance the books each year; this man needs to balance the books each year in
terms of the two halves of the economy or the States' books. We have to take account of the fact
that we now know, within a fair tolerance, despite the cynicism about demographic statistics,
within a very tight tolerance we know how the balance of working age and non-working age is
2160 going to fall. We have got to do that in a sensible context and accept that, as Deputy Domaille
said earlier, there will be things that will change and they will change far more rapidly than we
expect.

So I put to you today, is the better choice to say, 'Well, in the light of all that, what can you do?
Let's forget it; let's just carry on on the annual budget and see if we can deal with next year, or see
2165 if we can see it through to the next election.' Or do we give it a fair shot of looking forward
sensibly for the benefit for those who come after us?

And that, I think, is very, very important: it is for the benefit of the *younger* generation and the
youngest generation at the moment that we are trying to set a direction, set a philosophy, which
at least future States will have to take account of.

2170 So, please vote with your conscience on each of these proposals, but as you make your
decision look beyond the end of this term of office, well on into 2025 and 2049.

Thank you, sir.

The Bailiff: Members, before we come to the vote I have indicated, informally, those who wish
2175 to do so may remove their jackets.

Now, the Propositions. I hope you have had circulated and I hope you all have in front of you a
composite set of Propositions that incorporate the amendments that were approved at the last
sitting. There are some that will have to be voted on separately, but we will take them through in
order.

2180 I have not heard any requests to vote separately on any of the first five Propositions. So, unless
anyone requests... otherwise, I propose that we take the first five together. There is a request for a
separate vote on Proposition 6, but we will take 1 to 5 together.

Those in favour; those against.

Members voted Pour.

The Bailiff: I declare them carried.
2185 Proposition 6 is a request for a separate vote –

Deputy Fallaize: Recorded vote, please, sir.

The Bailiff: Right. For the benefit of anyone listening, Proposition 6 is:

'To amend the Fiscal Framework to place an upper limit on aggregate government income, incorporating General
Revenue, Social Security contributions and fees and charges, such that total government income should not exceed
28% of Gross Domestic Product.'

2190 **The Bailiff:** Greffier.

There was a recorded vote.

Carried – Pour 23, Contre 17, Ne vote pas 0, Absent 7

POUR

Deputy St Pier
Deputy Stewart
Deputy Gillson
Deputy Ogier
Deputy Trott
Deputy David Jones
Deputy Spruce
Deputy Collins
Deputy Paint
Deputy Le Tocq
Deputy James
Deputy Perrot
Deputy Inglis
Deputy Soulsby
Deputy Luxon
Deputy Quin
Alderney Rep. McKinley
Deputy Harwood
Deputy Kuttelwascher
Deputy Domaille
Deputy Langlois
Deputy Le Clerc
Deputy Gollop

CONTRE

Deputy Fallaize
Deputy Laurie Queripel
Deputy Lowe
Deputy Le Lièvre
Deputy Green
Deputy Dorey
Deputy Brouard
Deputy Wilkie
Deputy De Lisle
Deputy Sillars
Deputy O'Hara
Alderney Rep. Jean
Deputy Brehaut
Deputy Robert Jones
Deputy Conder
Deputy Bebb
Deputy Lester Queripel

NE VOTE PAS

None

ABSENT

Deputy Le Pelley
Deputy Duquemin
Deputy Adam
Deputy Burford
Deputy Hadley
Deputy Sherbourne
Deputy Storey

The Bailiff: Well, Members, the result of the vote on the Proposition 6 was 23 votes in favour; 17 against. I declare Proposition 6 carried.

2195 The next Proposition, as far as I can see on which there has been a request for a separate vote, is Proposition 13. So, unless anyone disagrees, we will take Propositions 7 through to 12 together. Proposition 7 to 12: those in favour; those against.

Members voted Pour.

The Bailiff: I declare them carried.

And then next, Proposition 13: those in favour; those against.

Members voted Pour.

2200 **The Bailiff:** I declare Proposition 13 carried.

We then can take Propositions 14, 15 and 16 together, I think. So, 14 through to 16: those in favour; those against.

Members voted Pour.

The Bailiff: I declare them carried.

2205 And we have a request for a separate vote on Proposition 17. So, Proposition 17: those in favour; those against.

Members voted Pour.

The Bailiff: I declare it carried.

Proposition 18: those in favour; those against.

Members voted Pour.

The Bailiff: I declare it carried.

2210 We now omit Propositions 19 through to 25, because they are all concerned with Module 3.
We can take, I think, Propositions 26 through to 29, as a block. Propositions 26 to 29: those in favour; those against.

Members voted Pour.

The Bailiff: I declare them carried.

2215 We then have requests for separate votes on 30, 31, 32 and 33. Could we take 30 through to 32 together or do we need to take each of those separately?

No, I think we can take 30 through to 32 together (*Interjection*) and then we will have a separate vote on 33.

A Member: Could we take 30 separately, please?

2220 **The Bailiff:** Proposition 30. Yes, we will take them individually. (*Interjection*) There has been a request that we take them individually.

Deputy Bebb: Sorry, could I request for a recorded vote on 30 through to 32, however they are actually done?

2225 **The Bailiff:** Right, well, we certainly need to take 30 separately. Can we take 31 and 32 together? Yes. We will take 30, then we will take 31 and 32 together, and then we will deal with 33.

So, at the moment, you are voting on Proposition 30.

Greffier.

There was a recorded vote.

Not carried – Pour 15, Contre 25, Ne vote pas 0, Absent 7

POUR

Deputy St Pier
Deputy Stewart
Deputy Fallaize
Deputy Spruce
Deputy Collins
Deputy James
Deputy Perrot
Deputy Inglis
Deputy Luxon
Deputy Kuttelwascher
Deputy Domaille
Deputy Langlois
Deputy Robert Jones
Deputy Le Clerc
Deputy Gollop

CONTRE

Deputy Gillson
Deputy Ogier
Deputy Trott
Deputy David Jones
Deputy Laurie Queripel
Deputy Lowe
Deputy Le Lièvre
Deputy Green
Deputy Dorey
Deputy Paint
Deputy Le Tocq
Deputy Brouard
Deputy Wilkie
Deputy De Lisle
Deputy Soulsby
Deputy Sillars
Deputy O'Hara
Deputy Quin
Alderney Rep. Jean
Alderney Rep. McKinley
Deputy Harwood
Deputy Brehaut
Deputy Conder
Deputy Bebb
Deputy Lester Queripel

NE VOTE PAS

None

ABSENT

Deputy Le Pelley
Deputy Duquemin
Deputy Adam
Deputy Burford
Deputy Hadley
Deputy Sherbourne
Deputy Storey

2230 **The Bailiff:** Well, Members, the voting was 25 in favour and 25 against. That cannot be correct, Greffier; that adds up to 50. *(Laughter)*

The Greffier: Sorry. It was 15 for and 25 against.

2235 **The Bailiff:** It was 15 for and 25 against. Right, thank you. There were 15 votes for and 25 against on Proposition 30. So Proposition 30 falls. I declare it lost.

I think, then, Proposition 31 falls away. Is that correct Ministers – *(Interjections)* because 31 was subject to the approval of a move towards independent taxation? That, having gone, I think there is no need for me to put – *(Interjection)*

2240 I am sorry? And 32 falls as well? Yes. So, we do not need to put 31 and 32.

So, the next one I put to you is Proposition 33. Those in favour; those against.

Members voted Pour.

The Bailiff: I declare it carried.

Proposition 33A: those in favour; those against.

Members voted Pour.

The Bailiff: I declare it carried.

2245 Propositions 34 and 35 we need to have separately.

Proposition 34: those in favour; those against.

Members voted Pour.

The Bailiff: I declare 34 carried.

Proposition 35: those in favour; those against.

Members voted Pour.

The Bailiff: I declare 35 carried.

2250 And I think we can take the remainder together. So, Propositions 36 to –

A Member: Sorry, sir, could I have 38 taken separately.

The Bailiff: You want 38 taken separately?

2255

A Member: With a recorded vote.

The Bailiff: Right, we will take 36 and 37 together.

2260 **Deputy Lester Queripel:** Sir, can I take 36 separately, please?

The Bailiff: Right, we will take them individually, then. The next vote is on Proposition 36. Those in favour; those against.

Members voted Pour.

The Bailiff: I declare it carried.

2265 Proposition 37: those in favour; those against.

Members voted Pour.

The Bailiff: I declare it carried.

And Proposition 38, we have a request for a recorded vote. This, for the benefit of anyone listening, is to agree that the States shall not introduce a broad-based consumption tax, as described in the Report.

There was a recorded vote.

Carried – Pour 21, Contre 19, Ne vote pas 0, Absent 7

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

2270 **Deputy De Lisle:** Sir, if I can change my vote to Pour? *(Laughter)*

The Bailiff: No, Deputy de Lisle, you cannot.

2275 **Deputy De Lisle:** It was an error using the old –

The Bailiff: Well, that is why we circulated the composite, Deputy De Lisle. I am afraid you are not able to change your vote. *(Interjections)*

Members, on Proposition 38, there were 21 votes in favour and 19 against. So I declare the Proposition carried.

2280 Right, unless anybody requests otherwise, I propose that we take Propositions 38A through to 41, altogether. Propositions 38A to 41: those in favour; those against.

Members voted Pour.

The Bailiff: I declare them carried.

2285 Well, that concludes the debate on all but Module 3. The States now need to resolve whether they wish to proceed to general debate on Module 3 now or defer general debate, either to later in this meeting or to a later meeting such as the May meeting, when I understand the business is likely to be light.

I think the Proposition I will put to you is that we proceed – sorry, Procureur?

2290 **The Procureur:** Well, the ordinary course, once one has started a debate on an Article is to conclude that debate. So, it is up to a Member who wishes to adjourn part way through the debate to ask you to put that Proposition.

2295 **The Bailiff:** Perhaps before we do that, can I just have an indication of how many people intend to speak on Module 3? It is quite a few, probably about half the Members. Does anybody wish to put a Proposition, then, that we defer? If not, we will just proceed. (**Several Members:** Pour.)

We will proceed then with debate on Module 3 and I have noted that three Members have already spoken: that is Deputy Dave Jones, Deputy Laurie Queripel and Deputy Wilkie.

Module 3, Deputy Langlois.

2300

Deputy Langlois: Thank you, sir.

2305 Sir, this is, as it has been dubbed in the media and elsewhere, a Green Paper debate on Module 3 only. My introduction will be very short because the clue is in the title to the Module: can I refer you to the title of the Module and that is 'Targeting Benefits Expenditure'. That is a very strong clue, we called it that for a reason.

2310 In the consultation – the extensive consultation, which was held last year and the year before last – one of the strongest results of all was an objection to so-called universal benefits. This varied from a simple throw-away comment from a person with a good occupational pension, perhaps with some investments, with a house and so on, who said, 'I do not have to pay for my prescriptions anymore. It seems wrong. I could easily afford a prescription charge. That money could be better used elsewhere.'

And that sort of casual throw-away comment is one end of the scale.

2315 On Family Allowances, there were similar comments although such is the way of the world you do actually claim for Family Allowance, so you are allowed to not make a claim. But nevertheless people almost are unaware of that because it becomes a habitual thing that those with young children get Family Allowance. And then the much smaller item in terms of overall expenditure is the TV licences for the over 75s.

2320 I hope this debate does not get bogged down on the misinformation which has been pushed around, often by the omission of the single word. Even within the last 24 hours I have heard a media report that talked about the *removal* of universal benefits, implying that overnight all of that benefit would be taken away from everybody; and how would those in greater need manage without them? That has never been the intention, please keep that in mind.

2325 As I said in the summing up just now, there will be winners and losers in every change unless you simply say we have got to bring everybody up to the top standard – and in order to do that we will tax more. So I ask you to keep that in mind. We have now after the last set of votes, already decided not to take that route. In other words, the cap is there in place, the predictions as to what the headroom in that will be needed for are clear, to do with the demographics. So the simple fact is that this will have to be financed in a different way.

2330 So remember that the purpose of this debate, now it has become a Green Paper, is very much to inform the transition towards targeted benefits rather than the universal benefit system which is in place at the moment in three particular areas. That is what this is all about. The estimate is that that would release roughly £12 million a year of cash, which could then be reapplied in the way that the States see fit. That is what we are debating this afternoon. So I rest my case, leave it at that.

2335 Please let's hear your views. The people doing the transition work are going to need detail on what your views are about the transition.

The Bailiff: Deputy Bebb, and Deputy Lester Queripel.

2340 **Deputy Bebb:** Thank you, Mr le Bailli.

There are a few things that I would like to say about this debate, but I would like to start by stating about Family Allowance. During the election I was asked frequently on the door step, 'What would you do in order to save money?'

2345 And I repeatedly said, 'I would remove Family Allowance.' Not something that was popular. However, I was astounded as to the number of people who would say, 'I do not like it, but I think you are probably right.' Therefore, I think that there is actually a greater degree of support for such an unpopular move as removing Family Allowance, as what some people might feel.

2350 But having said that, now that I have actually had a little bit more experience in Government, I would ask that the Department takes some consideration into the mind of those families – especially large families. Generally when we have large families in Guernsey they are either very wealthy or very poor – it is unlikely that large families in Guernsey will be in the middle. And those very large families are the ones that we would probably, quite rightly say who are wealthy, are likely to be the ones that we would likely say, 'You do not need Family Allowance.' But when it comes to those who are poor they are probably the ones who are in most dire need of Family
2355 Allowance. Therefore I have become a little less adamant in my rather black and white view that I presented during the election and I feel that there is a place for nuance. And I do not know what that exact detail is but I do think that there needs to be some consideration as to how we would have it.

2360 Personally, I am quite attracted to the idea of means testing, although it is very expensive. But I think that what we could consider is a means of means testing on a blanket basis for a single calculation. Now I know that the UK is moving towards this at the moment in relation to their various allowances and the money that they are paying – I can see certain smiles in other parts of the room, with chagrin, maybe – but the single benefit in the UK is seeking to do this.

2365 We are fortunate that we can buy some time and see how it is implemented and how it works in the UK, because I think that would allow for the nuance that we are looking for. And indeed it would be folly to remove Family Allowance outright given that there is a fantastic experiment happening just across the water that we can easily form a lot of our opinion based on the results that will come in due course.

2370 The other question that I wanted to look at is... Do you know, it is strange that TV licences for over-64s are free. I was also quite happy to see those removed as well. However, I was then talking to certain people in relation to mental health charities and I was reminded that a recent study from a UK university found that loneliness increases the likelihood of early death by 48%. I found that staggering. I really found it staggering. Even taking into account health benefits, even taking into account the income, the other health issues – no.

2375 Loneliness alone counted for a 48% increase in the likelihood of someone dying early. And I was advised that a number of charities here in Guernsey currently pay TV licences for those people who cannot afford them, because it is seen as a means of trying to provide some form of companionship to those people who cannot afford it.

2380 So, it is once again one of those things that I initially think, well yes, television licences quite frankly, I do not see why just because you are retired you should be entitled to a free television licence; because, quite frankly there are as many people who are retired who are rich as there are who are not retired who are rich, in relation to as many people who are retired who are poor, compared to those who are still working that are poor. So why do we have this bizarre thing that once you cross over a certain age threshold it is free? But on the other hand what do we have in
2385 place that would actually provide some form of agreement?

2390 The fact of loneliness is actually a very worrying thing in relation to the health of people and this is the main thrust of what I wanted to talk about – and that is all the other Propositions relating to the health martyrs. It is far too easy to think of exactly removing the health benefit from GPs and yet we have a very strange situation in Guernsey that we have very little, if any, real control over our GPs. And this is where I think that, as if two Government Departments working together was not good enough, I think we really do need to involve a third – HSSD in due course.

2395 I know that that they are currently pressured in relation to the Secondary Care Review, but it is going to be essential – if not probably in this parliament, *definitely* very early in the next government – that we do have a fundamental review of primary care. Now, a number of options present themselves as to how we regulate and look after our primary care resources.

2400 At the moment obviously we just put it out to the market and we make very little control. We now have brought in a little bit more control by having the responsible officer reporting line, so that we have some quality control over GPs. But there is no financial control. In the UK, GPs are actually independent of the NHS. I know that it does not feel like it and it does not look like it when you experience GP practices in the UK, but they are independent and they are contracted by the NHS on a contract basis, I believe.

2405 I would definitely like to see an investigation of that contract and whether there is some form of looking at something similar, or a Guernsey similar system here. And the reason I say this is because one of the concerns that I have heard time and time again is in relation to the amount of profits that GP make.

2410 It is quite right that GPs make a substantial living. They are very highly skilled professionals and we are not asking them live on tuppence. But on the other hand should we look at exactly what they are earning and whether we can enter into a more formalised contract agreement with them? That is something that I believe would be necessary as part of a primary care healthcare review, and therefore would need to dovetail into the review that is going to continue on the back of this paper. I do not see how the two could not go together, really.

2415 Equally, when we look at the charges for prescriptions... Deputy Trott has made reference to this on a regular basis and I fully agree. I was talking to a States' pharmacist about a year ago and they said that in New Zealand every single prescription has on it the cost of that prescription to the government, and as a result those people who receive the prescription know the value of what they have received. Now, I know that initially we, sort of, get into the thing of, 'Well, people might think that they need to pay that'. But it would not take long before the mindset sets in of understanding that what you pay is not the price that is written on there – that is an indication of the cost.

2420 And I say that this is important because I am stunned, horrified as to the sheer volume of drugs that we dispense that are not used. First of all, we dispense a far larger proportion of drugs in Guernsey than they do in the UK. Now, part of this is a very good reason, as we do not dispense for more than a month and I believe that that restriction is a good restriction. In the UK they dispense up to three months' worth of tablets. Here, we only dispense for a month and that is a very good thing to do, in my opinion.

2430 I would not like to see that change; but by the same token I think that we do then dispense an awful lot more. And the accusation levied – although it would be very difficult to prove it – is that on the basis of having to *pay* to visit the GP, people feel that they are entitled to something in return. And given that the GPs – and nobody else is actually involved in that contract – do not stump up the bill, a government does, then of course it is all too easy to write a script. And that is part of the problem: you are paying for something, you expect something in return, and all too frequently to hand over a course of pills – even if they be placebo pills – is too convenient.

2435 Now, that is an accusation. It is very difficult to prove it, but there is something in it. And we, therefore, need to consider how we look at prescribing practices. Once again it would have to fall into the primary care healthcare review because the other thing that we look at is, how do we control it?

2440 At the moment, if you are talking about auditing prescribing practices, it is a manual process. We ask two very well paid States' employees to sit in a room for a full week going through prescriptions. If anybody thinks that that is a good idea I really ask you go and visit the doctor. (*Laughter*) In all honesty, it is madness! It is time that we brought in electronic prescribing, because with electronic prescribing – that is already done by most GP practices – it can be dovetailed and actually put into the EHSCR system and that means that we could audit it very quickly.

2445 I see some scepticism, but the truth is that module for talking into it and then pulling the reports out is a very small piece of IT work – very, very small – and it would be very easily manageable. The benefits that we would derive from that is that first of all, we would not have to audit it by auditing manually, but also we would not need to send vast quantities of paper to the UK on a monthly basis in order to figure out how much money we should pay to each pharmacy for dispensing what they have dispensed. The whole system is manual at the moment and that is madness.

2450 So, as I said the other problem with prescribing is that, generally as people get older we prescribe more, an awful lot more. And the pharmaceutical industry and the way that it is going, is trying to find yet *more* drugs to pass onto us. We have heard previously from Deputy Perrot today, about what a wonderful problem we have that people are living 11 years longer – and I fully agree, it is a very wonderful problem to have. But at the same time let us consider prescribing practices that have come into play recently.

2460 How many people in this Assembly alone are probably on statins? Now, statins are something that would not have been heard of merely five or six years ago – maybe a little longer? But the truth is, today statins are prescribed on an ever-increasing basis. NICE guidelines now say that certain people over a certain age should just be prescribed statins regardless. So, we are likely to see pressure being put onto the medical part of our society to be prescribing more.

2465 Pharmaceutical intervention in medical problems is an increasingly popular method of dealing with ill-health, because people pop a pill. It is very easy, it is very simple; they do not need to go to hospital; they do not need to have anything intrusive. It is very easy. And there is going to continue to be a drive in order to increase pharmaceutical interventions. As a result we will see that prescribing practice likely to increase. It is a problem that just will happen.

2470 But with the increase we will see more and more people – usually the ones who suffer from some form of ill-health – given a greater degree of prescriptions: you are prescribed one thing in order to deal with the core problem, another thing to deal with the side-effect, another pill in order to deal with the overall side-effect; and, just because it probably causes you to be a bit depressed, another pill which could actually be an antidepressant. This is not unique, believe me. People are prescribed quite happily four or five different types of drugs, and as age increases the complexity of a person's illness, therefore the likelihood of increasing those pills is likely.

2475 Therefore for those who are poorest in our society, are we comfortable with charging £10, £15 a month just to stay alive? It is a difficult question. And when we are talking about those that are really on the poverty line, here in Guernsey, you have to ask at what point are you comfortable to be charging? It needs to be targeted. Even £1 per prescription is likely to be problematic for some people – and those people who are likely to be most affected by it are those with long, enduring illnesses and those who are elderly. The £1 charge can have a large effect.

2480 But I think that to ask the Social Security and Treasury & Resources to work on this without the very heavy involvement of HSSD – and I recognise that there is an awful lot on HSSD's plate at the moment anyway. But to ask for this to happen without HSSD is going to be a recipe for failure. It really does need to involve the core Department that is involved in delivering healthcare – otherwise we are going to simply put up something this is not going to be supported by our medical community. Therefore, that is what I feel at the moment and I think that it is necessary that we take that into account when considering the next government.

Thank you.

2490 **The Bailiff:** Deputy Lester Queripel.

Deputy Lester Queripel: Thank you, sir.

2495 Sir, my speech is very much a speech that seeks clarification. My first question for the Minister is: what does asking us to *note* the proposals on Module 3 actually mean? Because my understanding is that further work will be undertaken before firm proposals are presented to the Assembly – which leads me onto my second question.

My second question focusses on my need for clarification on some of the terminology used in these proposals. Because we are being asked to either support or reject the idea that the joint boards establish and reflect on the views of the States on the matters covered by the proposals, my concern in relation to that, sir, is there is no mention of further engagement with the public; and I think there needs to further engagement bearing in mind the amount of upset and anxiety the original proposals, and the way they were presented to the public, actually caused. So that is my second question, sir: will there be further, much needed, engagement with the public?

And the proposals in Module 3 and the way they were misrepresented did cause quite a bit of upset and anxiety in the community, especially amongst our pensioners, and letters were published in the press with headings such as 'Pensioners Pushed to Brink of Despair', 'We are Being Punished for Living Too Long' and 'A Cunning Plan to Finish Us All Off'. And there was even a pensioner who said on Radio Guernsey, 'Give us a pill when we reach pension age and we will decide whether or not we take it to end it all.' And I recorded that interview, sir, and I am quite happy to lend it to any my colleagues should they wish to hear it.

And Deputy Langlois actually refers to those sorts of comments as exaggerated, sir. But with the greatest respect to Deputy Langlois, he does not seem to realise that that is the level of upset and anxiety that has been caused by these Module 3 proposals *and* by the way in which they were represented to the public.

And regarding the proposals themselves, sir, there is a lot of work to be done to identify the mitigating actions that need to be adopted to compensate people disadvantaged by the proposals, as we are told in 24A of this amendment. And part of that work needs to be to mitigate and compensate for fellow Islanders who fall between the cracks of the system, because the supposed safety net of Supplementary Benefit means nothing to them, because they are not caught by that net.

And there are many Islanders who do fall between the cracks, sir, and they just keep on falling until they hit rock bottom – and I realise that Deputy Langlois might consider what I am saying to be scaremongering, sir, but I have worked with several Islanders, mainly pensioners, over the last three years who are asset rich and cash poor. They own their own property but they cannot afford to maintain it, and in many cases they cannot even afford to heat it.

And I appreciate, sir, that some of my colleagues may be of the view that anyone in that position should sell their property or move to a smaller property, but I think we need to be a lot more passionate than that, sir. Surely we should support those Islanders who would prefer to stay in their family homes surrounded by the comfort of their memories, and not alienate against them in any way.

I think it might be helpful at this point, sir, for me to inform my colleagues through the Chair that the majority of the 48 pensioners who benefited from the Age Concern Fuel Fund last winter did indeed fall between the cracks. They were not caught by the safety net of Supplementary Benefit because they did not qualify for it. So, sir, the Departments have a lot of work to do, to enable them to come up with a way in which we can support fellow Islanders who fall between the cracks in the system.

The Departments do not just have *that* problem to resolve because they also have to somehow resolve the problem many Islanders have highlighted to me, and that is the problem of the embarrassment they feel in having to apply for Supplementary Benefit in the first place. Some of them would rather endure hardship than go cap in hand – and those are their words, sir, not mine.

So there is yet another major problem to resolve there to enable firm proposals to be presented to the Chamber, and it is vital that both departments address those sorts of problems. And as my colleagues turn to page 358 of the Billet itself, sir, they will see that we are told in paragraph 7.3.25 that proposals to withdraw universal benefits will 'have a much larger impact on single pensioners and pensioner couples than any other household types.'

And further down the page in paragraph 7.3.29 we are told that: '...41 % of single pensioner households could be indicatively impacted', which includes a number of pensioners who do not claim benefit. This could be because they choose *not* to claim or because they are asset rich and

cash poor and do not qualify for the benefit, either because their housing costs are limited or they have significant savings on which to support themselves.

2550 And I question that terminology, sir, because there is something of a contradiction here, I feel. Surely no one can be cash poor if they have significant savings in the bank? And surely the term 'significant savings' is subjective anyway.

I would like to draw my colleagues' attention also, sir, to the sentence in bold print at the bottom of the page which says:

'Particular care will be needed to ensure that, where appropriate, this group is protected during the transition.'

2555 I just repeat that, sir:

'Particular care will be needed to ensure that, where appropriate, this group is protected during the transition.'

So there it is, sir, in black and white in the Billet, it is not just me that is saying it. There is a lot of work that needs to be done to resolve the problems.

2560 But I am not just standing here criticising and highlighting concerns, sir, but I would very much like to play a part in resolving those problems. And again I would like to offer my services to both Departments. I would much rather play a part in introducing solutions to problems, rather than merely suggesting them. I sincerely hope the Departments feel I can be of assistance, sir.

2565 And so I do not doubt for a second that both Departments have worked really hard over the two years it took to compile this review and I would like to praise them for laying this amendment to their own proposals. And I do hope the Departments take up my offer to help, and I will finish by emphasising I have always found the staff at Social Security to be courteous and cooperative at all times and even though I have not done a great deal of work with the staff at T&R I would certainly welcome the opportunity to work with them.

Thank you, sir.

2570 **The Bailiff:** Deputy St Pier.

Deputy St Pier: Thank you, sir.

2575 The discussion over the family dinner table over Easter involved a discussion of board games and in particular there was a rather odd game that we were given a few years ago that is called *The Game of Life* – I do not know if anybody has it. It begins with... you have to choose between a graduate and a non-graduate career and you end up in a retirement home or a country cottage. And at the end of your life you cash up everything and the winner is the person who has the most. Now, ignoring the sort of values and messages of this particular game... but nonetheless my 14-year old said, 'Well, actually, I do not really get this point of this game, because you randomly

2580 move around the board, and you may or may not get children as you go, and the more children you have, the more you can cash in and that is obviously, not realistic.'

2585 And her friend Rosie piped up, 'But in real life you get child allowance.' (*Laughter*) And my 11-year old said, 'What is child allowance?' So, I explained that Family Allowance is a payment which is made weekly for each child. So, my 11-year old comes back, 'So you get paid for having us?' (*Laughter*) To which I said, 'Well, not exactly, but we do get money each week for you and for your two sisters.' And my 11-year old came back, very quickly, and she said, 'Daddy, that is ridiculous. Why do they not give it to those who really need it?' (**A Member:** Hear, hear.)

2590 And the conversation could have moved on to an explanation of means testing, but I decided not to take it there. (*Laughter*) It did move on, very briefly, to the number of children and whether that made a difference. And Rosie said, 'Well, what happens if you have 16 children?' And my 14-year old said, 'Well, of course, the children do not choose the families that they are part of, so they should not be impacted by whether their parents have more or less children.' And that was the end of the conversation, everybody moved on and we actually chose to play a different game... (*Laughter*)

2595 But they of course in the statement, 'That is ridiculous. Why do *they* not just give it those who really need it?' 'They' in that context is we, it is us here, the Government. So why do we not just give it to those who really need it?

So in that two- or three-minute conversation for me was the heart of this debate today – and I am sure we will take several hours to have the same debate. But in essence that, I believe, is the heart of this Module. Do we adopt the common sense approach of an 11-year old, only to pay benefits to those who need, as a core of our benefits policy? And if we do then the joint boards will have to go away and do the policy work on how do we define need? How do we find those in need? How do we target those in need? And how do we deliver benefit to those in need? And some of those points, Deputy Bebb addressed very well in his speech. Or do we just go with the ease and the simplicity of universal benefits?

2600 Now the feedback in the consultation was very clear, that those who provided feedback said that they did not want to be taxed with one hand and for it to be given back with the other. And so I think the issue is that, for every £2,480.80 I receive a year for my three children, is recognising that that is £2,480.80 less for a family who really needs it, as my 11-year old would put it.

2610 Or it is £2,480.80 less for the development of unfunded strategies, like the Mental Health and Wellbeing Strategy or the Disability and Inclusion Strategy. Or it is £2,480.80 less for delivery of undeveloped strategies like the Supported Living and Ageing Well Strategy or SWBIC. Or it is £2,480.80 less for hard-pressed current services like HSSD.

2615 So for me my personal view is that however hard it is to deliver targeted benefits, I think we have to find a way to do that with all the complications... and Deputy Bebb did address some of those in his speech. And so what I am really looking to get out of this debate, sir, is a sense of direction as to whether we wish to move towards the targeted benefits, with all the complications that that brings in terms of how we achieve it or not, and that is what I am seeking to get out of contributions today, sir.

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The Bailiff: Deputy Green.

Deputy Green: Sir, thank you.

2625 I am very pleased that the Module 3 will not be subject to any decision beyond only noting this afternoon.

When I look at the policy letter I am reminded of an amendment I put into the Medical Officer of Health's Report back in 2013 – the 113th Medical Officer of Health's Report – and that amendment was to direct that recognition of the aim in recommendation 5 of the 113th Annual Report: 'Any propositions laid before the States of Deliberation by States departments in connection with the comprehensive review of personal taxes, pensions and benefits will, subject to existing resources available to the States, take into account the potential impact on health wellbeing and health equity among the population.'

2630 Now, I know that the two committees did consider that and no doubt some analysis of the potential impact on health wellbeing and health equity was made; but I think having this as a Green Paper gives us an opportunity to revisit this because the Propositions that were in Module 3, before they were made subject to the Green Paper debate, I think could well have had an adverse impact upon health outcomes and in particular health equity. We were told very recently – I think it was in February of this year – we had the report from CICRA which amongst a number of other things indicated that a fairly high proportion – something like 69% – considered that the costs of GP appointments were expensive or very expensive, and perhaps more worryingly, 50% said that they had put off or delayed visits to GPs because of the cost. And that is what really concerns me.

2640 So I am very pleased that in essence we are only noting these Propositions, because Proposition 24 in particular I think I would have had a concern about. Now I know there are issues about whether that health grant any longer meets the objective which it was originally created for, but nonetheless I think we have a tread with an awful lot of care in this area because the last thing

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we want to do is to make health inequality any worse. So I really hope that a much more thorough-going analysis and assessment will be made in terms of what effect these potential Propositions could have on health outcomes.

2650 And the other point I wanted to raise was about Family Allowance. I agreed entirely with what the Minister of Treasury & Resources just said. I think it is highly likely that this Assembly today will give a very clear direction that we are, certainly by a majority, in favour of a much better targeting of Family Allowance. I think the days of having Family Allowance as a generally universal benefit are gone. Quite how you then better target it is the question and I think Deputy St Pier put his finger on that. That is the essence of the issue.

2655 On the one hand, do you adopt a fairly highly expensive means testing system or on the other hand do you look at some kind of clawback system – Deputy Jones talked about that this morning. I think instinctively I favour some form of clawback. I know you can analyse that and in a way that is absurd as well, because you are giving money to somebody and then taxing it back.

2660 So these issues are not easy, but clearly this has to be the starting point of the discussion. But in principle I am completely in favour of better targeting things like Family Allowance; but the question is how you do it.

The Bailiff: Deputy Stewart, and then Deputy Luxon.

2665 **Deputy Stewart:** Sir, I will be reasonably brief, but if we do just look back at the history. Of course, Family Allowance goes back to Beveridge back in 1942, his original report – it was introduced in the UK in 1946. And as Deputy Langlois said earlier in his speech, back in the 1940s there was very little technology.

2670 And I think if I can give Treasury any steer on *my* feelings on this, is I think universal benefits are inappropriate; and where I absolutely agree with Deputy Bebb is that we now have one tool that they did not have back in 1947 and that is technology. We have the computing power. We have the ability to pull together, whether it is CATS, which is – what was it – (*Laughter*) whether it is starting to use our e-census data sensibly.

2675 I see a future where actually people will not have to claim for things, because we will *know* they are entitled to it so people will not have that stigma of having to come to in, queue up at a desk, ask, 'Am I entitled to this? We are struggling.'

2680 What we need is to take a couple of steps back, to get our systems to work and talk together, because, probably, throughout the Departments, we have the information on citizens... And this is not Big Brother, because a lot the time it could be anonymised to the point when we have to action it. And we should be able to recognise those that are in need in our community. And I think, through the clever application of technology, as Deputy Bebb points out with prescriptions, we should in the future be able to target those who need Disability Benefit, who need help with whatever it is. They will receive a communication from us. We will be proactive as a government and seek these people out rather than make them queue up and ask... or some people would see it as a sort of begging in some way. So I think it is about taking away the stigma from those that need real help.

2690 And in terms of universal benefit: I think if you ask most people who are on a reasonable income, would you forgo your Family Allowance so that those who are more in need could benefit to a greater degree? I think most people in this Island would say absolutely yes. So I hope that Treasury can take that on board, and that we actually take... we stop thinking about how we did things in the past and think about the opportunities that technology and Departments working together can bring to the future.

Thank you, sir.

2695 **The Bailiff:** Deputy Luxon.

Deputy Luxon: Thank you, Mr Bailiff.

2700 Sir, Deputy Hadley is not with us today, (*Interjection and laughter*) but he does not often wear rosy-tinted spectacles but a fortnight ago, sir, he did make a comment that the Housing Minister and I were surprised about that Housing had refused and did not issue sufficient licences that HSSD applied for. I did write to Members on the morning of 26th March just to clarify that, but this is the first chance I have had to make the point, which Deputy Hadley now accepts.

2705 Anyway, sir, Module 3 of this PTBR Policy Report clearly have some direct implications for HSSD and our mandate, and so I would like to make some formal Department-centric points as well as some more general comments.

And can I again thank the joint committee's decision to amend their own Report to allow the Assembly to inform the committee and their work of our views about Propositions 19 to 25 – and I think that was a very appropriate move.

2710 Sir, if I could set out, HSSD would like to make five key principle statements regarding the overall thrust within Module 3. They are: to recognise the need to develop and agree care pathways will be essential to manage costs for all patients accessing healthcare in Guernsey, especially in primary care; the second is to recognise the real impact for those with chronic diseases that the proposed changes may have upon; and to recognise the need to integrate the proposed changes to benefits into the future evolution of health care delivery and the real risk of perverse incentives driving up costs for the public, therefore encouraging patients to migrate to free, but more expensive for the States, secondary healthcare. Also, to recognise the impact of the proposed changes on prescription charges for those people with multiple conditions and the potential for low take-up. Also, to recognise the serious challenges and questions which could arise for healthcare in Guernsey generally, but within primary care in particular, the unintended consequences factor.

2720 Sir, the need to diversify our tax income is entirely accepted as a principle. Difficult choices are going to have to be made and will have to be made going forward. Not all changes can be neutral or favourable for everybody. That is well understood.

2725 HSSD does not ask for special treatment exemption from seeing Health and Social Care Services playing their part in this rebalancing process, with the explicit recognition of the special circumstances already active within HSSD's mandate those circumstances being broadly around: a constant rise in medical inflation above RPI; medical treatment advances adding to costs; ageing demographic, the older living longer; older co-morbidity patient ratios rising; multiple prescription users' complex illnesses; the critical need for prevention and early intervention; high costs of primary entry and high cost of secondary specialisation and sub-specialisation advances are made. Overall, a continuing mini-perfect storm of service and cost demands racing ahead of static States of Guernsey income levels.

2735 Sir, there are seven Propositions within Module 3 I would like to briefly talk to: 20, 21, 22 and 24 that relate to healthcare, then quickly comment on 19, 23 and 25 at the end.

Sir, Proposition 20: to phase out the over-65 prescription exception by 2020 – so over the next five and a half years – albeit those needing benefit support still to receive help, and to increase to £4.40 by 2020.

2740 Sir, HSSD recognises the ageing demographic could double the annual cost of this exemption and so understands the proposal's basis. Mitigating options such as reviewing the 28-day supply rule, season ticket, assessing the multiple costs of multi-medicine prescriptions etc. etc. would all go some way to alleviating the concern HSSD would have for the adverse impact for these pensioners.

2745 Proposition 21: to implement a fee of £1 per item in 2016 for those currently exempt from prescription charges. HSSD recognises the benefit in all prescription users valuing that there is a real cost to prescriptions, even if currently free of charge to them. Again, not seeing a trend of unwell patients risking worsening health through unaffordability of new charges must be borne in mind as a risk.

2750 Proposition 22: to increase prescription charges from £3.40 to £4.40 in 2016 and reviewed annually thereafter. HSSD recognises that the cost and incidence of prescriptions are ever-

increasing and so some action to mitigate is logical. One would hope that this one-off step increase will be manageable for users, albeit a high impact for some now.

2755 Proposition 24: to phase out the Primary Care Grant, the £12 and £6 for nurses, by 2025 or over the next ten years. HSSD has given this proposal significant thought and has met the SSD Minister and Chief Officer to discuss our concerns. The CICRA report of February 2015 on primary care charges made several points; but one telling point, relevant here, was that the real or perceived high costs of accessing GP services were – not may be, but *were* – preventing some members of our community from actually accessing primary care when they needed it.

2760 All health care is not inexpensive. Primary cost users, at the point of delivering, is cheaper than the cost of secondary. We need to make sure that we do not incentivise people to turn away from primary healthcare.

2765 Sir, one of our doctors sent some information to the Department that three consecutive years of data that Guernsey provided to the National Lung Cancer audit were analysed and compared to UK data for 2012. We had 120 cases of lung cancer in those three years. In Guernsey 19% of proven lung cancer patients presented with potentially curable disease. This compares to 32.8% in England and Wales. There is some real evidence that some of our doctors here in Guernsey think that, already, some of our Islanders are not accessing care early enough.

2770 So we would not want the removal of the Grant to lead to the unintended consequences I mentioned earlier. As such, I have tentatively approached members of the GP practices and we will be engaging with them going forward, and we will ask them to consider whether or not that phase-out of the £12 could possibly be absorbed through their charges, by them reviewing their own cost base. We will follow that up.

2775 On a slightly different note, HSSD has also formally suggested to the SSD Minister – and he was receptive to understanding the issue – that the circa £3.6 million saving from the Grant cessation perhaps should be ring-fenced in some way to make sure that primary healthcare initiatives, more broadly as we go forward, are able to be funded by the money that is saved. It is a matter that the SSD Minister said that he will take back to the joint committee's work.

2780 Sir, we talked a fortnight ago in debate, about possible second pillar pension options and the need for this community to self-help in older age retirement planning, something I personally passionately believe is appropriate. Well I also believe that mandatory health insurance should also be seriously considered as our society and medicine perfect storm continues to rage over future decades. But in the meantime perhaps their community could ask medical insurance providers and those people who they insure locally to desist from the immoral policy of incentivising policyholders with cash payments to not make claims against their insurance policy but to steal value, free of charge, by using the HSSD contract instead.

2785 How on earth can it be right for members of this 63,000-person community to erode limited public purse health funds unnecessarily? I hope Members here will agree that the message should go out from this Assembly today and call a stop to this practice.

2790 **Deputy Trott:** Well said.

2795 **Deputy Luxon:** Finally, sir, I support Propositions 19, 23, 25 personally. Family Allowance: the Treasury & Resources Minister, and his friend Rosie, has made the point very well about why universal benefits are not affordable or appropriate going forward, in my view. Ditto, I support 23 and 25.

So thank you, sir. HSSD wishes to be supportive of the Pensions Tax Benefit Review, but would also ask it to be sensitive to any unintended consequences to our healthcare transformation and efficiency strategy which is emerging. My board is sure that through joint working the necessary impact assessments of each measure can, and should, be assessed carefully.

2800 And HSSD, in answer to Deputy Bebb's point, is very happy to play its part in working with SSD and T&R on these impact assessments to make sure that we get real good intended outcomes. (**A Member:** Hear, hear.)

Thank you, sir.

2805 **The Bailiff:** Deputy Gollop, then Deputy James.

Deputy Gollop: Yes, sir.

2810 I will start with just commenting on Deputy Bebb's shrewd observations about drugs and how they can be over-encouraged in our system; but I want to say to him and our other Members that the placebos help me, I know they do. (*Laughter*)

2815 And I think that perhaps it will be interesting following Deputy Trott's thought processes of his ground-breaking speech this morning, which I certainly support its analysis – I do not necessarily support its conclusions. But, if we follow Deputy Bebb's line of patients and customers being given details of how much their medicines *really* cost, rather than the notional cost that they perceive, it would bring a shock for many. The trouble is it might not help their therapeutic recovery, because it could encourage the unhelpful feeling that they were a burden on others. So I have got a little reservation about that, I must admit, because it goes against our communitarian ideas.

2820 I think what has emerged from the debate – and I think it has been extremely useful, not just the debate, but the three years of work that has led up to it – is we are not *really* clear what our objectives are about social policy. Some would say we do not really have a coherent or cohesive social policy, and the speed of which we have reacted to issues here has been tortoise-like at times.

2825 I think the point has been well made about integrating General Practitioners more into our medical system, Deputy Luxon, Deputy Bebb and others have alluded to it. But, hang on a minute, I seem to remember the Chief Officer of Health and Social Services – not the current one, but the one before last – making that very point about an integrated holistic system.

2830 We have had several years of realising that some of the things we are doing are not quite working. They are not quite working on the ground and they are not quite working financially. And I think Deputy Langlois and Deputy St Pier and all of us have had the wisdom to see that.

2835 I am in the curious position, the opposite from the Environment Department board... On the Environment Department board I invariably support the strategy and philosophy but not the tactical moves forward; on this ground I support most, if not all, the moves forward but not the underlying philosophy behind it.

2840 It is intriguing that... the one I think I have the most problems with is the change with the TV licence, because I think there is a whole conversation there, not just about the therapy of TV but about our relationship to the UK and how media broadcasting is paid for. And whether that goes too far, whether it is really worth the trouble of taking that benefit away from older people, because I think this is a broad strategy, we have got to make big decisions – and that one I think is perhaps more trouble than it is worth.

2845 But if we look at all the other pieces in the material they really show that we have not been thinking for a long time. We introduced the universal medical £12 for GPs, £6 for nurses, a number of years back – it was slightly less then. And at the time it was roughly 50% of the cost. Now it is about 25% to 27%.

2850 What is the philosophy behind it? I suspect that in a way it is being used to cross-subsidise the profitability of certain activities in the medical field. I am intrigued... I think in another island they give perhaps £20 rather than our £12, but the cost to the patient is still around £40. I think the nature of that actually does not discourage a relatively optimistic pricing policy by some GP businesses, and if it did not exist I am not sure that they would go up by exactly £12. I think we do have to look at what CICRA have said. There is wiggle room there.

And I think our structure of giving universally free prescriptions to the over-65s has not discouraged a pill-popping culture. Despite extremely hard work by Social Security we do seem to have a higher, per capita, pill than Jersey or other places. Again it is a conversation we need to have with medical prescribers, and all the rest of it.

2855 And maybe there is a sense that we go in and we feel that if we paid £42 we are a bit more
happy if we have a placebo prescription at the end of it, or something that we think benefits us in
some way. And I think it has been an alternative to more soft therapy – counselling and other
forms. We perhaps have not engaged enough; we have only recently done the experiment with
cognitive psychology for primary care health and wellbeing, and that has proved pretty much a
2860 success. So, we have got to think outside the box with all of this.

Family Allowance, again, is a blunt instrument to motivate people maybe to have children,
maybe to have happier family lives, maybe as a form of income support. But who are we targeting
and why?

Where perhaps I disagree with a couple of the leading speakers in this debate, is they
2865 frequently say ‘they do not need the money’ or they know people who do not need the money.
We have a *huge* voluntary sector out there and I am sure any family who is the recipient of money
they do not need from a universal allowance policy could covenant it or give it to those worthy
causes; and my message to people who do not need Family Allowance, at least in the transitional
period, is they can give it all away to the third disability or other charitable sectors, because that
2870 way we would all benefit and it would also satisfy our growing partnership with the voluntary
sector.

I would also point out we are not a fantastically representational Assembly. We only have five
women Members, and I would say we have a preponderance of Members who tend to come from
the more successful and affluent end of society – and that does colour the way we think a bit and
2875 the way we see universal benefits.

I know we have heard from several Members who say, ‘We do not want means testing, but we
want to target it more effectively.’ Now, that makes me chuckle a bit because I am not quite sure
what cost-efficient system they have in order to accommodate that magic formula; but that does,
indeed, frustrate me.

2880 I think I am still more wedded than certainly most members on the PTBR team to retaining
some residual universal benefits, because I think the alternatives are costly and are difficult, and in
a way we have managed to move from a position of universal benefits to a different place. I think
we started this conversation with, ‘How can we prevent wealthy people from getting the benefit of
these unnecessary benefits’ – but we are ending up where *everybody* will lose these benefits
2885 except for perhaps, a third of people who pass the hoops of Income Support and the test that
SWBIC are likely to put in place.

I think that is a difficult situation, because we are forgetting the lower marginals who feel
already – dare I say it – that enough is enough, and they are losing out financially; and this
mixture of policies will do that even more. I think we have also perhaps started from a basis
2890 whereby we saw the philosophy was towards a reduction in the size of Government, to a more
realistic philosophy of not necessarily growing Government but moving the pieces on the table.
And we cannot really entertain radical thoughts of low taxation – especially for the better-off –
because we know that that is not exactly where the public are at the moment, and it is not what
we are being told by the HSSD Minister and others. We are likely to incur *additional* expenditure
2895 in some areas.

Deputy Perrot is right, that this whole exercise begins from a realisation that our demographic
figures are frightening and disturbing in terms of our viability, and we have to make some
adjustments now. But I do not think, necessarily, that Members can expect to see significant
reductions in the tax burden for people generally; and I think that message has to go out, that this
2900 is *not* an opportunity to *save* money, it is more an opportunity to sustain ourselves. And for that
aim I do believe that, because of the decisions we have made, we will have to make difficult
decisions as we have abandoned, twice now, GST; as we have not gone down the proportionate
tax route – which I think was right because Deputy Harwood and Deputy Perrot, amongst others,
made the case very well, that it would potentially regress us economically.

2905 But if we are abandoning the tools that other chancellors and Treasury and legislatures would
do, then I think we have a much narrower base on which to move our funds around. And I

perhaps will go off message in this respect, that a very significant number of people are telling me that they would like to see some change – they are not clear what – in the corporate tax burden, especially for corporates that are not resident in Guernsey, and they are owners. We are talking here perhaps, maybe, of the chain stores and other brands.

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And, that is a message that all kinds of people from across the social spectrum are saying; and so I think however much we try to not have a wider debate on taxation, those issues will continue to come back – from even the business organisations – and they will continue to be an issue next year as well.

2915

So, I think that we have been overly neoliberal in our philosophy but, nevertheless, the work that has been done through a consensus of 10 or more people, has resulted in a much clearer understanding of how we are currently wasting money, socially. We want to improve our progressive social policy, but we want to ensure the right people benefit. That is to say people in need. I do not think that, necessarily, means providing extra money to people who are already very well off.

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The Bailiff: Deputy James, and then Deputy Brouard.

Deputy James: Thank you, sir.

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I find it somewhat tiresome to hear certain Members constantly refer to pensioners as if they are all in absolute poverty. I look around this room and I spot a couple of pensioners, and I doubt very much as if they have got cyanide pills in their top pockets. So can we move away from this concept that all pensioners are in poverty.

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I also stand, sir, to both reinforce and support Deputy Gavin St Pier's comments about the withdrawal of universal benefits; and the key for me, sir, is about retargeting these benefits and subsequently redistributing them. And for me, this is the key. I again feel, sometimes in the debate, that there are those that feel that these money-grabbing T&R people and SSD people want to cut out universal benefits and we want to gather all this money in and put it in a big pot and who knows what to do with it. Now, that is never where I have been coming from and it is never where the rest of the two committees are coming from in this.

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Deputy Gollop made reference to the current subsidy that we pay in Guernsey and I would like to correct just a small fact that he quoted. Recently, SSD board met with SSD members from Jersey and we had a number of obviously mutual matters of interest to discuss – and interestingly we did in fact discuss the current GP subsidy. And interestingly enough, Deputy Gollop quite rightly said that Jersey have increased their GP subsidy to £20; but their *current* GP cost in Jersey is in fact £60 and not £50, as Doctor Gollop... *(Laughter)* Deputy Gollop said. So, in effect if we continue with the subsidy... it started off as a 50% contribution, and that has gone totally and utterly out of control.

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The one thing that I would like to say to reinforce my view about the redistribution of universal benefits that are currently paid to many, *many* Islanders that do not need them: I have recently become a carer and despite my professional background it has become quite staggering to me about how much it costs to care for somebody with a disability. And do you know something? I would rather some of those benefits go to people – not like me, I do not need it thank you – but there are many, many *hundreds* of Islanders out there that would benefit from the redistribution of benefits that are *currently* paid to people that do not need it.

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And, sir, while I am standing I would just like to take the opportunity to offer my sincere thanks to all the hospital staff and home carers that have been a great support to me over the last couple of months.

Thank you.

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Several Members: Hear, hear.

The Bailiff: Deputy Brouard, then Deputy Dorey and Deputy Trott.

Deputy Brouard: Thank you, sir.

2960 Deputy St Pier asked us for our views on this, so he has that guidance. I think, for me, I probably would like to lean *more* towards universal benefits and I would prefer, rather than targeted benefits, I would prefer to have targeted Income Tax.

2965 In my days on Social Security we had many people giving us lectures and advice, and some scientists or university people who had studied in the UK came over and gave us advice, and the basic advice was we do, as a society, become fairer with better universal benefits than we do with targeted. And I have just randomly searched the internet with one of these communication devices and hopefully it just stays on long enough to read it – this was a study with regard to means tested versus universal approaches – and it basically says, ‘The countries with the largest redistributions budgets, mainly Sweden or the Netherlands, were also the most successful in reducing inequality.

2970 Moreover, the study showed an inverse correlation between the levels of targeting of low income groups and redistributions achieved. Countries which were making extensive use of targeting – Australia and the USA – were much less successful in overall distribution than those where targeting was limited. And I think that is basically the bearing out. Do you want to move to the right, as it were, with the American fairly hard system? Or do you want to move a bit more to Sweden and the softer, where you have it generally for all?

2975 I think I would prefer to have... the difficulty with targeted is you are going to... and I hear what the Deputy from the Castel was saying: the money saved from the overall will be put to the needy. I think that will not happen quite as strongly as she may think it will happen. I have got a feeling that money will be saved and used elsewhere. So, I would prefer... and also, the other part, when you *try* and do targeted you have got to start going down means-testing and that is very expensive. It brings in very intrusive questions to a lot of people – and especially those people, not those people who really desperately do need it, but for the people on the margins are also put in a vulnerable position. Do we bother to apply? We think we should. Is there a stigma attached?

2985 The value of the universal one is that everybody gets it, those who need it definitely and it will also go to those who do not need it quite so much. But, there again, with targeted Income Tax that can be smoothed out at the other end.

2990 So I would rather, in answer to Deputy St Pier’s question, prefer to have more on the side of universal benefits that are easy to implement, easy to put in place, everyone benefits in society, it raises society generally – and then we take it back through the Income Tax routes.

2995 And I am sure there are some benefits in the list which I am not going to die in the trenches over, and some of them have been deliberately left to wither on the vine – the £12 grant and things like that. I could well see some of those, perhaps, disappearing – the TV licence. But certainly on the *major* benefits where we are looking at child allowance, I think as a society we are far better to have that paid to everyone. And those who are on the £50,000, £100,000, £200,000 a year, well maybe they should pay theirs back through the Income Tax system.

Thank you, sir.

3000 **The Bailiff:** Deputy Dorey.

Deputy Dorey: Thank you, Mr Bailiff.

3005 Family Allowance: people have said we should only pay it to those who need them, it should be targeted. And actually the Report talks about a net reduction of £8 million being released from the proposals as they were, and I think Deputy Langlois referred to £12 million overall which will be released and that is shown in the Report from the changes to universal benefits.

But in the Billet on page 313 it talks about:

‘The responses from the public consultation indicated that many people feel that the continued provision of Family Allowance to households regardless of their circumstances is undesirable.’

Further down that page it says:

'The public consultation demonstrated that there is a desire to reduce expenditure on universal benefits and Family Allowance in particular'

3010 Well, the problem is that this consultation had only 248 responses and that, to me, is not an acceptable number to start reaching conclusions.

In July 2007 there was a specific consultation that went out the public on a clawback system, which many would say is the way to do it because means testing is expensive. We have got an Income Tax system; let's claw it back through that. And specific proposals were put forward and
3015 went out to public consultation. Not 248, there were 986 responses! I think something which we should take notice of and are far greater, and there were numerous letters that came back. And the response was that they did not want a clawback system, they wanted to keep the existing system. And if we were going to have a clawback system I think, at that time, it was going to be clawed back around £35,000 to £39,000 or somewhere around that area.

3020 They said they needed the money at that level from Family Allowance. And it is very easy to say, 'Oh, people do not need the money'; but the responses that came back from people was that, with children, people needed larger houses; they needed bigger mortgages and those were part of the costs of having children. There were childcare costs and the costs of bringing up children were considerable and they needed help at that level of income in order to be able to afford
3025 children. And many said that actually when they took all their fixed expenses, Family Allowance was a considerable amount of the money they had to spend on that week.

So I think we have to be very, very careful before we look at removing Family Allowance and I think, if we are going to do it, we have to go out to consultation on that specific subject; because one of the problems with this Report and I understand it being very comprehensive and wide, but
3030 it did not engage people to the extent that the consultations on specific issues have engaged people in the past. I know Deputy Le Tocq talked about having communities with the third sector and perhaps that is a way as well to engage with people, but I do not think that there is sufficient public response on this issue to make any significant changes.

If people do not want Family Allowance and they do not need it, they do not need to claim it. It is as simple as that. It is very simple: you do not have to claim it. Deputy Langlois said at the beginning, 'You choose to claim it.' So if you do not need it, do not claim it and it will stay in the public purse. But there are an awful lot of people who do need it.

And even if you have a clawback system, because it has to be responsive to changes in family circumstances, there are quite a lot of administration costs and when it was analysed – and a lot of
3040 work was done with Income Tax about the cost of running a clawback system – there were considerable administration expenses; a lot less than a means tested system, but it does not come cost free. So do not think that you can a simple system which does not cost any money.

One of other points is that people on Supplementary Benefit actually because it is considered in their calculation, they do not benefit from Family Allowance as I understand. It is people who
3045 are above it. So Family Allowance is one of those benefits which benefit for those people who are above the lowest level and actually help them. So people criticise it, but it is a good benefit at targeting those people who are above Supplementary Benefit levels.

I would go on to say – and I have said it previously in this Assembly – that if the idea is to change Family Allowance, I would say... and Deputy Green made the point from the CICRA Report,
3050 about people going to see doctors, and Deputy Luxon has also spoken about medical benefit and the effects of medical costs. I would like to see, instead, States' employed doctors and a full dental service and optician service. And if you were going to take the money away use it for that, so you can help families. Even, I think, going to breakfast clubs, after school clubs, even school dinners – I think those would benefit the most needy in our economy; and if you were going to... and I do
3055 not think you should, but if you were going to change it I think those are the areas that we should be looking at.

I think we also need to look at our fertility ratio. Ours is currently 1.65 and, for a community, that is not high enough – we should be at 2.1. We in fact should be looking at incentivising people to have children, so that we can bring our fertility rate up; we should not be relying on incoming people all the time for our community.

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And again, the comments made by Deputy Luxon I think we need to take note of because if the cost of medical services... and if we lose the grant for primary care, if we make it even more expensive for people, the net effect is that people will go less to doctors and in the end we will have people who are far more sick when they go to doctors, and the ongoing costs of treating them will be greater. So I think we need to be very careful about reducing the grant for medical services. We need to make sure that people can access medical services. We know that the people who are on Supplementary Benefit get it free of charge. It is those people above, who often will struggle and make the decision not to go to the doctor and that, I do not think, is good for a community.

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In relation to the over 65s: currently Social Security contributions for the over 65s pay towards long-term care and the specialist healthcare part of the Guernsey Health Service Fund. I think if you wanted the over 65s to pay towards pharmaceuticals, to me the fairest way to do it is to use the Social Security contribution rate and increase that rate to above 2.9%; currently, effectively, they pay towards their pharmaceuticals during their working life and that money is used to fund their pharmaceuticals in retirement. But, if you want them to pay more, I think the Social Security system and Social Security contribution rate to the over 65s will be the best method to use it. It is effectively an ability to collect that money without any additional expense.

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And my final point: I do have sympathy with the TV licences. I do not quite understand why they kick in at the age they do. I think there are arguments to end the free TV licences, but I would welcome more information when they come back.

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Thank you.

The Bailiff: Deputy Trott.

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Deputy Trott: Thank you, sir.

That was a thoughtful speech from Deputy Dorey.

Sir, for me there are some distinct parallels at this stage in the debate between the key issues of affordability and the Education Department's proposals for La Mare de Carteret School, because there we have a classic example of potentially putting the cart before horse – until we know the outcome of a debate on the eleven plus, we do not know whether the school is needed or not. It may not be.

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Why do I phrase my opening remarks in that way? Because the same is true when you are discussing universal benefits. The trouble is we have a feeling in this Assembly, a *feeling* of what it means to be in relative poverty. For example, we believe that if most people have a mobile phone someone might feel that *they* are relatively poor if they cannot afford one themselves. Now not everyone will: some people *choose* not to have a mobile phone, almost irrespective of their wealth.

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Our problem is this: we do not know what it is, what it means – well we do know what it means – but we do not know what the definition of being relatively comfortable is, or being relatively wealthy, or relatively non-dependent. And because of that we do not know whether that category means someone has a disposable income of £50 a week, or someone has a disposable income of £1,000 a month. I pluck figures out of the air because I do not know what that category is; but I know that it is the biggest category, because it is what we very often refer to as 'the middle classes' and it is the sector of our community that we most frequently harvest.

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It is the sector that we focus most of our attention on for a simple reason, and the reason is that the rich can make arrangements that often enable them to minimise their tax bill, and the poor do not earn enough to make any meaningful contributions. So the issue has, and always is, the middle classes and we need, as part of our ongoing deliberations on this issue, a very clear

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3110 understanding. Not necessarily a clear definition, but a very clear understanding of what it means to be middle class in this community, because they will remain the focus of our attention, as far as the tax take is concerned.

3115 Only one other point that is worth making for me, sir – I believe in what has been another good debate so far – and that is, there is an inevitability about means testing. It is expensive to administer and there are alternatives – they were outlined by Deputy Dorey and others earlier – but means testing must come. We have got to get to the stage where we accept that people will not behave how we would like them to behave. And there was a classic example in the debate a couple of weeks ago, where I asked the question: was there anybody in our community that Deputy Langlois, as Minister of SSD, was aware of that was *entitled* to the old age pension that did not claim it?

3120 Now, we often talk about carrots and sticks, but the reality is that the human being behaves, more often than not, in an entirely predictable fashion and the carrot and the stick has got to be used I think on occasions higher up the chain than we are currently deploying it – or certainly the stick does. Means testing must come as being the only, in my view, fair way of ascertaining someone's genuine ability to pay. That said, we cannot do that until we have a very clear understanding of what constitutes 'ability to pay' and that is a moveable feast and one that requires constant attention.

3125 Sir, the point about people in our community who are asset rich and cash poor, I completely understand that – members of my own family would fall neatly into that category. But maybe the time has come for a much greater interrogation of what it means to asset rich and cash poor, because if somebody is sat on an enormous asset, are we not now at the stage where that wealth does need to be considered in determining whether someone is actually dependent or justified in having certain hitherto universal benefits?

Thank you, sir.

3135 **The Bailiff:** Deputy De Lisle.

3140 **Deputy De Lisle:** Sir, the release of the Personal Tax and Benefits Review has come I believe at a difficult time for many Islanders, already facing difficult personal circumstances with increasing taxes; but particularly the high cost of living and expensive house prices that have been dubbed in the paper today as 'extortionate'. (*Interjection*)

3145 So, I think these factors are affecting Islanders negatively and with the drop in population numbers already of concern in some quarters of Government, this is no time to add pressures and living costs on people. In fact pensioners are being pushed to real concern in many quarters, with plans to cease the GP consultation subsidy, to cease the prescription subsidy, to take away free TV licences – another £140, or whatever it is – increasing years of work before retirement to 70, TRP of course doubling. All new measures that will increase difficulties on people. And I think that it is not fair to Islanders, already having to pick up the additional charges and taxes as a result of the Zero-10 corporate tax policy, to place more costs again on the individual. This is where, I think, engagement with the review is very difficult for many people.

3150 It was unfortunate actually that the corporate tax measures were not included in the Tax and Benefits Review. However, I did note that the Treasury Minister has made promises that further extensions of the scope of Zero-10 are forthcoming in the next budget, and that Guernsey through the Treasury Minister will provide a leadership role in discussions on corporate tax reform with the other Dependencies, perhaps to find joint measures to overcome the budget deficits caused by the Zero-10 corporate tax policy – whether that be through further joint changes to Zero-10 or a shift to the territorial system.

3155 I think people require a much more positive message from the States at this time and a way forward if you like, whereby people will be better off in the future, not worse off, and it seems that we are going back in time on social reform with some of these measures.

3160 So I would ask Members to be quite critical in their assessment of the proposals before them in this particular section; and I would be reluctant to approve many of these proposals at the current time, given the current economic circumstances that people find themselves in, and also the current uncertainty really surrounding the whole situation in Guernsey currently. I think we have got to be very careful before we go down some of these routes.

3165 Thank you, sir.

The Bailiff: The Chief Minister, Deputy Le Tocq, then Deputy Gillson.

Deputy Le Tocq: Thank you, sir.

3170 I think it has been useful to have this Module as a separate Green Paper type of debate, because a number of Members have had an opportunity to raise their particular concerns and issues, and obviously the two boards and the two Ministers involved, I am very grateful to them for allowing it to be done in this way. They had already stated, I think to many of us, that all the Report could do as it were was to point out the areas of change in our current provision, without
3175 going into great detail over what further changes or new initiatives would be needed to ameliorate the sorts of changes that might occur afterwards. And I think we have got some time to do that, but this debate has helped us highlight those things.

Sir, it is clear to me that when we have had systems like these particular benefits, the universal benefits particularly that have been in existence for some time – and it is not just Guernsey, this happens all round the world – society becomes used to them and in a sense any change to them is often met by a ‘better the devil you know’ attitude and so we cannot imagine a society without, for example, Family Allowance or perhaps without the sorts of subsidies that are given through prescription and GP visits.

3180 And yet we are going to have to imagine that if we are going to find a proper understanding and realisation of the sort of problems we are seeking to resolve – and to touch on some of the things that Deputy Trott, I think, usefully highlighted. But for us in this Assembly it might be difficult to understand how some people are not benefited from in our current structure. If you look at the amounts of monies going into helping families and individuals, it is a huge amount of money as he, for one, illustrated before; and yet it is clear that some people are, to quote Deputy Lester Queripel, falling between the cracks. But rather than just cement over those cracks I do believe we need to have a fundamental assessment of what the problems currently are and what new ways, potentially, we might seek to solve some of those problems.

3185 And to do that means there needs to be a deconstruction before there is a reconstruction. That is why it is difficult for us and it would have been very difficult for us, I think, to vote on these particular Propositions – in fact my imagining would be that they would have all got voted out. And so it is better for us to have an opportunity to stop and breathe and understand what these are, and that maybe there is a brave new world outside of this that could present us with opportunities for doing things in a different way and achieving more through value for money.

3190 And I go back to something that I said earlier: I do believe that therefore greater involvement and creativity, in terms of how we look to resolve some of the issues that in the past were at least *perceived* to be have been solved through some of these of benefits, by engagement with the private sector and the third sector particularly – those perhaps who are more regularly engaged. And perhaps also have access to some of the ideas that might come about as a result of that and that we might be able to put in place. Until we do that it is difficult for us to make decisions on
3200 changing what is already in place, because we are frightened about the absence of what might replace them.

3205 I want to speak, sir, on a couple of things in more detail. Family Allowance is an interesting one and obviously we have had three children ourselves. Early on, when our circumstances were such that we did not have a lot of income – and again that was a lifestyle choice of our own – but I can be absolutely certain that in those days we were very reliant upon and benefitted from having
3210 Family Allowance. As time progressed it was not one of those things that was so essential and I

3215 think, again, perhaps learning from some other countries just close to us in France, for example, they have an allowance that I think went by the name of *Grands Familiales* or *Familiales non Versées* – it was *prestations Familiales non Versées* – that is right. It was an allowance for a large family, it was to encourage the French, early on – they dealt with these things early on – to have more children. In fact I was surprised to find out that to be a *Familiales non Versées* you needed, I think, two children to qualify.

3220 But they had another motivation from wanting to bring in those sorts of benefits and allowances and certainly, at the moment, I think Family Allowance like many of the other things, were designed for a time when our society and culture and our lifestyles were different. And they have changed rapidly in the last 10 to 20 years or so, and that is why it is important that we do not fear the opportunity to change; but I do believe we need to engage more with those who perhaps could help us find ways in which we can spend more effectively and target more effectively. And I am certainly one of those that would like to investigate further, whether it is
3225 Family Allowance, or whatever it becomes in the future, but some sort of clawback. It seems to me in this day and age with the sort of technology that we have, whilst I accept that in the past our economy of scale – or diseconomies of scale – meant that to have some sort of means testing was very expensive. It seems to me we should be able to find some way of dealing with that. But I am open to other suggestions as well.

3230 With regard to those that affect care for the older generation: I do take up some of the issues that Deputy Bebb, I think, mentioned. I am not certain, for example, that I would agree with him with regard to free television licences and the need for a television in old age. I think it was the words of Mother Teresa when she was taken in the US, I think, to see a brand new old age person's home and it had all the facilities you would say in the west you would ever want –
3235 televisions and fantastic beds, and lifts and things. And she commented afterwards...and I think everybody expected her to be impressed with this and she said, 'Why is everybody looking towards the door (*Laughter*) and no one is really that happy here?'

3240 She said, 'I have worked with very impoverished people – or from the dying – who are still smiling.' And of course she was told, 'Well they are waiting for the visitors who never come.' And it is a sad indictment on our civilisation and our society that loneliness, as Deputy Bebb did say – and I discovered some statistics recently on this at that British-Irish Council I mentioned before. But loneliness is more of a threat to our older generation than alcohol or tobacco – loneliness is. And, sir, that is not something that Government alone can solve.

3245 What we do not want is a whole load of professional friends. That is not going to work. But what we do need to do is to find ways in which we can engage our older generation... many of whom have, for example, benefitted from the extra care housing that we have got now and have found a new lease of life. So we need to work together to find solutions of that sort. And I do not think a simple thing like keeping free television licences is... we should not be ticking the box by doing that. I am not suggesting that any of us are saying that, but I really do think that is
3250 something where money could be far better spent, if we looked at that.

3255 There is certainly, sir, room for further work here and I think the authors of the Report acknowledge that; and I look forward to the opportunity for us to look strategically at what would happen if we take that away, how can we use those funds perhaps more cost effectively, but certainly more effectively in terms of outcomes to those we are seeking to help. But if we are doing that, we need to go back to square one and try and find out and analyse properly what the problems are. And I know that some parts of it will be dealt with obviously by Deputy Le Lièvre's SWBIC committee, but not all of it will be dealt with. And therefore we need to cognisant of the fact that these particular benefits touch on many, many different areas of our lives and of people's concerns and where people are affected – and families particularly, in Guernsey.

3260 So it is good that we are not having to make concrete decisions today. It is good that we are not having them amended either, because that can be deceptive in itself. But I look forward to the further work being done and I do encourage further consultation and *wider* consultation in the process.

The Bailiff: Deputy Gillson, then Deputy Perrot.

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Deputy Gillson: Sir, I shall be very brief.

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I am generally supportive of the direction of these Propositions. I think, like a lot of people who believe the days of universal benefits are numbered – or rather, it is not so much who gets it but who is able to keep the benefit of it. What I mean by that is I am not entirely convinced as to which way we should do it: whether we are selective in who receives it at the beginning through means testing, or whether it is universally given and then claimed back through some form of tax benefits taxation. I have got a feeling bringing it tail-ended may be easier, but I am open to which we do.

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I think the days of everybody getting it and keeping the full benefit are gone, and I think we do have to move from that.

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I just wanted to pick up on something. I agree with what Deputy Trott said about, potentially, the days of asset rich, cash poor, protecting the people's properties are going. I think we will see a change in that and we need to. It is fundamentally in some ways unfair that, just because somebody has value in a property it is protected, where somebody else who has got value in more liquid investments it is not protected. Potentially there could be a half-way situation where we protect people's property up to, say, the value of the average house or something so that those people who have got very large properties do have to make a contribution. But, as I said, I am generally quite supportive of the direction.

Thank you.

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The Bailiff: Deputy Perrot.

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Deputy Perrot: I am not sure that I should have caught your eye, sir, because there stands the Chief Minister with that little black book of his which sometimes looks, from here anyway, a bit like a Bible. And then he starts quoting Mother Teresa. (*Laughter*) I thought to myself, 'God, you are on a hiding to nothing.' But, anyway, I caught your eye, (*Laughter*) so I had better say what I have to say.

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I am standing really to correct a couple of comments which I think have been unfair. Perhaps they do not move the debate on terribly, but I think it wrong for people to say of the joint boards that there have not been communications, as Deputy Queripel said. There have been more meetings with interested parties than you can shake a stick at. Not just GIBA and the Institute of Directors and all of those other acronyms, but absolutely *everybody* – and with the press. I do not mean just the Guernsey press, I mean other media groups – which sometimes get the message right, rather than wrong. We have done everything, I think, to communicate and it is unfair to say that we have – it is no good Deputy Lowe shaking her lovely head at me... (*Laughter*) (**A Member:** Ooh!)

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I give way to Deputy Lowe.

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The Bailiff: Deputy Lowe.

Deputy Lowe: Thank you very much, Deputy Perrot.

Deputy Perrot: I cannot hear her, though. (*Laughter*)

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Deputy Lowe: Okay. Thank you very much, Deputy Perrot, for giving way.

I do not know what Deputy Queripel meant by lack of consultation, but certainly there have been quite a lot of complaints about lack of consultation. It is all very well meeting with interested groups – that has to be commended – but there have only been two public presentations, one at 6 o'clock which is family feed time, and one on a Sunday afternoon at 3 o'clock.

3315 There have been no others, even though we have asked for other presentations to be put on during the evenings. And it should have been set out *at least* a month before, with adverts saying when they were going to be held, where they were going to be held and allow people time to plan to be able to come to them. But there has been a big failing –

3320 **Deputy Perrot:** Are there any rules about how long I have to give way? (*Laughter*)

Deputy Lowe: Go on.

The Bailiff: You may continue. (*Interjections*)

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Deputy Perrot: Anyway, that was all very interesting and I am very pleased that Deputy Lowe has explained what Deputy Queripel meant. (*Interjection*)

3330 But it seems to me that it is up to Deputies to inform *themselves* about what is in policy letters and to speak to their constituents about it. And, certainly, there has been some scaremongering. Pensioners should not be anxious about what is in this policy letter and it is wrong. It is scaremongering to say otherwise.

3335 Deputy Queripel should not think, or assert, that he has got a monopoly on care for – or concern – about those of pensionable age. I can tell him that during all the debates with the joint boards *every* care is expressed about those of pensionable age; but of course there is a distinction between those of pensionable age in *want* and those who are *not* in want. Indeed, many of pensionable age carry on working after they have attained pensionable age. And I can tell Deputy Queripel also that, on SWIIC one of the great concerns is to ensure that those who are of pensionable age and are unable to work, or who are not working and in need, are going to be protected.

3340 It would be wrong for me to go further than that, but I can say that pensioners occupy very much of our debating time on SWBIC. The only problem is, and the only regret that I have is, it is taking us so long on SWBIC to bring this matter forward. It is not the fault of the Chairman of the committee. It is an extraordinarily difficult subject.

So, I wanted to correct a few of the things which Deputy Queripel said.

3345 I also want to correct something else. A number of people have said that it is going to be incredible costly if we have means testing. I challenge that. (*Interjections*) We are now looking at new software in order to make sure that the Income Tax system speaks to the Social Security system.

3350 When I spoke about this – I do not know how long ago it was, I mean in this Chamber time passes so quickly because we are enjoying ourselves so much. (*Laughter*) But what I said at the time, and there was vigorous nodding – this was before SWBIC incidentally. There was vigorous nodding by the Minister of Social Security when I said it cannot be beyond our wit to make sure that any new software which is brought to bear in Social Security and the States' Income Tax system, is devised in such a way that a certificate is produced as to whether someone is in receipt of a benchmark level of income. Because, if we are talking about removing universal benefits in the form of child allowance in the main – not everybody, of course – but those people will be people who are on the Income Tax radar or they will be actually on Social Security radar. One way or another, they will be within the Income Tax system.

3360 And it is, I suggest – no, I go further than that – I *assert* it is not a problem to make sure that the software is configured in such a way that an appropriate certificate is released upon demand to show that someone has gone above a certain benchmark, and therefore would not be entitled to any more to Family Allowance, if that is what we decide to do, which is certainly what I would propose that we do.

3365 The next thing is: it is about time I think that somebody spoke up for our primary care system. A number of Members have spoken about the cost of visiting doctors, and what have you – I will

go into that in a moment. But our primary care system, I would say, is superb. At least that is my experience of it. (**A Member:** Hear, hear.)

3370 We always know that we have a doctor to see us, one who is designated for us, and we can say, 'Oh, yes, that is *my* doctor.' We can also to a reasonable extent, ensure that we have a consultation in pretty early course when we need one. You say that to somebody who has to cope with the National Health System and he simply will not believe you. Our system is a great one and I would say that it has been a great system since the war.

And as to the cost of primary care, doctors are very highly qualified as someone else said. If that is what the market dictates, that is what they ought to be paid.

3375 Incidentally, whenever we see that some medic is about to be employed by HSSD, is that medic paid peanuts? Is he heck? He will be paid, again, what the market dictates – and very good luck to them.

3380 The point about us, as a Government, is that we make sure that those who cannot pay to go to see their doctors or who somehow are prejudiced, financially, by going to see their doctors, are supported. We have got to provide the net, and so a consultation fee was perhaps a way of doing it.

3385 But I was absolutely astonished when I retired and I presented this vigorous body of mine (*Laughter*) to the surgery just to ask the people there which bits of mine I ought to be looking at and concerning myself with in the future. So it was not until I was aged over 65 that I went along to my GP, and I found that actually going there the dear old Minister of Social Security was making a payment towards my being there – and that is utterly absurd! (**A Member:** Hear, hear.) I do not earn the sort of money that Deputy Trott has accused me of earning, (*Laughter*) but I have to admit that life has been very agreeable to me and I can more than afford to go along to see the doctor.

3390 Well it is absolutely crazy for the state to be paying for me to go and see the doctor. It is also crazy for the state to be paying my prescription charges, when I ought to be paying those things myself. I say that because over 65 of course you get it all free. I mean, it is magical (*Laughter*) now that I go to the doctor more than I did, immediately after I retired, I have discovered these things!

3395 Furthermore it was said by one of them, and I think by Deputy Dorey, that we ought to be employing all doctors. Well, God forbid. Do we really think that the States of Guernsey is in a better position to do things than the professional themselves? I really do not think so. I really think that would be the wrong way to go.

The Bailiff: Does anyone else wish to speak?

3400 Deputy Harwood, and Deputy Le Lièvre.

Deputy Harwood: Thank you, sir.

3405 Like the Treasury & Resources Minister, I also remember the Game of Life – about 20 years ago I think it probably was when our family last played it. Interesting game. Of course your daughter probably did not realise the reason why children have a residual value when you finally cash in your chips is because when that game first came out it was supposed that children would support their parents in their aged retirement. (*Interjection*) Sadly, not a practice that is currently very much in evidence.

3410 Sir, I fully support those who have spoken. Indeed my esteemed and long-standing friend, Deputy Perrot, about the importance of redistribution of the value of the universal benefit. It is ridiculous that both he and I, as old age pensioners past the age of 65, should receive all these benefits free.

3415 Sir, Deputy Trott, in particular though has identified one key issue for us all that is identifying precisely who is in need of want, and when we say we want to target or redistribute the universality of benefits we must be clear as to the level at which people will still need those benefits.

3420 Sir, I would like to take issue with the joint committees in the wording of what is now Proposition 19 because, in their presentation and in the entire document in relation to Module 3, the Report assumes that an increase in personal tax allowances will in itself adequately compensate members of our community for the loss of such universal benefits. Now, others far more skilled than I – and picking out, I congratulate the Community Foundation for the work they have done – have drawn Members' attention to the fallacy of that assumption.

3425 Now, sir, whilst I recognise the inappropriateness of the universality of many benefits and I am no fan of means testing, nevertheless I would urge Treasury & Resources and SSD to reinvestigate the option of a single universal means test assessment, rather than rely upon an increase in personal tax allowances as an adequate means of compensation. (**A Member:** Hear, hear.) Indeed, as Deputy Stewart and Deputy Perrot both said with technology now, through the co-operation of the Income Tax authority, the SSD, it should be possible to produce a coding notice – in the same form that we actually have it now for employers' and employees' contributions – which will identify in the hands of anybody in the Island, whether or not they are entitled to particular benefits.

3435 There is a further option, sir, and this has already been alluded to. I would urge both committees also to look at, or to consider, a method of taxing such benefits – if we do not go down the means testing route – in the hands of recipients who are within the Income Tax net. But here, sir – and I agree with a lot of people who have already made this comment – there is no point taxing them at 20%, because you are going to be... if they receive 100% benefit, then taking back 20%. No, sir, that is not what should be intended. If we are going to use the clawback process, then we must find a means of increasing progressively, possibly up to 100 % of the value of the benefit in the hands of the very high earners.

3440 So, sir, I question and would urge the committees, when they are taking back the comments from this Assembly, not to rely upon increases in personal tax allowances as a means of compensating for the removal of universal benefits.

3445 **The Bailiff:** Deputy Le Lièvre.

Deputy Le Lièvre: Thank you, sir. I will try to be fairly speedy

The Bailiff: Then Deputy De Lisle - no Deputy De Lisle has spoken.

3450 **Deputy De Lisle:** On a point of clarification, sir.

Neither of the last speakers have to actually take those allowances. I think it has been pointed out along the way, and I am surprised that either of them are taking them.

3455 **The Bailiff:** Deputy Le Lièvre, sorry.

Deputy Le Lièvre: Thank you, sir.

This debate has been as useful for SWBIC as I am sure it has been useful for T&R and Social Security.

3460 I would like to take issue with something Deputy Gollop referred to this morning. I think I heard him say that SWBIC might not report in 2015. Well if it does not, Deputy Gollop, it will not be me standing up here talking to this Assembly, I can assure you of that today. I have taken steps to ensure that will be the case.

3465 Now, we have heard a great deal about means testing: some of it not so good, some of it supported. I have spent I think probably 30 years of my career in means testing, either directly or indirectly one way or the other, and when it is conducted properly, when it is conducted by a department that is sensitive to the needs of people that need assistance, it is the best way of targeting benefits. And I go back to the days when... my political master at that time was Deputy Chilcott, a sensitive soul, (*Laughter*) but one of the most caring politicians I have ever come across.

3470 And his attitude to means testing was that if my staff, and me included, did not ensure that everybody received everything they were entitled to, then you were in deep trouble. And that is the benefit of means testing.

3475 Although it might not be the same at the moment, I am sure Social Security administer more than one means test and certainly they operate a whole load of other benefits. When I was in charge of Supplementary Benefit we administered public assistance, MEAS, AA and ICA – that is the new other benefit, whatever it is called, I cannot remember – Severe Disability Allowance; means testing for people in Longue Rue, Maison Maritaine, King Edward VII, Castel Hospital, Duchess of Kent and so on and so forth. Oh, and rent rebate as well.

3480 And the beauty about getting a person into a cubicle and talking about their needs and their wants, you could actually assess them over a whole range of benefits so that they left the E. T. Wheadon House, or the Bordage House in my earlier days, fully equipped with either the knowledge or indeed the benefits they were entitled to.

3485 That is the benefit of means testing. It is *not*... and I do not want to hear it referred to with regard to stigma or the fact that you are made to queue up or you are made to feel second class. If it is done properly in the right environment by the right staff, it is the best way of ensuring that every person in Guernsey receives what the States says they are entitled to. That is the benefit of means testing.

3490 Now, I long for the days referred to by Deputy Perrot, and indeed in a way by Deputy Stewart, whereby Tax and Social Security pool their data, along with any other data they can feed into a super-machine, and comes out with the name: 'Andrew Le Lièvre needs benefit'. That would be fantastic. (*Laughter*) I do not think it would, but let's hope it did. But the fact of the matter of is we are light years away from that because peoples' circumstances change. Tax data is old. And one of the things, when I first worked for public assistance back in 1979, was the Procureurs of the Poor made a great play on the fact that they knew their people and they could deal with them instantly – I rubbished that because quite clearly they did not know the people they were dealing with all that well.

3500 But the fact of the matter is, that is what they claimed and, more importantly, that they could deal with them instantly. And that is the benefit of benefits like Supplementary Benefit and indeed Rent Rebate. When Mrs Smith comes in and makes a claim because her husband has deserted her, or she has had an extra child, or that she is co-habiting or not cohabiting, or whatever the change of circumstances, the benefit changes that week. Now, you cannot do that through a tax system and indeed through any other – it just would not have the up-to-date data.

3505 So, even if you do go down the road of clawback or tax credits, you will need a means tested benefits system to back it up, because that is the one that provides the assistance when it is needed. So you will always need a means tested benefits system because it does actually provide targeted benefits to the people that need them, almost instantaneously.

3510 Now the good thing for SWBIC is that, thanks to Deputy Perrot, we have actually started from a starting point which avoids absolute poverty. So I am quite comfortable with most of the things that appear in the Personal Tax and Benefits Review, because we have started at the bottom and we can work our way up to add on, if necessary, those items that have been talked about being changed here – so that people with needs are not left out in the cold. They do not fall down cracks in the pavement. Although there will always be cracks in the pavement, Deputy Queripel, you cannot avoid them – otherwise you would have such an all-singing, all-dancing scheme, it would cost millions. There will always be areas where people fall out. Our job at SWBIC is minimise those areas.

3515 Now, I have only got one more thing to say and that concerns proposal 21 I think. It is a very small one; it is about making people on Supplementary Benefit contribute to their prescription charges. Now, I hold up as my Bible, Billet d'État III of 1954. (*Laughter and interjections*)

3520 And this is the States' Report by the States Insurance Authority, Public Assistance Authority and the Labour and Welfare Committee: the three major dispensers of social welfare over 60 years ago. And in this report, it talks about the disabled and training; it talks about treating judicially

3525 separated and deserted women, the same as widows – a major, huge step forward. It talks about social responsibility but it calls it ‘thrift’. It talks about not reducing people to penury before helping them. It talks about ensuring to help people help themselves. And it even talks about the sense in good diet in the avoidance of poor health in an attempt to maintain sustained employment. It is a really, incredibly forward-thinking document that was created just after the Second World War, with thinking that was created prior to the First War. It is a landmark document. If SWBIC produces something *half* as good as this, I would be thrilled.

3530 So it comes as an appalling shock to think that we are talking about – and it is the one item in this Report that I really took issue with, and it is the smallest item – it is about making the poor make a contribution for their drugs. Now, it would not be so bad if we were paying them a benefit that was plucked out of the air but now that we are working on a proposal that talks about working from the ground up, starting from avoidance of absolute poverty, to make people make the contribution which they are *not* going to get benefit for, is the worst sort of suggestion I can think of. It is Edwardian thinking, wrapped up in Victorian practices. It is appalling.

3535 I will not vote for this and, in the event that the States ultimately approved it in some format, I would ask SWBIC to actually put an extra sum within the benefits system, so that people did not end up worse off. It is not a good idea to make the poor, one small sector of the community, pay a contribution so that they *appreciate* the generosity of Government. Otherwise I expect to see my grandchildren to come home with a tag around their ear saying that it cost £428 to educate him this week, or perhaps when you wake up after your appendectomy, stapled to your tummy is the cost of the care. I joke, maybe, but this is appalling. You do not make the poor and the poorest members of our society make a contribution for drugs that, ultimately, will keep them alive. And that is the most *worrying* aspect of this Report.

3540 I do not take issue with much of it, but that is the most worrying aspect, because it does portray a meanness of thinking that I have not seen – and you will not find in a document written 61 years ago.

Thank you, sir.

The Bailiff: Does anyone else wish to speak? No.

3550 Well, I propose then that we continue so that Deputy Langlois can sum up and that we conclude the debate this evening. Those in favour; those against. No.

Members voted Pour.

The Bailiff: Deputy Langlois.

Deputy Lowe: Can I still speak?

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The Bailiff: Sorry, I said was anybody going to speak and you did not rise. (*Interjections*)

Deputy Lowe: I did, I was looking at....

3560 **The Bailiff:** Alright, sorry. Deputy Lowe wishes to speak. (*Interjections*)

Deputy Lowe: Sir, well I was hoping there would probably be at least another 20 speeches. They want feedback so when the reports come back do not say, ‘Actually, I did not want to support it’ because they are asking for feedback on this. So we should really have been carrying on and not sort of rushing it though. (*Interjections*) You cannot have your cake and eat it, guys.

3565 So, the speeches will be, and should be, quite repetitive, because the silent majority are not actually sending that message through whether they think it is a good idea. So do you think Family Allowance is a good idea or not? I do not. I think certainly, when I was Minister of Social Security, there was the usual cry that we have got at the moment where, ‘Family allowance is

3570 being paid to all these people who do not actually need it, and so therefore should be means tested.'

It came from Treasury & Resources, interestingly enough. They went away and had a look at it and they came back and said, 'We are not going to touch it. It is too expensive to actually do means testing for Family Allowance. Leave it be.'

3575 And they would look further down the line at maybe doing it through the tax system. And I would probably copy the same as Deputy Le Lièvre said, Family Allowance and a lot of these benefits are needed there and then, they are *not* going to fit in with your system that you are talking about for Income Tax and being on that system. It changes weekly.

3580 Some people might want an allowance this week and they do not actually next week when they are quite fine; and then suddenly there is a family member looking after this child, so the system has to be changed and it has to be paid to a family member, who currently has not got the child. All those permutations change frequently, regularly, on a daily basis, at Social Security – well they did, up to when I left anyway.

3585 So I am sorry, Deputy Perrot, not to actually support your idea of a computer system with Income Tax returns which are currently at least two years out of date. *(Laughter)*

The Bailiff: Deputy Perrot.

Deputy Perrot: I just wanted to get my own back, sir. *(Laughter)*

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Deputy Lowe: I knew that was coming. Thank you, Deputy Perrot.

3595 So, yes, I am very anxious about all this means testing, because we are not just talking Family Allowance here, we are talking about many of the others as well. Where are all these staff coming from? We are supposed to be cutting back on staff. And if you think it is going to be computer systems, I do not see that.

We got an electronic health record system that was supposed to be completed in 2009 up at HSSD – and I know you are a new board and it is not your fault – but that should have been finished what six years or seven years ago? And it was going to save 20 staff and cost £10... and so that has not happened yet. Now that was going to be a very good – no, I am not giving way.

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Deputy Bebb: Point of correction.

Deputy Lowe: That was going to be a very good way of –

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Deputy Bebb: Point of correction.

Deputy Lowe: – making it for when people came in –

The Bailiff: Deputy Bebb.

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Deputy Bebb: EHSCR is due to be completed in 2016.

The Bailiff: Deputy Lowe.

3615 **Deputy Lowe:** I will watch this space with interest. *(Laughter)*

3620 Perhaps you missed a statement actually from the Minister who told us that the accurate thing – which were welcomed because they were looking at that and there were going to be problems with it, and *are* problems with it – but he would do his best to put it in; because the doctors' records are not available as it was sold to us at A&E, for anybody that attended A&E. It has not happened.

3625 So, as I was saying the means testing for a lot of these other benefits that are being considered, I just do not know where all these staff are coming from and how it is going to be done, and how it is going to be administered. I think the simplest way would be through the tax system when you do your tax returns, and that is clawed back in that way – because, otherwise, I just think it is going to mean an awful lot of staff.

There was another one I wanted to actually mention, as well, while I am on my feet. Yes, it is sort of on the same thing, really.

3630 We have got Family Allowance which we are looking to try and claw back, we have got TRP looking to double, we have got many of the others that are in this Report, and they are hitting all the young families that we are trying to get to stay here on this Island and work to be part of our community and contributors. And we are, yet again, putting more obstacles in their way, where they are struggling now. We are seeing families leaving this Island and we are trying to keep people here in work.

3635 And that is another element of it where I have serious concerns, is that we are actually pushing away the young families. It is fine – probably there is only, I think, Deputy Fallaize and maybe one or two others, and Deputy Trott, that have young children in this Assembly. You need to actually go back 30 years ago and remember... and it was said earlier on just before, about Deputy Le Tocq was saying, yes, when he was younger and he had his children he *needed* that Family Allowance. And it is easy to forget, when you are paying a mortgage and you are bringing up a family how you *do* rely on those allowances that are paid to you – it is your entitlement. And I just ask Members to think about that, because when you are sitting comfortable after you have gone on a bit, your family have grown up and suddenly you are more comfortable, it is easy to forget that the very people we are trying to help and encourage to stay on this Island, we are doing a great job today of pushing them out of it. That is my message to you.

3645 I think it is a good Report, but I have *serious* concerns about the expenditure for means testing and some of the benefits which will be taken away from the people who very much need it.

The Bailiff: Ah, Deputy Fallaize. Sorry, I thought we had finished the debate earlier.
Deputy Fallaize.

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Deputy Fallaize: Thank you, sir.

I am only going to speak very briefly.

3655 Deputy Lowe makes a good point actually, and the nature of debate often is representative of the demographic participating in the debate – not just in the Assembly, but generally speaking. And I think it is probably fair to say that the views of a very large section of society have perhaps not been heard very loudly, either in the consultation exercise that preceded this debate or in the debate itself.

3660 The main reason I want to speak is because there has been a lot of mention in the debate of means testing. Now, the words ‘means testing’ – or word, if it is hyphenated – does not appear anywhere in any of these Propositions. What is proposed here is not means testing, it is withdrawal: it is the phased withdrawal of all of these so called universal benefits. There is no mention in the Report at all of means testing, for example, Family Allowance. Means testing would mean that Family Allowance remained in place, in its present form, for some people below a certain means and was withdrawn from everybody else. That is not what is proposed.

3665 The proposal is, ‘To note that, in the opinion of T&R and Social Security, the payment of universal Family Allowance should be phased out.’ That has nothing to do with means testing, it is phasing out. So we have to have confidence that, if Family Allowance is phased out and the other universal benefits are phased out, future Assemblies and future committees of the States will put in place the necessary measures to ensure that the people who cannot shoulder the additional burden of the withdrawal of these benefits will be provided for. And I personally am rather sceptical that future States will stick to the second part of the bargain.

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When means testing of Family Allowance was investigated in the period when Deputy Lowe referred to, in the last speech, I think the conclusion was that for it to be financially worthwhile it would have to be withdrawn from people whose income was something like less than £37,000 or £38,000 per year. We are not talking about – if it ended up being means tested – withdrawal from people who are high earners for it to be financially worthwhile, and relatively little... £12 million saved in universal benefits sounds a large sum of money. But when you actually start trying to redistribute it to people who are in the greatest need it is a relatively small sum of money.

Taking Deputy Lowe's point, this is an opportunity for States' Members to advise the two committees of their views. I am very much of the view that it would be preferable to claw back the universal benefits through the tax system, than it would be to means test them.

I take Deputy Le Lièvre's point, but I take it more he is talking about the payment of non-contributory benefits which are not flat and fixed and may change on a weekly basis. Well obviously a form of Supplementary Benefit or Income Support is preferable to a system of tax credits because it is more responsive, weekly and monthly. But I do not think that argument holds with Family Allowance, because Family Allowance is a fixed sum that is paid every week. I think it is perfectly reasonable to imagine that it could be withdrawn from higher earners through the tax system rather than it being abolished for everybody.

So, that is my view and I hope that that is taken on board by the two committees as they continue their review.

Thank you, sir.

The Bailiff: I see no-one else rising. I call on Deputy Langlois, now, to reply.

Deputy Langlois: Yes, sir. Right, okay. Thank you.

I will try and be as brief as possible. I think we need to pick up on a number of points here so there is no continued misunderstanding. Anyway I could not resist the temptation to give H. M. Procureur yet another chance to define the term 'to note'. Deputy Lester Queripel asked the question and with my reputation and background in legal training, it is far better that H. M. Procureur explains to us all what 'to note' means.

The Procureur: Yes, I thought I had been exported to Scotland for a moment then. *(Interjections and laughter)*

The answer to that is I think although the rule in the Rules of Procedure says that it is pertinent to reports, rather than individual Propositions, I take it that the read across is the same and would be in the views of the two committees.

That is that that to note something is construed as neutral and it does not mean that, by noting it, the Assembly is saying that they assent to it, neither does it mean that they disapprove of the thing which is noted. The Rule does not, technically, say so but that in my humble view is precisely what it does mean.

Deputy Langlois: Thank you very much, sir. I think that is useful and I hope answers the question.

Deputy Lester Queripel also brought to our attention the issue of asset rich, cash poor and I think that is going to be a central part of the need to do planning, where we are going with this. It is a common issue in relation to my Department and it has to be tackled and certain changes will need to be made. But they will not be easy or comfortable, because the Guernsey tradition of passing on inheritance in the form of property is very strong and there are some extremely strong views around. However, other options such as a form of sponsored or state-sponsored equity release or something in that sort of area are actively being considered.

I do not know how many times you have got to say certain things in this type of debate; but Deputy Queripel, first of all he makes a big play of the point of are we really thinking about people in difficult circumstances? He then reads out a sentence that has been put in bold on page

3725 358, 'Particular care will need to be taken to ensure that, where appropriate, this group is protected through the transition.'

I cannot do more than agree with him that that is in bold and it means what it says on the tin. So, can we now see through this phase of keeping on repeating that we are not thinking about this.

3730 Deputy Bebb, thank you for your comments. Certainly the aspects to do with the television licence and your comments are very useful. The more important thing you did, at the start of the debate, was to move on to say make absolutely sure there is an interface between this and the primary care review or whatever it is called, but work on primary care and I can give you that assurance personally, because we are working very closely with HSSD on it.

3735 Deputy Green gave us some views on the means test versus clawback issue, which has been quite a strong theme today and, without going back to it each time here, I would give you the personal assurance today that the two must be looked at. I think they are variations on a theme but it is very important and it leads directly into Deputy Stewart's area of saying, what about technology? I am afraid I do have a vision in that sort of area because I could not possibly... I mentioned early some career in the early 1970s, relating to computing. I could not possibly have
3740 seen the speed of development of computing and the power of it and the use of smart cards and so on and so forth. It is not light years away. That is a *hugely* exaggerated term. It is not going to happen tomorrow, but it is not light years away. It will happen far faster than you ever imagine and that has got to be one of the areas we are looking at.

3745 Deputy Luxon, I was going to read out the whole list of points you made about these must be noted and interfaced with HSSD. For the sake of time I will not do so. It is in *Hansard*, please be assured that those different points have been noted. I think the only one from the end there, that is worthy of mention – and I just wish that I could claim a lot more active work-stream in this particular area, but I am not going to do so. It has worried me for ages about how the relationship between the primary and secondary care providers, the States and the private insurers who
3750 actually cover a significant proportion of our population, actually works – and where the controls are, the who is taking what out of the system, in that process. Whilst noting Deputy Perrot's comments about saying, but if we want good doctors, we have got to pay them, and so on. So there is a lot of careful accounting and economics to go into that area, but it has got to be included.

3755 I am so flattered, it is not true: last month or the month before I was accused of being an anarchist. I have now progressed to being 'overly neoliberal'. (Laughter) That is such a warm and cosy... oh, it is a wonderful feeling and I feel I will be able to make use of that in the next joint board meeting in some way or other.

3760 Deputy Brouard, targeted Income Tax and targeted benefits: I see that as a certain amount of semantics there. You can play with those sorts of words as to which way round they go. It has come through as a theme. Is it better to use the money and then claw back or not? We have mentioned that in so many ways, but it has *got* to be included. I would have *grave* concerns about instantly drawing comparisons with Scandinavia, because Scandinavia are like Scandinavia are because of the levels of tax they pay and we rejected that roundly and soundly, quite rightly. So
3765 let us not head for Sweden, because it could be very difficult.

Deputy Dorey made... and there have been all sorts of comments about the level of consultation, the type of consultation, the way we involve people in policy development and so on. I have got a curiously old-fashioned view on this. Twice I have been elected and, do you know, a number of the voters actually expected me to take responsibility to listen to people, to then
3770 make decisions and then show a bit of leadership and get on with things. There is a limit to how, sucking people in who do not have the democratic mandate in consultation meetings.

I have the same concerns as Deputy Dorey at who turns up to public meetings. You listen, but I tell you, you get a far better quality of public input from other social contact such as – well, in my case – (*Interjection*) no, over a cup of tea in the White Rock Café, Deputy Fallaize. (*Laughter and interjections*) Because, that is one of my many sources of information (*Interjection*) and that goes
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alongside going to watch a football match and talking to people who do that and so on. That is what we are there for. That is the job of the Deputy, to listen and to make the decision and then to show leadership.

3780 Deputy Trott's relative poverty... no, sorry that came out wrong. (*Laughter*) Deputy Trott was worried about the middle classes and relative poverty.

3785 Deputy De Lisle, I was a little bit concerned because the sub-text of his speech left on the table the implication that no change is an option. I thought we had put that one to bed earlier today; and over the ten year period we are talking about and then the subsequent 25 years, no change is *not* an option. So there is no point in simply picking off each one and saying, 'We cannot do that, cannot do that, cannot do that.'

Deputy Perrot, thank you very much for your support, but can we have a bit less of the 'dear old Minister' phrase? (*Laughter*) And Deputy Harwood's support for a single system of means testing or whatever it is, whatever we label it.

3790 Oh, yes and finally the reassurance from Deputy Fallaize – sorry and one other point in the Report. Reassurance from Deputy Fallaize: I think if he reads the Proposition very carefully that he read out, the secret is in making careful note of the use of the word 'universal' benefit, because the whole point is that if you phase out a universal benefit it does not mean you are phasing out a benefit. Right? The word 'universal' means everybody can get it. My intention all through this – and I think I can speak for all 10 of us in on this – we have always sat round that table
3795 understanding that phasing out the universal benefits still left that type of benefit in place, and I can only apologise if the fine detail wording does not indicate that. It is now in *Hansard* and I am sure people will go with that one. So that was that.

3800 Finally, those of you who are still concerned about the doctors' visit subsidy, there is an un-numbered page, but it is Appendix 7c. It reads a bit like one Deputy Le Lièvre's speeches, because it starts back in 1985. Oh no it cannot be one of Deputy Le Lièvre's speeches because that is relatively modern isn't it? But there is a little bit of history of where the 12 quid came from. It sets out quite clearly what the issues are and without a doubt it makes a very persuasive case for why it has got to be looked at, because it is simply a shuffling of the cash around.

All you have got to do is note it. I hope that is a fairly simple decision for you tonight.

3805 Thank you.

The Bailiff: Deputy Lester Queripel.

3810 **Deputy Lester Queripel:** Sir, I did ask two questions, I just wonder if the Minister could answer the second one. And also I am wondering if he has had time to consider my offer of help to organise and publicise future presentations? (*Interjection*)

The second question, sir, was: will there be future engagement with the public on these Module 3 proposals?

3815 Thank you, sir.

The Bailiff: Deputy Langlois.

Deputy Langlois: Yes.

3820 **The Bailiff:** Members, the Propositions you are now to vote on are Propositions 19 through to 25.

Deputy Le Lièvre, did you want a separate vote on 21?

3825 **Deputy Le Lièvre:** I was being facetious, sir.

The Bailiff: You were. Right.

We will take Propositions 19 to 25 together. Those in favour; those against.

Members voted Pour.

The Bailiff: I declare them carried.

Members, that concludes debate on this Report.

3830

Thank you very much.

The Assembly adjourned at 6.01 p.m.