



OFFICIAL REPORT

OF THE

STATES OF DELIBERATION

OF THE

ISLAND OF GUERNSEY

HANSARD

Royal Court House, Guernsey, Wednesday, 25th March 2015

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Present:

Richard James McMahon, Esq., Deputy Bailiff and Deputy 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, B. L. Brehaut,
R. Domaille, A. H. Langlois, R. A. Jones

St. Peter Port North

Deputies M. K. Le Clerc, J. A. B. Gollop, P. A. Sherbourne,
R. Conder,

St. Sampson

Deputies G. A. St Pier, K. A. Stewart, P. L. Gillson,
P. R. Le Pelley, S. J. Ogier, L. S. Trott

The Vale

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

The Castel

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

The West

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

The South-East

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

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

Absent at the Evocation

Miss M. M. E. Pullum, Q.C. (H.M. Comptroller); Deputy M. J. Storey (*indisposé*):
Deputy E. G. Bebb, (*relevé à 10h 22*); Deputy L. C. Queripel (*relevé à 10h 00*)

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States of Deliberation

*The States met at 9.30 a.m. in the presence of
His Excellency Air Marshal Peter Walker C.B., C.B.E.
Lieutenant-Governor and Commander-in-Chief of the Bailiwick of Guernsey*

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

5 **The Deputy Bailiff:** Well, Members of the States, I now invite Deputy Dorey if he wishes to place the amendment marked No. 3. Deputy Dorey.

Amendment 3:

To delete Propositions 10, 11 and 12 and substitute therefor:

'10-12. To direct the Social Security Department to include in the 2015 uprating report the advantages, disadvantages and financial consequences of adopting a policy of uprating pensions annually at the midway point between increases in median earnings and increases in prices.'

Deputy Dorey: Thank you, Mr Deputy Bailiff.

This amendment, which is seconded by Deputy Le Lièvre, is:

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'To delete propositions 10, 11 and 12, and replace them with a direction to include in the 2015 uprating report the advantages, disadvantages and the financial consequence of adopting a policy of uprating pensions annually at the midway point between increase in median earning and increase in prices.'

The Proposal in Proposition 10 in the Billet is to establish a guideline that pensions will increase by RPIX plus only a third of the increase in median earnings above RPIX.

15 So, for example if inflation was 2% and median earnings had increased by 3.5% then pensions would go up by 2.5% – 1% less than earnings. There is the intention to reduce it to RPIX subject to suitable policies to enhance personal pension provision being in place.

20 It is clear from the modelling in the appendices in the Billet that they expect to reduce the uprating policy to RPIX in 10 years' time. Using the same example as mentioned with inflation at 2% and wages rising at 3.5% this amendment would increase pensions by 2.75% – not a large difference, but a modest but important difference. I say modest because Jersey increased pensions with earnings, and the UK increased pensions with the higher of earnings or price increases, so in the example I have given, UK and Jersey pensions would have increased by 3.5%, whereas Guernsey with this amendment could increase by 2.75%. Under the proposals in the Billet pensions would increase only by 2.5% falling to 2% in a few years' time.

25 Following the very successful Pension Puzzle consultation in 2008 when 2,908 responses were received – which incidentally is very significantly more than the 248 responses, nearly 12 times more, on the consultation for these proposals – a States' Report was debated in 2009. In that report it clearly stated that the rate of increase in pensions would continue to be the half-way point between inflation increases and earnings increase. It is also stated that it was a fair balance between the needs of pensioners and the contributors. In the 2008 consultation the document clearly illustrated what happens if you do not increase pensions by more than inflation. A base year of 1979 was used. That was the year earnings related contributions were introduced into Guernsey. Before then, those who can remember, you had to pay a fixed stamp. In 1979 pensions were £20 per week. In 2008 if the pension had increased with RPI it would have been only £90.71, while the actual pension in 2008 was considerably more. It was £160.75.

30 One of the reasons for increases greater than inflation was the 2001 Townsend Report on Poverty. The report concluded that 43% of single pensioners were suffering from relative poverty. You can find that in Billet XXV of 2003 in the Advisory Finance Corporate Anti-Poverty Programme.

35 I think it is important in an equitable society that all Islanders, including pensioners, can participate in society. (**A Member:** Hear, hear.) Increasing pensions at anything less than earnings will mean they become relatively poorer. These proposals mean they will become relatively poorer quicker. The graph on – well, I cannot say the page number, can I, in the appendices? (*Laughter*) In Appendix 5e and figure A5.3 about two thirds of the way through, it clearly shows what happens if pensions increase with earnings and if pensions increase with the half-way point, and if pensions increase with RPI relative to each other.

40 It is interesting that Deputy St Pier said in his opening speech:

'The value of pensions compared to earnings could well reduce over time.'

45 I wrote down the words that he said. It is not that they could well reduce; it is that they definitely will reduce.

This amendment will provide further information on what I think is an acceptable compromise between increase in inflation and increase in earnings. The Billet proposals are an unacceptable compromise, and obviously a policy of avoiding increase in contributions.

50 We have to accept that there will probably need to be a small increase in contributions, which in my view is reasonable, in order that we do not create or further increase poverty. We know that the Social Security Department think that contributions should increase, as in both the 2014 and in the 2013 uprating reports they proposed an increase of 0.5% in employers' contributions. So why change the position, why are they not proposing increases in contributions?

55 We do not want to have a situation where we have to have another Townsend Report in a few years' time, and we have to make a big increase in pensions again, just as we had to do in 2001, and subsequent years because of relative poverty.

60 The pension provision research in Appendix 5a states strongly while we must not at this stage rule out increasing pensions by more than is proposed. Results showed that 55% of those

65 surveyed were not currently contributing to a private or company pension. This means that for many more years people are going to heavily rely on old-age pension, and we must ensure that they can have an acceptable standard of living and participate in society.

By voting for this amendment, you are not committing the States at this stage to upgrading pensions annually at a midway point between the increase in median earnings and increase in prices. This amendment only asks for the uprating report in this year to include the advantages, disadvantages and the financial consequence of adopting this policy. Members would then have all the information, and will be fully informed, before making a decision whether to continue with a long-term policy which was re-confirmed in 2009 to increase pension rates at the midway point between increases in prices and earnings.

75 Voting against this amendment, however, does send a message that you are content to allow pensioners to become relatively poorer with each passing year.

Thank you.

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

80 **Deputy Le Lièvre:** I do sir, and reserve my right to speak.

The Deputy Bailiff: Deputy St Pier.

Deputy St Pier: Thank you, sir.

85 Of course the Propositions in the Report are merely to introduce a guideline, chosen by the Boards in recognition of the experience in the States over the last few years, to the experience of the States which has been reluctant to increase contributions on at least three previous recent occasions.

I think much of Deputy Dorey's speech was entirely appropriate for the annual uprating report debates, when the States' Social Security Department is going to have to come back to the States with its annual proposals, having regard to the guideline, and each year the States is going to have make a decision as to the proposals whether they be in line with, above or below the guideline are appropriate, and I think much of what Deputy Dorey has said today would be very pertinent to that sort of debate.

95 Deputy Dorey asked why we are not proposing an increase in contributions. Well, given his previous role as Social Security Minister and his previous experience of the States at that time not agreeing an increase in contributions, we are reflecting that experience in our proposals.

The direction in this amendment to direct the Social Security Department to report on the advantages, disadvantages and financial consequences of adopting a different uprating policy, i.e. the midway point, again the work really, I would suggest, has already been done. We know what the various components are of this particular equation. If we wish to maintain a higher uprating policy then the only other two components, the variables, are the retirement age, which we discussed yesterday, and the contribution rate. We have had the debate on retirement age so that just does leave us with the contribution rate as being the only other variable that will enable the fund to stay in the state that we require it to be in.

105 Again the numbers, the provisional estimates are based on the Government Actuary's Department Report, which is in the appendices, that the increase would need to be between an increase in contribution rate of 0.3% and that is, if you like, on the upside case, and 1.4% on the downside case – and that is, of course, if it applied from 2016. So we know what the answers are. If we do not go with a lower uprating then we will have to increase contribution rates and again I think it would have been better to agree that now rather than simply direct the Department to go away and come back with exactly the same answer that we know that the answers are going to be.

115 The other thing we do need to consider is, because until we have had the report back from the Supported Living and Ageing Well Strategy Working Group, we do not know what increases in contribution rates are likely to be required as a result of that work. We do know there are

pressures on the Long Term Care Fund, we know that it requires potentially between an additional £8 million and £21 million a year in terms of contributions, if we maintain current policies. We know that fund will run out in 10 years if we do nothing. So it is very likely that this Assembly is going to be faced with a request or considerations as a result of work from that Party which could well include increases in contribution rates.

On top of that we are suggesting – (*Mobile phone rings*) I am sorry sir – (*Interjections*) I owe the Bailiff's fund. That is two days in a row now, sir.

The Deputy Bailiff: I think it is going to go up exponentially from now then, Deputy – (*Laughter and interjections*)

Deputy St Pier: Duly noted, sir. Thank you for the warning.

The Deputy Bailiff: Do continue, Deputy St Pier.

Deputy St Pier: Thank you.

Sir, we do know that there are pressures on the Long Term Care Fund which are going to require an increase in contribution rates and on top of that we would be having to accept an increase in contribution rates now as a result of a revised uprating policy.

I believe, sir, the Joint Boards believe that a decision on applying a guideline should not be deferred beyond the end of this year, and if an increase is needed the earlier this is done then the smaller the increase is likely to be.

So, sir, my firm recommendation to the Assembly is to reject this amendment and stick with the recommendations from the Joint Boards.

Thank you, sir.

The Deputy Bailiff: Deputy Le Lièvre.

Deputy Le Lièvre: Thank you, sir.

Members of the Assembly, firstly might I congratulate the Joint Committees' serious attempt at taking a long term view at the sustainability of the Social Insurance Fund, and protecting to a degree that value of the Guernsey old-age pension. I would, however, say that too much emphasis has been placed on the former and not sufficient consideration given to the latter.

Some seven years ago, and in my first year as a politician, I bumped into a previous and retired States' Treasurer at the Airport, and we had a relatively brief conversation about various issues relative to the work of that Department but, in particular, about the value of the old-age pension. I have retained very little detail about much of our conversation but two points he raised have stuck with me to this day. Firstly, he stressed that the States should never, ever underestimate the value of the Guernsey old-age pension in the portfolio of retirement income. Secondly, it should ensure that as far as possible the value of the Guernsey old-age pension was not only maintained in real terms, but preferably should be increased in real terms.

Now, it is very easy to fail to appreciate just how brief our recent period of what I would call pensioner prosperity has been. In a previous document I circulated to States' Members in 2012, I referred to the Social Insurance pensions of the 1960's as feeble. Reading my paper now I think I was being rather kind. The Social Insurance pension even in the mid 1960's was not feeble; it was derisory.

The arguments utilised half a century ago in a maintenance of these levels of benefits were what will be familiar to us today. They go something like this: the old-age pension was not and should not be regarded as a living wage. The old-age pension was set at a level which the fund and contributions could sustain, and there would always be a need for a further system that met individual need. And that is a reference to the non-contributory pension scheme, now known as supplementary benefit.

170 The adoption of the three policies I have just mentioned resulted in pension levels far below that of equivalent non-contributory benefit levels and, not surprisingly it was the pensioner who was the dominant type of claimant when it came to NCB or SPB. Given what we know about benefit levels we might safely assume that many pensioners were either on the verge of poverty or actually well within its undefined boundaries.

175 During the next two decades that followed the 1960's there was a significant and sustained effort by the States' Insurance Authority to improve the financial circumstances of pensioners, which foresight has provided the firm foundation of today's adequate, but not excessive, pensions. In the years 1965 to 1979 the standard Guernsey old-age pension increased by 800%, when the index of retail prices had risen by just 334%. Even allowing for the rampant inflation during that period the actual growth of the pension would have had to be 4.73 percentage points over the average rate of inflation for 15 consecutive years.

180 It was only that sustained period of uplift that stopped many hundreds of old-age pensioners from being forced to claim non-contributory benefits – something many pensioners of that period regarded as an unacceptable and demeaning process associated with a bygone age. Despite that massive change pensioners were still the largest group of claimants of supplementary benefit when I joined that Department in 1985, with well over half of all claimants being pensioners.

185 Unfortunately many pensioners still find it hard to claim benefit, in the mistaken belief that it is a charity, and the Social Security Department is very aware that there exists the possibility that many hundreds of pensioners avoid claiming supplementary benefit because their pride gets in the way of their need.

190 As an aside, I would say to any pensioner listening today, that pride does not put food on the table, or a log on the fire, so make your way to E T Wheadon House and seek guidance to obtaining what is rightfully yours. (**Several Members:** Hear, hear.)

195 Putting that BBC-funded short advert for SSD to one side, (*Laughter*) the 1980's and 1990's provided further above RPI increases in pension rates, in particular those that resulted from the Townsend Centre's findings on poverty amongst single pensioners at the start of the new millennium. In essence it took 40 years to achieve levels of pension that, whilst not extravagant, certainly made life a great deal better for those of retirement age. For some pensioners it will have meant a retirement free from the prospect of asking for help.

200 However, over the last five years or so we have entered a period of relative pension stagnation – certainly when compared with the previous decades. Just as was argued in the 1960's and 1970's the need for restraint has in part been based on the health of the Social Insurance Fund and the level of contributions, and for the sake of clarity, I certainly do not criticise such a fiscally prudent approach to pension funding. However, what we must recognise is that history provides us with a stark reminder of what pension stagnation can lead to. This is why I happily accepted the offer of seconding Deputy Dorey's amendment at the request of the Social Security Department to include in the 2015 uprating report the advantages, disadvantages and financial consequences of adopting a policy of uprating pensions annually at midway between increases in median earnings and increase in prices.

210 History has shown, on more than one occasion, that pension policy in Guernsey, be it contributory or non-contributory, has been very slow to react to what must have been obvious signs of deprivation, despite the massive efforts made 30 or so years ago. For instance we still have the legacy within supplementary benefit rates of benefit policies that were set in the late 1980's that have not been challenged for more than 25 years.

215 Similarly at the turn of the millennium it became obvious that the efforts made during the previous 30 years were still insufficient to stave off pension poverty, particularly amongst single pensioners, where in effect we all end up. It took an outside agency to tell us we had significant poverty issues amongst our pensioners, and the single pensioner in particular. Do we want to risk doing that again? Do we want to set in motion long-term policies that slowly, but surely, represent a growing risk to the elderly of this Island?

In fact, paragraph A5e.7 in the appendices makes reference to possibility of:

'A reduction in the value of the old-age pension relative to earnings could result in an increased number of pensioners who have recourse to Supplementary Benefit to supplement their income, particularly if welfare benefit rates are increased at a faster rate than the old-age pension.'

220

This makes it sound an almost acceptable and good move to transfer the elderly from the relative safety of a contributory pension scheme into the vagaries of a general revenue-funded means tested scheme. Believe me, it is not a good idea. Despite the ongoing work of SWBIC, moving people from a contributory old-age pension scheme to a non-contributory system is the last direction of travel I would ever recommend. The pressures on contributory benefits might appear the same as non-contributory benefits, but this is not the case. Non-contributory benefits are far more susceptible to the broader pressures on general revenue, and are particularly susceptible to longstanding attitudes to supplementary beneficiaries as a whole.

225

We have all heard the negative views expressed time and time again, and unfortunately pensioners by association through the benefit itself not only suffer fiscal negativity, but are put off claiming in the first instance. What is proposed will push people from the relative safety of contributory scheme into the far more volatile world of non-contributory benefits. I would repeat that it is not a good direction of travel, and certainly not when applied to persons who are unable to improve their circumstances through employment. We know the consequences of pension stagnation, and we also know the significant number of pensioners who are already largely reliant on the real purchasing powers of the pension. The purchasing power that helps to ensure they maintain a degree of social parity with the employed population.

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The Dorey amendment in effect says measure it twice before cutting once. It does not involve additional expenditure, other than that associated with careful consideration or reconsideration.

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What we must always remember when it comes to pension policy is that what we do today impacts on those yet to become pensioners, not tomorrow, but 25 years down the road. I appreciate that policies can be reviewed and be re-evaluated but once set in train they have a tendency to run and run, and this is especially true for pension policy. History tells us that. I for one do not want to see a return to the Swinging Sixties in pension terms.

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If I might just summarise, the proposals in the Personal Tax and Benefit Review in relation to pension uprating represent a change of policy direction regarding pension levels that, as far as I can make out, has previously never been contemplated by any Social Security Department. The understanding that what is contained in the PTBR today could represent a monumental shift of policy whereby social insurance effectively hands over the mantle of financial responsibility for the elderly to Social Welfare – not in whole but certainly in part. Never before has a Social Security Department actually stated that its long-term pension uprating policy might require more old-age pensioners to claim supplementary benefit.

250

Let me make it very clear, before anybody accuses me of not understanding the ramifications of an ageing demographic, my understanding is clear as the next man's. What I fail to understand is the seeming willingness of a Social Security Department to put its trust in a means-tested scheme providing a stable financial platform for the long-term sustenance of the elderly, and that is for the Chair of the Social Welfare Benefits and Investigation Committee.

255

Please vote for the amendment.

Thank you sir.

260

Several Members: Hear, hear.

The Deputy Bailiff: Deputy Ogier to be followed by Deputy Lester Queripel once he has been relevé.

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Deputy Lester Queripel: Can I be *relevé* please?

The Deputy Bailiff: Yes of course.

270 **Deputy Ogier:** The policy on the pensions used to be to uprate in line with RPI, but it has been Social Security's recent unofficial policy for the past few years to raise the pension by above RPI.

I was on Social Security eight years. Many Members of the Assembly have not served on that body, but over the last eight... or from 2004 to 2012 anyway, we uprated the pensions by above RPI, in order to try and retain some sort of parity between pensions and RPI and by earnings – the thought being if pensioners' uprate only by RPI and their working neighbours around them are having their income increased in line with earnings, earnings over the long run are 2% above RPI, so over the long run, the longer you are a pensioner, and relative to your working neighbours, you become more relatively poor. It is relative poverty compared to the working population. However, those pensions would be uprated in line with RPI, would be uprated in line with pension. So the amount the pensioners would be receiving, if uprated by RPI, would keep in line with prices, but they would become relatively poorer compared to their working neighbours.

280 So we know that this historic pattern has been 2% above RPI for earnings. Social Security have tried to keep pace with that by having an unofficial policy of uprating 1% above RPI. But the last 30 years are not going to be the same as the next 30 years. The growth that we have seen, at least in the short to medium term, in the future will not be replicated in that fashion. We already know that the fund is in a more parlous situation now, due to this recent uprating policy. In fact, were we to uprate the pension in line only with prices the pension fund's sustainability improves to such a degree that few, if any, other measures need to be taken.

290 That bears repeating, at the risk of repetition but not tedium: if we were to uprate the pension in line with prices, the pension fund's sustainability improves to such a degree that few, if any, other measures need to be taken.

The increase in pensions was not targeted, and in order to address the issues raised in the Townsend Report on relative poverty, instead of targeting pensioners in need we increased the pensions to all in order to deal with the issues of a few. Thousands of pensioners, who were not in any financial difficulty at all, received above RPI increases in order to help those pensioners in financial need. These increases to all pensioners are causing the pension fund to exhaust itself quicker. That is not targeted. That is not smart. That is not dealing with our finances in the best way in the interests of this Island at all.

300 This pension fund which is being exhausted, into which people paid all their lives, was not designed to deal with the issues of pensioner poverty. The pension fund has not been loaded to deal with the issue of pensioner poverty, and due to trying to fix pensioner poverty by paying out RPI rises to all pensioners, whether in need or not, is causing the issues of sustainability we have to deal with. Uprating pensions in line with RPI means the issues of sustainability for the pension fund is solved, but it needs another way to deal with pensioner poverty.

305 Finally, whilst on Social Security we used to speak annually with pensioner representatives and they came in year after year and what they told us was this year their members were looking for an increase in line with RPI. They recommended year after year, Social Security uprate the pensions in line with RPI. That is what they are wanting. Due to the Townsend Report over the past few years we were able to tell them, 'Well, we are going to better than RPI, because we need to strengthen the pensions for single pensioners and for certain married couple pensioners.' So we are going to increase it by above RPI, and that is no longer sustainable for the fund. I do not think in the long run that we can continue on with that uprating policy.

315 **The Deputy Bailiff:** Deputy Lester Queripel, to be followed by Deputy Perrot, to be followed by Deputy Le Clerc.

Deputy Lester Queripel: Thank you, sir.

320 Sir, Deputy Dorey made a poignant and extremely valid point in his speech, when he said it is important that pensioners are able to participate in society. I resonate with that completely. It is absolutely vital that our pensioners feel included in society and not excluded. It is absolutely vital

that they feel valued and do not feel that they are a burden on society, that they feel a part of the community and not apart.

Sir, I urge my colleagues to support this amendment.

325 **The Deputy Bailiff:** Deputy Gollop then.

Deputy Gollop: Sir, thank you, sir.

I am not necessarily saying everything that the joint group of 10 have done have got it absolutely right, but we are trying to make sense of the figures and the situation we are in, and if
330 the Dorey amendment is passed, it will undo a lot of the work, and the philosophy, that we are trying to achieve of sustainability, within the context of fairness.

Listening to what Deputy Ogier has said implies that we could reassess the pay-out of pensions according to means, and therefore that some high-net-worth people who have paid in for their full pensions would get relatively less than other people who –

335 **Deputy Ogier:** Just to clarify my comments if required –

The Deputy Bailiff: Point of correction, Deputy Ogier.

340 **Deputy Ogier:** That is not at all what I was suggesting. If any Member chooses to draw that inference that is up to them, but that is not what I was suggesting at all.

The Deputy Bailiff: Deputy Gollop.

345 **Deputy Gollop:** One Member definitely suggested that Social Security Department has been remiss in not looking at means testing pensions. Maybe that was Deputy Le Lièvre and we have to be very –

Deputy Le Lièvre: Point of correction, sir.

350 **The Deputy Bailiff:** Point of correction, Deputy Le Lièvre.

Deputy Le Lièvre: That is exactly the reverse of what I was saying. *(Laughter)*

355 **The Deputy Bailiff:** Deputy Gollop.

Deputy Gollop: Well, it was extremely unclear, this subject. Because the point is, if you start targeting pension benefits to those who most need it you undermine the social insurance contribution principle.

360 Deputy Ogier was making the point, I am sure he made this point, that when we increased the level of what we pay pensions, we were effectively taking more money in from the whole community, and not just the small sectors that would benefit. I think we have to be very careful with our finances to ensure that we do not overburden the States, because several times now Social Security have put before the Assembly measures to raise contributions and they have failed
365 on each occasion. Therefore it is curious Deputy Dorey, who lost a Proposition along those lines, is making that point again, when several times since we have been there, been rebuffed, or discouraged from making that move. So, if we try that again is that really a plan for sustainability and security for the future. Because Members seem to want higher pensions but lower contributions. You cannot have both.

370 **The Deputy Bailiff:** Deputy Perrot.

375 **Deputy Perrot:** Could I start, sir, by declaring an interest? I know that it is difficult to appreciate, but I am an old-age pensioner. I know that some of the lady Deputies say that I have the body of a young Greek God. (*Laughter and interjections*) So in response to Deputy Lester Queripel, thank you very much for valuing me, and I hope that I can continue to make some sort of contribution towards society. (*Laughter*)

380 There is a very important point that I wish to make, which is that is if I had the opportunity I would like to go very much further than Deputy Dorey, or Deputy Le Lièvre. I echo really all that Deputy le Lièvre has said, but the trouble is we cannot do it now. I know that I am biased these days because Deputy Le Lièvre and our beloved leader in SWBIC... I know that Deputy Green does not like acronyms, so I will say it again just to irritate him – SWBIC, so there! (*Laughter*) In SWBIC we are looking carefully at how those who have got disabilities should be treated, and in some ways, of course, some pensioners should be regarded as people being with disabilities in a sense
385 that they are not able to earn anything in the future, they cannot protect themselves against the slings and arrows of outrageous fortune, and therefore they are a vulnerable group. So if I could, I would give them very much more money. What I would do is to give them a living wage plus, because I think that they deserve it, if we have got the money. Unfortunately we do not have the money.

390 There are two problems. One is that we do have, as Deputy Le Lièvre said, an age demographic. We have a distorted proportion of people in older age who will no longer be working, but actually, the more frightening thing, which no one has mentioned, is that we do not have enough people in Guernsey. I have just had a look on my electric machine, if you will bear with me, sir – I think it is called 'calling up', isn't it? Yes, 'calling up' – while I call up an e-mail
395 which we received just a day or so ago. This was the rolling census, the latest information from the rolling census and jeepers, creepers – (*Interjection*) I am sorry.

The Deputy Bailiff: Deputy Lowe.

400 **Deputy Lowe:** I am sorry, sir, I was just trying to do a point of correction. I believe it is embargoed.

The Deputy Bailiff: Deputy Perrot, it is a matter for you (*Interjections and laughter*)

405 **Deputy Trotter:** How old did Deputy Perrot say he is, sir? (*Laughter*)

The Deputy Bailiff: Deputy Perrot. (*Interjection*)

410 **Deputy Perrot:** If I were to speculate, (*Laughter*) I would say that there has been net emigration from Guernsey during the course of 2013 and 2014. I hope that satisfies the sensibilities of the Mother of the House, Deputy Mrs Lowe, but I think it is common knowledge that there has been emigration from Guernsey, and not immigration into Guernsey. In order to satisfy our calculations, we have got to have more people coming in to this Island, and not people leaving the Island. (*Interjection*)

415 If I were to speculate a bit further and say that in 2013 and 2014 the net emigration was somewhere, let's say, north of 600, that is a difference of about a thousand, because we would actually have wanted 400 people to come in over that period.

420 So the problem is not just the ageing demographic. The problem is that people are leaving, and we need people to pay taxes, and pay the insurance contributions, in order for Guernsey's economy to work. So I would say that the economy, at the moment, in Guernsey is finely balanced. I think it could be at risk into the near future unless Commerce & Employment is able to do what it says it is going to do (**A Member:** Hear, hear.) and that is to encourage new industry into the Island – and that is not just a bit of new industry; that is much new industry. We need a huge amount of new business here in order to sustain that economy.

425 So why do I say that? Well it is unfashionable to say so, but if there is a burden to be borne, it
does have to be borne by everybody, and I am afraid that that does include, to some extent,
pensioners. I say that in the context of, as I said earlier on, I would like to pay pensioners much
more, but I think that for the future we have got to be very careful about how we upgrade the
430 pensions on a yearly basis. I am very much hoping that what we are proposing here is for the
short term. So when we go back into, again I hope, comfortable surpluses I –

Sorry, I think Deputy Gollop is intervening –

Deputy Gollop: A point of order – he said for the short term. In fact, the Proposition talks
about a third above RPIX for the short term, and then in the medium term subject to the personal
435 pension going to the RPIX level.

The Deputy Bailiff: Point of correction that was, Deputy Gollop, rather than a point of order.
Deputy Perrot to continue.

440 **Deputy Perrot:** The point that I was making is that I hope that we can be very much more
generous to pensioners. Deputy Le Lièvre will know from my work on SWBIC that I genuinely want
to do well by pensioners. We cannot at the moment, so these are the proposals for the position as
it is at present. I would hope that that would change into the future.

One of things, of course, which is going to bring about a change into the future, is that we will
445 have, I hope, secondary pensions. I am actually on the group which is looking at secondary
pensions. I am a slightly disaffected member of that group. I do not need to tell you that, I am a
slight disaffected member of that group in that I believe, as a philosophy, that secondary pensions
should be brought in on an entirely voluntary basis, but I am not sure that I am in a majority here.
We have not got to a position where we can say that is going to be the case. But my own personal
450 credo is that every secondary pension ought to be on a voluntary basis, because we have all got
to take responsibility for ourselves, and it is up to us to plan for the future for ourselves. It is all
very well to say that pensioners are vulnerable people as I have already said, but, of course,
pensioners some time before were not vulnerable people, they were people in work, and it is our
job as States' Members to say to the young, who do not want to know about the pension that is
455 years away, but we have got to say to them, 'You have got to take responsibility for yourselves,
you have jolly well got to be careful about what income you are going to have in the future, and if
you do not do this, do not bleat. You are going to be given the opportunity of having a secondary
pension – seize it.'

Deputy St Pier has spoken about the cost at the moment, if we go ahead with this proposal,
460 between 0.3% and 1.4% of contributions. It scares me when we speak about contributions,
because we have got – now let me irritate Deputy Green again – SLAWS coming and there you are
SLAWS. I do not think anybody can be unaware that bringing in care for the elderly, or rather
continuing with the long-term care of the elderly, is going to be a massively expensive business.
We heard some figures, in my terms these are going to be eye-watering amounts. So what are we
465 going to do about contributions there? Are we just going to bang on putting the contribution rate
up? I suspect we are going to have to put it up some, but we do not want to put it up to the
extent that we have got some sort of avoidance system, as we will have if we put income tax up
unduly.

Sir, as I was saying, there has to be a balance, and at present with a weak economy, a finely
470 balanced economy, the balance must be towards preserving the financial integrity of the fund. If,
as we hope, the economy recovers well, that is the time for easing constraints.

So although I would very much like to support this amendment, clearly for the reason
expressed I cannot.

475 **The Deputy Bailiff:** I will call Deputy Le Clerc next.
Deputy Bebb, do you wish to be *relevé*?

Deputy Bebb: Yes, please. Thank you.

The Deputy Bailiff: So we will *relevé* Deputy Bebb.

480 Then I am going to call Deputy Stewart, and then I am going to call Deputy Lowe, so Deputy Le Clerc.

Deputy Le Clerc: Thank you, sir.

485 Firstly, I would like to congratulate Deputy Ogier on his excellent speech. He has a great understanding of Social Security Department being on that Department, so I would ask you to pay attention to the words that he has given us today, very wise words.

490 This really is about – our Proposition 10 is all about securing the sustainability of the fund, and I felt that actually the work that we had done in this report, and in the appendices, clearly outlined the advantages, and disadvantages, and the financial consequences of our Proposition. So I feel if you are asking us to go away again, and review all of that we will just be coming back with exactly the same answers that we have got here.

495 I think it was really interesting last week, Deputy St Pier and I went into some schools and spoke to the sixth forms of those schools, and we asked them three questions. Those questions were: would you want to increase the pension age – I will have to look at my notes – would you like to pay more into the insurance contributions, or would you like to keep the pension at RPIX? Bearing in mind these are young people, their answer was to keep it at RPIX. So I think that is a really interesting perspective from some of the younger people within our community.

500 Deputy Dorey said, why are we not proposing increases in contributions? We are not proposing increases in contributions because at least twice since I have been a Deputy, we have brought propositions to this Assembly and we have been categorically turned down, and it was said, 'No we do not want to have increased contributions. That is not palatable.' So that is why we have not brought the contributions here.

505 If you agree to this amendment today, and you ask us to come back in our uprating report, our uprating report will clearly say we need to increase the contributions to at least 1.4%. However, we have also got other amendments that are coming along to talk about maternity provision that will require an increase in contributions. So you have got to say we have got 1.4% plus possibly an extra for maternity provisions.

510 I am also part of SLAWS and SWBIC, and SLAWS in particular we are looking at the sustainability of the Long Term Care Fund, and we may be coming back to this Assembly again and asking for increased contributions for the Long Term Care Fund. I am giving you the answers. You either vote for this Proposition today, and we come back and we ask for more, which I do not think you will agree to, or you stick with the Proposition of Social Security Department and T&R and we accept that we have to be careful, and we also know that perhaps we can look at it in the future, if we see an upside in growth in our economy.

515 So I think this gives us the best option, we are putting something away for a rainy day.
Thank you.

The Deputy Bailiff: Deputy Stewart.

520 **Deputy Stewart:** Deputy Bailiff, fellow States' Members.

525 I also congratulate Deputy Ogier on an excellent speech, and he put the case very, very clearly. Deputy Perrot, too, of course, we absolutely do not want to see poverty amongst our old-age pensioners, but we are going to have to start thinking a little bit differently on how we can deliver social benefits to these people. I think we are going to have to start thinking away from some of the traditional ways of handling this as we go towards the years.

Part of this is nett immigration, or even just keeping the existing work force, at the moment which is about 31,600, in place. There is no-one that is going to deliver you economic growth on a dwindling working population, unless of course the wages go up exponentially. On dwindling

530 working population the economy will shrink, and not only do we have this pressure on what we...
do we have the money? Deputy Perrot is right; we do not have the money. There is a lot of things
we would like to do. We are going to have to get clever at targeting people in real need.

Why have we got net emigration at the moment? I think there is a really good reason for that.
Following the UK budget, this is going to be a real thing, because we need these people paying in.
If you take someone on median earnings and apply the new tax rates and allowances from the UK
535 budget – and this is the other side of Pensions, Tax and Benefits Review – let's try and be fair to
the people who are working now. Someone on median earnings, let's say £30,000, in the UK after
all their tax and national insurance, they will take home £23,975. In Guernsey they will take home
£24,545. That is not a big difference, and by the time you factor in the extra cost of energy here,
the cost of housing because those people could be living in the north of England can get a nice
540 three-bedroom semi for £90,000. *(Interjection)*

Mobile phones – *(Laughter)* you see, at least I can laugh. We will have that debate next week.
This is the real challenge that we have, because we actually... and although I was pleased to hear
from Treasury Minister that it looks as though our economy is growing, I will wait and see the
figures before I start having a merry dance outside this Assembly. It is finely balanced our
545 economy, and it is going to get more and more difficult, because we are going to have to
maintain our working population, we cannot tax them more because people are mobile. People
will go to university and they will do their sums, 'Do I come back to Guernsey or do I stay in the
UK and follow my career path there?', and then we are going to have a fund that dwindles even
more.

550 So this is where, not only is the economy finely balanced, but this relationship where a huge
amount of work has been done, is so finely balanced about how much we can tax people, and
how much we can pay out and we are going to have to (a) monitor it very carefully as the years go
forward, but (b) be very careful that we do not frighten off the people that we need to stay in this
Island by giving them too much of a burden as well.

555 Sorry, I did not see you standing there, I am finished now – but I will give way, I could say
another sentence.

The Deputy Bailiff: If the Member is giving way, I do not have to say anything. Deputy Luxon.

560 **Deputy Luxon:** I apologise.

Would Deputy Stewart agree with me that although there was a small net emigration over the
last five years, the run rate still complies with the Roffey amendment of 2007 of net 200
immigration, so that is not the real issue?

565 The real issue, based on the demographics, is that the reduction in our current workforce,
because of the ageing demographic is approximately 15% to 28,000 to 31,000, that is the real
issue that we have got to confront, and as Deputy Perrot said earlier we are going to need
additional people in this this Island, but not just any people – working people who will not be a
burden on our social costs.

570 I just wondered if Deputy Stewart would agree with that as Commerce & Employment Minister.

Deputy Fallaize: Point of correction, sir.

Deputy Stewart: I agree totally with the HSSD Minister, sir.

575 **The Deputy Bailiff:** Point of correction from Deputy Fallaize.

Deputy Fallaize: Thank you, sir.

580 The amendment of 2007, which Deputy Luxon just referred to, which became a States'
Resolution, and still is, was not a net increase of 200 people per year. The Resolution is to
maintain the population at approximately its present level as expressed in 2007.

The Deputy Bailiff: Deputy Stewart.

Deputy Stewart: I have not got anything to add, sir, other than I will not be supporting this amendment.

585

The Deputy Bailiff: Deputy Lowe, to be followed by Deputy Hadley.

Deputy Lowe: Thank you, sir.

I will be supporting this amendment. I think it is a good amendment and I am disappointed to
590 hear some of the Members talking so strongly against it. Bearing in mind my colleague on my left
here was involved with Social Security for 16 years so he has plenty of experience in that. Twelve
years as a staff member and four years as a Board Member, and I was there for 10 years as a
Minister and as a Member, and I see merit in this, because I am getting a little tired of this Island,
595 which has been successful through the hard work of so many pensioners, who have worked so
hard to make this Island successful through their contributions, that they are now looking to
penalise these same people who have made this Island successful.

The pension has always been a platform, no more and no less. It was always Social Security's
wish, and many times promoted, to try and encourage people to take out a private pension to top
up the platform, and if they could not do that they were then picked up by Social Security,
600 because it was their entitlement. That is so important, it was their entitlement, they have paid for
that over the years as their contributions.

Yes we did have the Pensioner Association Group come in, every year in the 10 years I was
there, but I would have to say I do not remember them saying quite what Deputy Ogier was
saying. They were very grateful that we actually increased the single pension above the rest
605 because of the gap that was there and the difficulty, and that was recognised and thanked by the
Pensioners Association Group, and the group when they came in always said they were very
grateful for the increase that they actually had. However, many of their members were still
struggling, but they were encouraging their members to come into Social Security and to try and
get away from the pride of having to come in for what was their entitlement. That message must
610 still go out, it is their entitlement.

What is different with this is that, and I heard what Deputy Le Clerc said just now, we have got
the maternity one coming in etc. Well the difference with the maternity one: those women will still
be able to carry on in the workforce because they can get a form of income. The difference with a
pensioner is that many of the pensioners are either not able or they have got into a certain age
615 above what we class as old-age pension, and I do not like the words 'old-age pension'. They are
'pensioners', because 67 is not old, so there. It is just a pensioner and I tried to get that wording
dropped for years, to stop saying 'old-age pensioners'. You are not old age at 65, and we are
trying to get people to work longer so you are either old or you are not really. You cannot have it
both ways.

620 But, regardless of that is that once they have got to a certain age, and we have seen this of
late, and we have heard it from many, is that they are now having to dip into their savings,
because the interest rates are so low that actually money coming in to the household, a lot of the
people it is actually just their pension, the base-line pension that they actually get from the States,
and the top up from supplementary benefit.

625 If you go back 10 years ago when interest rates were a lot higher, they were able to top up the
little bit of savings that they had, but when you are talking of the almost non-existent interest
rate, those now are dipping in to their savings and some have used up their savings and are now
going to Social Security, and I think that is the big difference. We need to remember that many of
these people, or most of these people will not have an income stream any more, and so therefore
630 we have a duty as this States to recognise that these people have worked hard through all their
life they have paid their contributions and we should not see them as a nuisance, we should not

penalise these people. They are part of our community that have made this Island successful. I therefore ask Members to support this amendment because all it does is actually say:

635 '...to include in the 2015 uprating report the advantages, disadvantages, and financial consequences of adopting a policy of uprating pensions annually at the midway point between increase in median earnings and increases in prices.'

If you support this amendment you can then make a decision on facts, currently you have not got that, so I ask Members to please support this amendment and then we can debate it when the uprating report comes back later this year.

640 **The Deputy Bailiff:** Deputy Hadley, to be followed by Deputy Brehaut, to be followed by Deputy Kuttelwascher.

Deputy Hadley: Mr Deputy Bailiff.

645 It was very interesting listening to Deputy Perrot when he gave his speech, because he was emphasising how important it was that we as an Island attracted people to the Island to increase our economic output.

Now, I sit on the Board of the Housing Department and we receive applications for five- and 15-year licences, and we refuse to allow people with high degrees, who would contribute massively to this Island, we refuse them permission to stay here. We are doing it now. Last year we were refusing Housing Licences to nurses, who we desperately need in our Hospital. As the Minister said yesterday, we need another 73 nurses in our Hospital, and yet we are refusing to allow these people 15 – well, we were last year – 15-year licences to stay on this Island.

I really do think it is time the Policy Council brought to this Assembly a Resolution to change the ridiculous policy which binds the hands of the Housing Department.

655 Thank you, sir.

The Deputy Bailiff: Deputy Brehaut.

Deputy Brehaut: Thank you, sir.

660 I tend to agree with the comments made by Deputy Lowe, or rather in her feeling the necessity to read out that amendment again, because the debate we are having is as if the Social Security Department have returned with proposals. (*Interjection*) This is just asking them, just asking them to go away.

Now Deputy – (*Interjections*) well no, Deputy Le Clerc. (*Interjections*) Well I am sorry – I understand Members of the Social Security – the 10 Members of the Joint Boards have come back with crib sheets, they all have crib sheets, they are all absolutely on message, they have got the amendment drafted in front of them, below it they have the explanatory note, below that they have got suggested notes for debate. That is pre-determination. This is a debating Assembly. This is a Chamber where we come to debate, rather than Members come here – (*Interjections*) No, rather than Members come here... because please remember I have been in this Assembly long enough to know that what happens on occasions is people who are committed to a policy come here, whether it is seemingly two Boards on this occasion, and they feel that the integrity of a policy that they have worked hard at will be compromised in some way if they concede too many amendments, or any amendment.

675 Please come here, not with a script, not with prompts, not with a crib sheet, do not do that today, and just be a little more open minded, bearing in mind the concerns in the community with regard to these far reaching proposals.

I say that because I am not hearing voices today that I would expect to be hearing, and that disappoints me a little. Because I think some Members who have signed up to this joint package would be more supportive but feel, I am afraid, that they would be, if you like, they do not want to appear to stand apart from the Joint Committee work. I would just ask you Members this is an important piece of work for the foreseeable future, just be a little more open minded today. The

685 Social Security Department can report back, and then we can have the debate on the merits or otherwise, (*Interjection*) but let's have that piece of work in isolation, not lost in an appendix that is not even numbered, for Heaven's sake! So let's send them away, do the piece of work come back and then make a decision and have the debate at that time.

As a non-States' Member when I was on the Housing Department we had a report from Mike Parr on social housing, we also later had the Townsend Report, and we have not moved a great deal further forward from that.

690 Now, people, the Commerce & Employment Minister was saying before we have to work out how we can get to those people who are on the margins, how we can get to those people who have these types of issues. The work has been done, the work has been attempted, there is a whole back catalogue, so let's not let that collective amnesia, again, impact negatively on social policy.

695 I see no harm at all in sending the Social Security Department away to come back at another time, independently of this body of work, to look at these proposals again, rather than pre-determining because it is considered absolutely imperative that two Departments produce work that is not compromised when in fact this has the potential for Members to actually enhance the contents of this report.

700 Thank you.

The Deputy Bailiff: Deputy Kuttelwascher, to be followed by Deputy Fallaize, to be followed by Deputy Paint.

705 **Deputy Kuttelwascher:** Sir, I have no notes or crib sheets (*Interjection*) or speech. No, you can take them away. (*Laughter*) I mean this is just – that is the Billet – (*Interjections*) Absolutely, look, there we go, look – I think I have made my point. (*Interjection*) I have just been accused of misleading the Assembly. I think you should retract that, (*Interjection*) never mind...

710 **The Deputy Bailiff:** He was not on his feet, Deputy Kuttelwascher, so he was not... other than commenting.

Deputy Kuttelwascher: Well maybe he should keep quiet then, do you think that is – (*Laughter and interjections*)

715

Deputy Brehaut: Just a point of clarification.

The Deputy Bailiff: Point of correction.

720 **Deputy Brehaut:** Deputy Kuttelwascher, like every Member, has that crib sheet and has used it on several occasions. It is a statement in fact. (*Interjections*)

The Deputy Bailiff: Deputy Kuttelwascher.

725 **Deputy Kuttelwascher:** Sir, what I have to say has got nothing to do with what is written anywhere.

I was Chairman of Age Concern Bailiwick of Guernsey for five years, and I was very pleased to hand over that mantle to my colleague Deputy Lester Queripel. One of the things I followed carefully during that tenure was the number of pensioners we had. When I last checked, which was a couple of years ago, there were about 12,000 people on the Island of pensionable age, and the other thing I remember, and it is not on any crib sheet because it is in my mind, was that approximately around 1,200 of those pensioners were supplementary benefit recipients. Now, that is 10% of the pensioner population.

730

735 So one can assume, I think, that 90% were sufficiently well catered for financially, although I agree some may have been on the margins. So what we are talking about here, and what Deputy Queripel even Deputy Le Lièvre and others fail to notice is they are talking about roughly 10% of our population group, and they are not all in the same financial position. What is being suggested as a solution is a much increased uprated pension for everybody, including those who have incomes of shall we say six and seven figures, just so that you can cover those who have got a problem.

740 I fully agree with Deputy Ogier that we need to be able to focus on those that need the assistance. This is the thing throughout this whole PTBR process is that universality is very, very, very expensive, and it does not actually solve much, except for those that actually need it, but in order to solve that problem by universality you pay a vast amount and that is the problem. I agree with Deputy Ogier we need to focus on those who need it.

745 Therefore I will not support the amendment and continue to support the Propositions that are before us.

Thank you, sir.

750 **The Deputy Bailiff:** Deputy Fallaize.

Deputy Fallaize: Thank you, sir.

755 On the point that has just been made by Deputy Kuttelwascher, whether it was from a crib sheet or not – he makes an argument which is puzzling in the context of some other proposals which have been put before the States by the Joint Committees. He said that we needed to focus on those who need assistance, universality is very expensive and does not solve much. What of increasing universal tax allowances to £70,500 (**A Member:** Hear, hear.) and distributing them to vast numbers of people who are not pensioners in the main, but who are in work and do not need them? So I would say to Members of the Joint Committees, please do not come to the States and argue against universality in terms of benefits, and then argue in favour of universality in terms of tax allowances, because there is an incoherence in that argument. (**A Member:** Hear, hear.)

760 Many of the proposals in the policy letter have generated quite considerable public debate – perhaps not as much as they might have. I think there has been a sense that many of the proposals are trying to set a direction rather than firm proposals, which is not true in the case of all of them. But nonetheless there has been quite a lot of debate about, publicly, about the pension age, and a broad based consumption tax, and withdrawing universal benefits, and to some extent, the proposed increase in personal tax allowances. There has been very little debate about pension uprating policy.

770 Propositions 10 to 12, which are the Propositions which Deputy Dorey is trying to amend, have generated very little public debate. I think it is fair to say that the ramifications of Propositions 10 to 12 are just not widely understood. They have not been conveyed fully, either by the Joint Committees, or by those of us who disagree with these proposals. However, I think Propositions 10 to 12 are probably the most significant of the 41 Propositions before the States. I think on balance that these Propositions are more significant than 38 or whatever it is to do with GST. I think they are most significant than the Proposition relating to pension age and to the increase in personal tax allowances.

775 The reason is because many of the other Propositions relate to adopting new measures, new policies. These Propositions 10 to 12 essentially set out an approach, which as Deputy le Lièvre has demonstrated, deviates from decade's long pension uprating policy, going back perhaps as far as five decades. Certainly at the very least going back two decades. What is proposed at Proposition 10 is an attempt to undo the approach that has been taken to pensions over several years. And Deputy Gollop rather let the cat out of the bag – there was a rather interesting period during this debate when Deputy Perrot said that he was against the amendment, and then made several good arguments in favour of it, and when Deputy Gollop then in replying, although he is a Member of the Joint Committees and is against this amendment he says, stood up to correct

Deputy Perrot's assertion that in the future a more generous pension uprating policy could be adopted, he drew the States' attention to what is key, particularly about Proposition 10:

'To agree to establish a guideline for the annual uprating of statutory old-age pensions, set initially at 1/3rd of the real increase in median earnings, with the intention to reduce this to RPIX subject to suitable policies to enhance personal provision being in place.'

790 Now, there is absolutely no question, the intention here is there are effectively four options with uprating pensions, one is to uprate in line with earnings, which has been the objective, the desire for some time, but has been regarded as being unaffordable. The next best is to uprate half way between the increase in prices and earnings. The third best is to increase in line with a third of the difference between prices and earnings. The worst is to increase in line with prices.

795 The long-term approach that is set out in Proposition 10 is to increase pensions annually in line with prices. That is the clear intention. It is no good saying well it is only a guideline. It is an attempt to set out a direction of travel as a clear policy to try to ensure the sustainability of the Guernsey Insurance Fund. Now, I cannot see that it is safe to make a major shift in policy, which does date back decades, on the back of the report that is before the States today. I just do not
800 think that there is enough in this report to allow us to understand the consequences, and the implications, of a major shift in policy. I am happy to make a decision today about GST, and as I will say in a later debate the considerations about GST have caused me a lot of difficulty, because I think that there are good arguments on both sides, I am happy to make a decision about universal tax allowances, but there is not enough in this report to make a safe sensible decision to
805 undo the pension uprating approach that has been adopted by this Island for decades. There just is not enough information. That is the purpose of the amendment. I would have voted for an amendment to maintain the pension uprating policy, the long term policy, although the present Social Security Department in the last couple of years has tried to undo that annually. But there has been an approach taken for some time of increasing in line with the difference between prices
810 and earnings. I would have voted for an amendment to maintain that policy. But, what the amendment actually is saying is directing Social Security

'...to include in their next uprating report the advantages, disadvantages and financial consequences of adopting a policy of uprating pensions at the midway point between earnings and prices.'

815 There is speculation going on, in this debate, about how much contribution rates would need to increase by, it might be 0.3% it might be 1.4%. We do not know. The reason we do not know is because we have not had a proper analysis of it. We did have in 2009, but since then six years have passed, and the States have failed – and I use that word advisedly, 'failed' – to heed the advice of successive Social Security Departments to raise the contribution rate, and because of that we do not know what the increase in the contribution rate would now have to be to make the
820 kind of policy that Deputy Dorey in the long term wishes to establish; what it would take in contribution rates to make that affordable.

Now, I do not know what has happened to the collective memory of the States, but the decision to increase pensions between prices and earnings was not just plucked out of the air. It was a policy in response to external analysis, and advice, about the effects of increasing pensions
825 at a rate below that which had been happening for some years. The Townsend Report, about which there was some doubt at the periphery, set out very clearly the effects, I will not refer to the word poverty, because even though he is not in the Assembly, Deputy Perrot may be listening, and if I talk about poverty – (*Interjections*) Oh, he is in the Assembly – he has gone to Alderney! (*Laughter*) He will do a programme on me if I refer to relative poverty, or poverty.

830 But there is no question that by not increasing pensions, at least between midway point between prices and earnings, but if possible in line with earnings, it will push more pensioners into material hardship. Not in one year, not in two years, not even in three years, but we are

talking here about long-term tax and benefits and pensions policy and in the long term, it will push more pensioners into material hardship.

835 Deputy Perrot is right when he talks about encouraging personal responsibility, but we have to bear in mind there are many people who cannot make adequate provision. It is not that they are choosing not to. It is that they cannot. I suggest there are more people in that position than we often take account of, because this Assembly is materially unrepresentative of society. (**A Member:** Hear, hear.) I have participated in debates in this Assembly, where we have spoken
840 about the upper earnings level when it was around £65,000 going up towards £85,000, and I have heard people making speeches about that representing an attack on middle income earners. There are not middle income earners. The median earnings in Guernsey are still less than £30,000 a year. People who are earning £60,000, £80,000, £100,000 a year, and good luck to them, are not middle income earners. There are very many people in Guernsey who cannot make adequate
845 provisions for old age and if this policy is adopted, that is set out at Proposition 10, we will in the long run push more and more pensioners into material hardship.

I am very supportive of measures to enhance personal pension provision. I am in support of secondary pensions. But, the most difficult people to help through secondary pensions, and enhanced personal provision, are the very people who need them most. Because as one of my
850 former Vale Deputy colleague's used to say, for these people there is not enough month – oh no, what is the phrase? 'Too much month left at the end of the money.' So enhancing personal provision and secondary provision for those people is not likely to be of any great advantage at all. This Proposition 10 will push more pensioners into material hardship in the long run.

Now, Deputy Le Clerc and Deputy Gollop spoke about previous attempts to raise the insurance
855 rates, and I admire them, because they have laid those proposals before the States, as their predecessors did, but on the last occasion and possibly the last couple of occasions when the States rejected the proposed increase in contribution rates, the prevailing line of argument against was, we know we will have to raise the contribution rates, but we should not do it in advance of the Personal Tax Pensions and Benefits Review. (*Interjections*) That has been the
860 prevailing argument.

There have been some arguments not to do it because businesses, for example, cannot sustain it at the moment. Deputy Stewart has made some of those arguments, but the prevailing argument against – bearing in mind that the proposal was defeated very narrowly by I think two or three votes – the prevailing argument of those against was we should not do it in advance of
865 the Personal Tax Pensions and Benefits Review. I think there was a wide spread expectation that this review would propose a moderate increase in social insurance contribution rates, and I think it is more than disappointing that it does not. I think it is feeble that it does not. We cannot deal with the long term demographic challenges without increasing contribution rates. Yet in this report there is no proposal to increase contribution rates.

870 There are three possibilities to sustain the fund, as has been said in this debate. There is the increasing of the pension age, there is the limiting of the increase in pensions, and there is the raising of contribution rates. Now I would argue that we have already done two of those, because we ought to have an objective of increasing the pension in line with increases in earnings, because we do not want pensioners to fall behind the rest of society materially, we have conceded on that,
875 so we have the policy of increasing pensions annually at the midway point between prices and earnings.

The second option is to increase the pension age. Now we are very advanced, we are heading clearly in this debate towards voting to increase the pension age to 70, which I agree with incidentally. We are very advanced in doing that, there are very few jurisdictions which have acted
880 so early to raise the pension age to 70. Some are going to 66, 67, 68 but we went to 67 in 2009. We have already gone to 70 and it is only 2015, we have been very quick to do that.

The third part of the three-legged stool in to raise contribution rates. That is what we have so far backed out of – I do not think we can. I know it is unpopular, I know it is difficult, but we cannot sustain the fund in the long run and maintain adequate rates of pension without

885 increasing contribution rates. I referred to Alice in Wonderland politics yesterday. I am afraid we
are swimming in Alice in Wonderland politics today, if we believe we can do this without raising
contribution rates.

We are not talking about vast increases, we are talking about perhaps ½% on the employer
contributions and ½% on the employee contributions. It is alright to say, well, we cannot do that
890 because we have got the Supported Living and Ageing Well Strategy coming to the States, and
Deputy Burford has got an amendment on maternity benefit. Are Members of Social Security
going to support Deputy Burford's amendment, which they are now praying in aid not to have
raised contributions rates to sustain the pension fund? No, they are not. They intend to kick out
that amendment, so we will not have the increase in contributions rates because of Deputy
895 Burford's amendment.

And what is planned in respect of the Supported Living and Ageing Well Strategy? Okay, I am
not sitting on the working party that is drafting it, but I very much doubt that the proposal
includes significant increases in the contribution rate. This report is already speculating about
having to take into account the value of the family home, in order to provide for the Supported
900 Living and Ageing Well Strategy. I very much suspect that that will be the direction of travel, it will
not be to sustain the Long Term Care Insurance Fund by material increases in the contribution
rate, it will be to sustain the fund by putting the burden of provision back on to the individual and
away from the State, but we can have that debate in the future. But do not use those spurious
arguments about what might be coming down the line to try to defeat this amendment.

This is a two-stage process that the Joint Committees have in mind. First of all, you restrict the
905 annual increase to one third of the increase in prices and earnings, and then you push the pension
increase down to in line with prices. Now, we know what happens, we have experience of all of
this. We know what will happen to pensioners if we do that. The Townsend Report sets that out
very clearly. The UK knows what happens when you do that, because in 1979 they undid the policy
910 of increasing pensions in line with earnings, and they increased it instead in line with prices, in line
with the thinking that you have to push responsibility back on to the individual. What happened?
The value of the pension was eroded very significantly, and now they are having to increase
pensions in line with earnings.

Now the great advantage of our historic approach to pensions, and the maintaining of this
915 very considerable fund, is that we do not have to change policies annually. It is a ridiculous
argument to say oh, this is only a guideline. If Deputy Dorey wants to increase pensions in line
with earnings or a midway point in any one year, he can come forward with a proposal to the
annual uprating report. Are we going to spend, or are our successors going to spend the next 10,
or 20 or 30 years every year debating a change to pension's policy on the occasion of the uprating
920 report? That is ridiculous we need a long-term policy.

That is what this is meant to be about. It is perfectly reasonable for Deputy Dorey to say, on
the basis of the evidence available, we should not for the long run adopt a policy of restricting the
increase in pensions annually, we should only enter into that territory after the greatest possibly
consideration, and I do not think that the Proposition has been given the greatest possible
925 consideration, either by the public, or by Members of the States, partly because other issues in
this report like GST, and personal allowances, and universal benefits have crowded out the
significance of this policy.

One final point, sir, we know that pensioners, very many of them – not so much some of the
more affluent pensioners, which other speakers have had in mind, but very many pensioners – are
930 subject to, in reality, a greater price inflation than the rest of the population, because of the basket
of goods which they tend to consume in disproportionate amounts. This is acknowledged. I think
there was a Policy Council Report we debated only a month or two ago, about the living wage,
which speculated about the need for a separate RPI measure for pensioners, because they tend to
be subject to a different price pressure from the rest of the population. In other words, they suffer
935 from inflation more than the general population, and many of them are not earning, so they do
not benefit from the long-term trend of earnings increasing above increases in prices. Yet here we

are faced with a Proposition to, in the long run, reduce the increase in pensions to prices. This is not a sensible policy to adopt. The amendment calls for the consequences of a more sensible –, still a very moderate but a more sensible – policy approach to be set out in the Social Security Department’s next uprating report, and, sir, I think it is unthinkable that the States could consider voting for Proposition 10 and making this very major shift in policy without a full understanding of the consequences, and I urge Members to support the amendment.

A Member: Hear, hear.

The Deputy Bailiff: Deputy Paint.

Deputy Paint: Sir, and Members of the Assembly.

An item that is very rarely spoken about in this debate is States’ spending. It is important, I believe, that we have to control our spending, because there might have to be some cross-financing of older people, or pensioners, of whoever in the future. I am concerned at very little attempt to control States’ spending on unnecessary projects that are not really necessary. We should with due respect be trying to tread water in our finances, at the very least, and concentrate on the Bailiwick’s needs, rather than ‘it would be nice to have’. We do not know what the future brings, and in my opinion we have to be very careful on how we spend. I believe that people should come first, and if we have to cross from one part of the States to assist others, we have to do it.

Regarding licences, I have to say that it is very rare that a necessary licence is refused, contrary to what has been said earlier. Every request for a licence is thoroughly examined, and is issued on its merit. It fails or is passed according to the needs of the Island by the majority of the States’ Housing Board. For example, it would not issue a licence to a man from the moon because the Island is short of cheese as some Members would want.

Thank you sir.

Deputy Hadley: Point of correction, Mr Deputy Bailiff.

The Deputy Bailiff: Yes, Deputy Hadley.

Deputy Hadley: We need 73 new nurses on this Island, and last year applications for nurses who wanted a Licence extended from five years to 15 years were refused because the Board follows the policy of this Assembly, as we have to. That is a fact.

The Deputy Bailiff: Deputy Trott.

Deputy Trott: Sir, I shall be brief.

I often say to single pensioners who ring me that I am genuinely amazed how they survive on the single pension if that is their sole source of income, particularly those who do not have a network of family and friends to support them, and particularly those who remain too proud to seek alternative supplemental opportunities.

So I was genuinely amazed to hear my good friend Deputy Ogier advise me earlier of his experiences when he was on the Social Security Department, and in particular the comments that the pensioner organisations, representative groups, themselves had said they were satisfied with the indexation alone. So it is counterintuitive. I am much more aligned, I think, to the comments of Deputy Fallaize and others in my perception, but clearly the reality is somewhat different from the organisations’ themselves very statement.

But I have two questions, which I would be grateful if the Minister for the Social Security Department could answer when he speaks. The first is, is it actually possible in law to withdraw the old-age pension from those in our community who are of substantial wealth, like my good friend

990 the billionaire, Deputy Perrot – and before he jumps up, sir, I am the first to admit I may have understated his wealth there. *(Laughter)* Is it even possible in law? Even if we wanted to do it, is it possible?

The second thing is, and I am aware of the experience with regard to the Children's Allowance, people are not as willing to be as philanthropic as many of us would like, but have we ever offered those old-age pensioners who fall into the category of not needing the support of the universal benefit of the old-age pension the option to opt out?

995 So two questions. One is it legally possible for us to withdraw it even if we wished? And have we ever asked pensioners to only take it when they feel they need it?

Thank you, sir.

1000 **The Deputy Bailiff:** Deputy Harwood.

Deputy Harwood: Thank you, sir.

If I may just address the last question posed by Deputy Trott whether or not it is legally possible, certainly it is always open to any person of pensionable age to not claim the pension. I think that is the answer to that one.

1005 Sir, I just wanted to draw this matter back to –

Deputy Trott: Thank you to Deputy Harwood for that, sir.

No, the point is have we ever officially offered? Rather than it just being out there floating around, have we ever gone out to our community and said, 'Laid here is an opportunity for you to make a difference. Are you able to opt out and if so will you?'

Deputy Harwood: I will leave the Minister of the Social Security Department to give a detailed response to that particular question.

1015 I want to draw this debate back to the actual amendment that is being proposed, because it is asking the Social Security Department to go away and come back with information. Well, sir, in relation to this particular debate we are overwhelmed by information, and for the benefit of those who say we have not got any, I have just totted up the number of pages within the appendix that actually deal with the question and the funding of the pension. It runs to at least 34 pages.

1020 Now I appreciate they are not numbered, but there are 34 pages of text in the appendix which deal with all that analysis, including two Government Actuaries reports, that information is there, and I would draw to Members attention in particular, one of the conclusions which is stated in Appendix 5e which states:

'Actuarial projections indicate that, assuming an annual uprating of 0.5% (1/3rd of the assumed increase in median earnings), an increase in the pension age to 70 by 2049 would reduce the required contribution increase to between 0% and 0.9%. If combined with an assumption of an uprating policy of RPIX only, an increase in the retirement age as stated could make the fund sustainable even using the downside projections.'

1025

This is further emphasised in paragraph A5e.10 on the previous page:

'...the cost to the GIF of continuing to increase pensions by more than RPIX each year, which 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 £7m to £14m per annum from the workforce (or employers) if applied today.'

1030 Sir, during this debate a lot of attention has been focused rightly on the plight of the pensioner, but when I attended a Douzaine meeting on Monday at St Peter Port, I was reminded actually we need to consider the plight of those who would be asked to pay increased contributions if we were to go along the lines suggested by Deputy Dorey: the young people, the people who are struggling already to make their way in our society. To impose upon them a further contributions rate increase. Sir, I suggest we do need to retain a sense of balance.

1035 Mention has been made of the Supported Living and Well Being Strategy, which I have the
honour to chair. We have not yet finally come to a view as to the funding that will be required.
Almost certainly if the States wish to continue the style of care that is available under the current
1040 scheme, then they will be further contributions. That again will be the contributions that we are
requiring for those who are in employment to support those who are not in employment. So we
have to maintain that balance, that balance is critical. To any person here who suggests there can
be more information than the 34 pages in this appendix, I would suggest they are probably being
somewhat optimistic. But I would also draw to their attention that the information that is already
in here, which clearly identifies –

I will give way

1045

Deputy Fallaize: I am grateful to Deputy Harwood.

Amongst the 34 pages of information, how many can he find on the social consequences of
the proposed policy change?

1050

A Member: Hear, hear.

Deputy Harwood: I concede that the information we have before us is financial information,
but that is probably all the information you are going to get certainly from an actuarial and from a
financial point of view.

1055

I would remind Members that the comment here that in monetary terms an increase of by
more than RPIX

'... would extract a further £7m to £14m per annum from the workforce ... if applied today.

The state of our economy is such that we cannot afford even that element.

1060

Thank you, sir.

The Deputy Bailiff: Deputy Le Tocq to be followed by Alderney Representative Jean.

The Chief Minister (Deputy Le Tocq): Mr Deputy Bailiff:

1065

I think this has been a very good, and important, section of our debate, and it has been a good
reason at least for Deputy Dorey to lay this amendment. I will first of all just start with why I have
some sympathy with this amendment, and to touch on something that Deputy Harwood has just
said, and to some degree Deputy Fallaize has dealt with by interjection, so pre-emptive of what I
was going to say. There is lots of information, certainly in this report and plenty of evidence as to
1070 the plight that we find ourselves in, in terms of funding, which Deputy Scott Ogier alluded to
earlier, and which I think is probably the most important thing for us to focus on in terms of a
realisation that things cannot continue as they are at present.

1075

However as Deputy Fallaize alluded to, there is very little information as to the effects of what
this change in uprating philosophy would have on those most in need., indeed those who we seek
to help in other ways. Now I know there is work going on, on those particular ways at the
moment. But the fact is, they are not before us today, and they are certainly not before the public,
and I think probably that is why the general public have not picked up on, because if they could
see those things, there would be questions about some of those things no doubt. Now I am
interested in those things, because I do not believe that through simply relying on the way in
1080 which we have provided support for pensioners in the past, and that particular method, that is not
going to help in the future, and I am keen to see us be more creative and more targeted in the
future, in the way in which we help those who no longer are in employment.

1085

But there is another elephant in the room, if I can come on to that, and it has been alluded to a
little bit here, but there are, of course, a number of options that would be available to us. This
Assembly has resisted, as has been mentioned already, increases in contribution rates, but, of

1090 course, we are facing the major problem which is a reduction effectively in our working
population. We have a population policy at the moment, which is to keep roughly the same as
things were about a decade ago. Now that can sound, 62,000 or so can sound, sort of a sensible
thing to have in terms of an aspiration, but 62,000 pensioners would be a totally different matter
1095 altogether, and the fact is in broad terms we are heading towards that imbalance, and so we have
to make very difficult decisions. The problem I find, and I think probably others in the Assembly
are like me, is to just look at Propositions 10 to 12 in isolation, without a clear understanding of
what we would seek to do to help those most in need and most affected by the change, a move
to RPIX as the uprating guideline, then it is difficult to imagine that brave new world, and how
things would look in the future.

1100 However, I am comforted to some degree by Proposition 12, which says that the Social
Security Department is directed to review the guideline for the annual uprating of statutory old-
age pensions no later than 2020. I think that is the thing that somehow has been missed here.
That has to be. We cannot do this because this Assembly likes to go back on its own Resolutions,
1105 which almost makes the whole debate a little silly, but nevertheless, I believe we need to, if we
take that seriously, put it in stone, and say it is absolutely essential that as soon as possible,
because if we can deal with a population a working population issue which the Policy Council is
determined to do, this side of the next election, to come back with proposals in terms of helping
us to increase our working population contribution, then we have the options that perhaps not
put before us today.

1110 So can I encourage the Assembly to think very seriously before voting on these things, but
take into consideration, I would ask the Treasury and Social Security Ministers to particularly
empathise what this means, and the options that would be available to the Assembly in the future,
or the future Assembly obviously, and how we can make sure that this is not something that
becomes set in stone as a permanency, but there would be options to look at ways of targeting
1115 help to those most in need, perhaps including the sort of suggestion that Deputy Trott mentioned
before, all of which could enable us to help those who no longer are in work, that we want to
support, and I would say want to support at least as well as we currently do today.

1115 **The Deputy Bailiff:** Alderney Representative Jean.

Alderney Representative Jean: Thank you, sir.

1120 I want to support this amendment, but for a slightly different reason. My reason is the unequal
lot that an old-age pensioner in Alderney has to contend with. This is one of my major concerns
and is why I like this amendment. What does a pensioner in Alderney have to contend with? Yes,
many of them have been prudent in their lives; they have had businesses; they have made profit
during the good times; they have invested in property in Alderney; they have worked there, many
of them a lifetime; their funds have dwindled; their savings have dwindled through high bills,
1125 higher many of them than here, high oil costs, high electricity costs, and fundamentally for an
Alderney old-age pensioner it is a completely different lot to the lot of an old-age pensioner in
Guernsey. The problems are larger in Alderney.

1130 That is my reason for looking at this, and I cannot be anything else but be compassionate
about that, and understanding about it, because I know of people in Alderney whose savings have
dwindled away, and to manage on the old-age pension, where the Guernsey pound in Alderney is
not getting the value even that a Guernsey pound in Guernsey will attain for an old-age
pensioner.

1135 So, I am going to support this amendment but for that reason. I understand what people like
Deputy Harwood is saying, but I also understand what Deputy Fallaize has said, and your stand
makes sense for here, and it is right for here, and I am glad you are supporting the amendment.
But I am going to support the amendment because of the fundamental difference in the lot of an
old-age pensioner in Alderney compared to here.

Thank you, sir.

The Deputy Bailiff: Deputy Laurie Queripel to be followed by Deputy Sherbourne.

1140 **Deputy Laurie Queripel:** Thank you, sir.

Sir, the Joint Boards have gone to some length to take their message out to the community that the report and the proposals are not an attack on pensioners. I do not doubt that they believe that, sir. But when you look at a particular group of proposals some people might think otherwise.

1145 The pension-age rise to 70, combined with a removal of universal benefits, many of which will affect pensioners, and a downgraded uprating policy. So, the reward for working to 70 will be a decreased access to benefits, and a downgraded uprating policy. So that is the reward for working the extra five years, not three years, because the pension age at the moment is 65, not 67. So, whether pensioners need the pension, or the full pension, and all the universal benefits that can be dealt with, with a more progressive targeted approach to taxation. The Joint Boards are reluctant to take a progressive approach. They are reluctant to tax back, because they will not only capture the better off pensioners, but also those with greater disposable incomes across the community. This approach is all based on wanting to take a conservative approach across the taxation *piste*, that is why, one of the reasons why we are now looking at this proposal to downgrade the uprating policy.

1155 The proposals in the report, and the consequences that will emanate from them, is based on that. The conservative approach, and that is the thread running through the report, and that is why all these proposals are set out in the way that they are. So if we took for example a more targeted approach, or a more progressive to personal taxation allowances, that would deal with many of the issues that we are facing without having to affect the people that Deputy Harwood was speaking about: the younger people on lower incomes who are already struggling, without having to have an impact upon pensioners who are not in the well-off bracket. So, I think that is the thread that is running through this report I think that is the elephant in the room, that the Joint Boards want to take a much more conservative approach to taxation, and not a progressive approach, and that is why we are looking at things like the proposal like the downgrading the uprating policy. We are not looking at targeting people with disposable incomes, or getting more from them, and we are not looking to get more from the corporate sector and from the business sector.

1160 So that is why I am going to support this uprating policy because this proposal is the result of taking a conservative approach to this report, and not a progressive one.

1170 Thank you, sir.

The Deputy Bailiff: Deputy Sherbourne.

1175 **Deputy Sherbourne:** Thank you, sir, fellow Members.

I want to make a brief contribution to this debate, but I would like to start off by actually applauding those comments that have just been made, because that is the big problem that I have with these proposals. It is a very good piece of work, there is no doubt about that. It raises a lot of issues that need to be addressed over the next decade or so, there is no doubt about that. But I do believe that the common theme running through this starts at the wrong premise. It starts from a tax neutral position for example. That has been explained by the Treasury Minister in the presentations. I think that was wrong. If we know that we are not collecting enough money to maintain the services that have been so hard won by this community over the last 50 or more years. If we actually start from the premise that we cannot redistribute tax burden towards those that can afford, if we cannot do that, then we are stuck with a situation reflected by proposals, thankfully there has been a modification with regard to module 3 and universal benefits. They at least will be a green paper. But we are in a position now of having to if you like go along a continued route of gradual erosion of those hard won services, and this is just one of them.

1190 In my mind, the mind-set and the health of any nation is well illustrated by the way that we
 look after, the way we nurture, the way we protect our populace – especially those like the young,
 the elderly and the vulnerable. To me they are a priority, and yet all I have seen in this report are
 gradual movements away from the sort of philosophy that I have just described. We will be
 judged in the future, there is no doubt about that, but I do not want to be part, really, of an
 1195 Assembly that has got such a conservative fiscal mind-set that it actually ignores some of the
 basic responsibilities that we, as elected representatives of all the Island's people, have.

As I say, I have great difficulty with the general tenor and the tone of the proposals, but I
 certainly cannot support any proposal that will erode those hard-won benefits, and improvements
 that our community has actually gradually got used to. I can understand people turning round
 and saying, 'Well, maybe we should not have got used to that, we have been spoiled, we take it all
 1200 for granted now, now is the time to really get a grip on it. What are these services that we have in
 place that we can do without?' It is those sort of questions that are being asked.

Yes, there is a need to improve all services, we need to keep an eye on the direction of all our
 services to the community, and the cost that they incur, but the central position for all of us
 should be to protect those people that need the most protection, and I cannot support a proposal
 1205 that actually erodes an individual provision for the pensioner, that as I say has been hard won.

Deputy Le Lièvre I thought made an excellent speech. I think that was backed up by Deputy
 Fallaize, and I fully support the efforts of Deputy Dorey in bringing this forward. Yes, it probably
 could have been worded better, but like most amendments. I do understand the arguments that
 are offered, that, 'Ah, you are just throwing back to us. We do not want it thrown back again, we
 1210 will come back with the same answers.' Well I think they are there, but thereby hangs a tale: if that
 is going to happen with everything that we ask various Boards to bring back, then the future does
 not look too good.

There are real concerns here and they must be addressed, and I do not think that we should be
 agreeing to anything in this Assembly, at the moment that commits us to a course of action that is
 1215 going to disadvantage certain groups in our community. (**A Member:** Hear, hear.)

Therefore I do ask you to support this amendment and let's hope that should it be successful
 that we can protect the interest of our elderly citizens.

Thank you.

1220 **The Deputy Bailiff:** Deputy Brouard.

Deputy Brouard: Thank you, sir.

Government provided pension is a staple. It is like milk, eggs and tea and water. Make no
 mistake the review team wish to devalue the pension over time. That is the writing on the wall,
 1225 and they can make as much noise as they like to say well it might be and it may be. This is what
 they are actually asking for.

The Pension Puzzle made it very clear that if we uprate it at RPI we were sustainable. I find it
 very, very strange that some Members, especially one who was at the very beginning using that
 very argument to say that we needed to increase the pension year on year, is now using that
 1230 argument the other way round to say actually we can go to RPI and make it sustainable, we have
 always known this. Now I would rather have a decent pension as a staple product, like your milk,
 like your eggs, like your tea, and if we then find that that some pensioners do not need that
 pension, or have extra income from other sources, then we claw it back through the tax system.
 (*Interjections*) That is a far better way of doing this.

1235 I am all in favour of a second pillar pension, but you have got to have the income to be able to
 have a second pillar pension (*Interjection*) and Deputy Lowe knows well, because we were on a
 committee long time ago when there was, I think, one of the insurance companies was going to
 be pulling out of the Island and was not going to be able to provide annuities, and part of that
 little pension group also looked at what the Island's pension position is. There were quite a few of
 1240 us who very much are keen to have a second pension. But make no mistake we are changing one

of our staple products to be just off the shelf now. We are degrading it, and I think we should make sure, as a society, that our pension is worth having, is worth everybody contributing to. A lot of people will contribute to a pension throughout their lives and never put much in the pot, but my contributing they have a ticket at the end. Other people will contribute throughout their lives and put a lot in, they will have a high salary they will be putting a lot of money into the pot, but still they get the same ticket, and the same pension at the end. Please be very careful on embarking on this route of watering down our staple product.

So please back this amendment, very important. (**A Member:** Hear, hear.)

Thank you, sir.

The Deputy Bailiff: Deputy Green.

Deputy Green: Thank you, Mr Deputy Bailiff.

I go along with the comment made by the advisors to the IMF, which is in the policy letter in terms of describing the proposals at the heart of Propositions 10, 11, 12 as fiscally reasonable, because they clearly are from a fiscal perspective. They are fiscally reasonable, but I think they are probably, potentially socially unreasonable and I think that is probably why I am going to support this amendment.

I many not have been in a position to support this amendment if we already had a secondary pillar scheme in place, or if we had better general private provision of pensions in the Island, but we are not in that situation. Clearly the rationale behind Propositions 10, etc. is a sound fiscal financial position, but as many speakers have already made the point, to uprate in the way that Proposition 10 would suggest is a recipe for exasperating pensioner poverty. Deputy Dorey right at the start referred to Townsend, the 43% figure in terms of single pensioners living in relative poverty. I do not want history to repeat itself, and I think we can see what potentially could happen. Now some Members say well the solution to that –

I give way to Deputy Le Lièvre.

Deputy Le Lièvre: Thank you Deputy Green.

I just make the point to aid Deputy Green, the current rate of old-age pension for a single person is £201 a week. The current rate of supplementary benefit is £170 a week. It is £30 shy of that, and SWBIC, although it is a work in progress, is not going to provide figures significantly different to that for a single person. That is a fact, so please let everybody in this Assembly be assured that SWBIC is not going to be a lifeboat to rescue those pensioners who fall below the current requirement for an old-age pension.

Deputy Green: I am extremely grateful, Mr Deputy Bailiff, for that intervention from Deputy Le Lièvre, because that makes the point. The solution is not going to be adequate to simply say there is a supplementary benefit scheme, there is an income support scheme, and that will mop up, because as Deputy Le Lièvre just made the point, I do not think that is going to be the case, and even if we were prepared to expend more largesse in that respect, I do not think that would command a significant amount of public support necessarily in any event.

I do very much think that the question here is getting the balance right between the financial sustainability of the fund in question and the social priorities.

I think Proposition, 10, 11 and 12 are there – they are correct in part, but they are not in terms of the potential implications. So I will be supporting this amendment and I would advise other States Members to do likewise.

The Deputy Bailiff: I now invite the Minister of the Social Security Deputy, Deputy Langlois to respond to the debate.

Deputy Langlois: Indeed, sir, thank you.

1295 Sir, I will pick off a certain number of comments, and I will try to answer the few questions that have been put. I think most important in this summing up, is that I want to start by trying to allay some concerns and fears that may be out in the public arena, which would not have been out in the public arena at 9.30 this morning.

Sir, the level of scaremongering that has gone on today, to do with the apparent rapid reduction in a key central benefit that this Island has provided for many years, and will continue to provide, has been quite, in my view, out of order.

1300 I have throughout the public consultation and subsequently the talks since the publication of this report, I have emphasised on many occasions that, as Social Security Minister, I will take every step possible not to regard the old-age pension – sorry for the term, it is what we use, it is what it is called – not to regard the old-age pension as a universal benefit, and therefore might be means tested, because the whole basis of it is totally different. People have contributed all through their working lives, of different lengths and different amounts of money, contributed and I will fight that to the bitter end.

1305 So please this morning can we be very careful, listeners, to make sure that you are not getting the message that a lot of people in this Assembly are keen to give, that there is some sort of plot afoot to start taking your pensions away tomorrow.

1310 I could give many other examples from the speeches that have been made. But for me this is an extremely important matter. If we start getting that sort of scare out in the public, once again we lose the confidence of that public, and I speak as somebody – and again this is not news to anybody – who has already declared I am not standing for election, and I think that is a relevant comment in relation to a few comments made this morning. I am not standing for re-election, but I am absolutely clear that the protection that must be given to the old-age pension is total, and I thank Deputy Perrot for expressing it in slightly different ways.

1315 So if we move from there – and I already hear the concern and sneers of some people that think I am coming from a particular direction – to taking what is going on here... and let's understand the way this particular debate has unfolded. This is a classic amendment tactic. A report comes out, with a recommendation – and can we just again let's go back to the recommendation? I do not know which bit of 'guideline' people do not understand, but guideline is a guideline to me, and it is a well-known term in all sorts of organisational practice. A guideline is a guideline and that is about the fourth or fifth word of the first Proposition.

1320 Then to back that up, in terms of some of the dire consequences we have heard about today, we have got in Proposition 12, to review the guideline for the annual uprating of statutory old-age pensions no later than 2020. Good heavens, amazing! By 2020 I trust, sir, even in States' time we probably will have a population review complete. We have heard about that this morning. 'Possibly' may be a better word. By 2020 SLAWS will be complete (*Laughter and interjections*) and I am quite sure also that the Chair of both SLAWS and SWBIC will be giving us assurances by 2020 it will be complete. So in other words that review in 2020 is critical to these proposals, because it does place a time limit on saying: "is this the right thing?". Any alleged erosion that happens by 2020 would be marginal. You have not even got the evidence that the Propositions that have been put will lead automatically to erosion.

1330 So we have got a classic tactic – we do not like the answer that has been given, so we will ask people to think again. Well how many more times have we got to get our excellent staff, our researchers to go over the same ground, in order to find yet another answer? How many times has this Assembly got to debate it? In effect, it has been debated each time that an uprating report is presented, and it will be debated again, because it is a guideline. I am not going to stand here today and guarantee that the uprating report near the end of this year will necessarily go with the proportion that is being suggested. It is a guideline and long term overall guideline.

1340 Deputy Ogier gave some inconvenient facts about the sustainability pattern. He also gave some inconvenient facts, and I answer to some extent Deputy Trott in this area, I have exactly the same experience as Deputy Ogier in terms of talking to OAP representatives, and more broadly to OAPs. So in terms of the business of 'are you satisfied?', of course, Deputy Trott does not know

1345 what it is like to be as old as I am, he will find out, and it is a strange thing in life, nobody can
actually know what it is like to be a particular age until you get there. That is actually what makes
some of these intergenerational debates somewhat difficult, because assumptions are made by
younger people, some even younger than Deputy Trott, about what it is like to be a pensioner.
1350 The simple fact is that the feedback that I am getting is that the adherence to RPIX, anything
above that is seen as a bonus.

So, let's try and pick up on a few points. I think I am correct in saying, and I am sure I will be
corrected because he has one more go after this.

I think I am correct in saying that Deputy Dorey talked about the guideline ruling out its being
higher. No, that is not my understanding of guideline. That is not what the word means, and we
1355 have shown in Social Security over the last few years, a perfect willingness to move away from a
rigid long term policy, on occasions, because of shorter term financial pressures. The point is, and
this I think is important that it comes up under this amendment, and then it will be in place for the
rest of the debate. We are not talking here about an annual uprating situation. We have said right
up front it is a long-term plan, it is movements in the long term. This debate, and the result of it,
1360 must not put a straitjacket on either Social Security or Treasury to say therefore because we have
got all these policies you cannot actually come up with a different budget this year, because we
told you last year you have got to do all of that, and the shorty term planning, the annual cycle of
planning has got to be still there.

Deputy Le Lièvre – dare I say it, apologies, sir – but predictable speech, good stuff, very well
1365 researched, all that wealth of detail that he is so good at, but I am sorry, it ignores the overall
cross-pressures. I link it with another comment made because Deputy Green actually mentioned
that this is really a very fiscal matter, it seems to be heavily emphasising the fiscal situation. Well, it
is funny that is why it is called what it is called in the report. It is a sustainable plan for the long
term, and the main driver of that has got to be the fiscal one.

I have covered Deputy Gollop, but I will mention it just once again, briefly. Deputy Gollop
talked about, I think may have confused people in one part of his speech, only, but he did imply
that the means testing of pensioners would be considered. I also had messages from other parts
of the Assembly saying well, I am sure it has been considered. I give this undertaking now, just as I
said earlier, that is not on my agenda at all.

1375 Deputy Perrot – he wants to do right well by pensioners and so do I. So do I, sir, but more to
the point, I want to do right by the whole population, in the medium to long term. This is what
this debate is all about.

I use just a couple of examples of – which would point back to my opening comments about, I
think I used the word – scaremongering. I am not withdrawing that. Deputy Lowe talked about
1380 penalising pensioners. Please, that is not what is being done here. (*Interjection*) She talked about –
(*Interjection*) We talked about 'we must not see them as a nuisance.' Sorry, who on earth is seeing
pensioners as a nuisance? (*Interjection and laughter*)

A very quick passing comment in relation to Deputy Brehaut's concerns about the process –
yes, I am sorry, sir, I make a huge admission. Do you know, the Joint Boards have actually
1385 prepared for this debate? We have actually done quite a lot of research and made quite a lot of
notes. That is the one, that is the document, sir, it is being shown. We have prepared for this
debate. What a terrible indictment of a group of politicians trying to argue a case, to have
prepared and actually remembered to bring the notes along with you as well!

Deputy Trott's –

1390 **Deputy Brehaut:** I can answer the next question for him if you like, sir, I have it. (*Laughter*)

The Deputy Bailiff: Deputy Brehaut, can I remind you that you can only rise to interrupt
somebody to raise a point of order or a point of correction.

1395 Deputy Langlois.

1400 **Deputy Langlois:** Deputy Trott's two questions:.. Is it possible in law to withdraw the pension from those who are wealthy? I do not know the answer to that question, sir. I do not intend to research it, because I do not intend to do it. We may get that answered if you wish, we may ask the Procureur to answer that, but I do not think there is any point today in pursuing that.

Have we every offered the option to opt out? Well, in terms of actively going out and offering it, not in our term of office, we have not, but as Deputy Harwood correctly pointed out, you actually do claim all universal benefits. It is not widely recognised but you actually do have to claim it.

1405 Then Deputy Harwood, thank you again for pointing out that in your view – and I would take Deputy Harwood with his former career as a very good recommendation on this – I do not think you could do his job without having an awful lot of information, it is often called evidence – if he is happy we have got enough evidence, then I am happy.

1410 How many times do we have to debate this? If we turn round and put our staff, our already hard pressed staff, and they will be even more hard pressed after the end of this debate, because of the actions that fall out of this, to yet again research the same questions and the same numbers, I think that is a very bad use of States' time, sir.

1415 What we are proposing is a prudent, financial solution. It actually sits in the right place in this report, and it takes us to the right place with the safeguard of the review in 2020. It is financially sustainable and there is the option to increase at a later date.

Please reject this amendment.

The Deputy Bailiff: I turn now to Deputy Dorey, the proposer of the amendment, to reply to the debate.

1420 **Deputy Dorey:** Thank you, Mr Deputy Bailiff.

I thank everybody who has spoken, we have had some very good speeches, and I am particularly grateful to everybody who has spoken in favour of it.

1425 I think Deputy Langlois when he just summed up, he said it is a prudent financial solution, and those words are probably right, but is not a socially acceptable solution.

1430 I will go back through the points made in the debate. Deputy St Pier started off by saying the States were reluctant to increase contributions, as they had shown in previous debates. I think Deputy Fallaize covered those points. The very point was made that we had to wait for this report before we discussed it so we seem to be in a circle going round and round as far as they say do not discuss it now discuss it in this one, when get to this one do not discuss it in this one do it in the other one.

1435 This is a change of policy and it should be properly debated, not mixed up in this report, and that is with all the information there. I come to about the information because this point has been made repeatedly, and Deputy Harwood talked about the number of pages. I was not going to do this, but again no page numbers but Appendix 5c called 'Assessment of Proposed Policy Options for Guernsey Insurance Fund'. On page 3 of that Appendix it has got a list, it says 'Details of assumptions underlying scenarios projected'. I will not read it all out, but I will read it out under the column of 'uprating of benefit rates and contribution limits' it says, first case:

'In line with prices throughout the projection period 0.5% above price inflation for 10 years, and in line with prices thereafter'.

Next one:

1440 '0.5% above price inflation throughout the projection period. In line with prices throughout the projection period. 0.5% above price inflation for 10 years and in line with prices thereafter. 0.5% above price inflation throughout the projection period. In line with prices throughout the projection period... in line with prices throughout the projection period.'

So those are the scenarios listed. There is not one which says half way between. You could then turn to Appendix 5e, the impact of changing old-age pension rating relative to inflation and earnings. It does not have the graphs but it has got various boxes it talks about:

'Prices (RPIX) only; 1/3rd of real increase...; 1/3rd of real increase...'

1445 Next page:

'Prices only; 1/3rd of real increase...; 1/3rd of real increase...'

It is not there. The modelling of the scenario, as I have said, is not there. Now, if I have missed it, I am willing to be corrected, but I have looked through it and I have spent quite a lot of time looking through it, and I do not find that there. So the information on the continuation of what the existing policy, which you would think would be there, is not there.

1450 Also, I do not think in these very factual reports led by the Government Actuary it does not really go through the advantages, disadvantages of it on a social point of view, which is the purpose of the amendment. It is not just look at the policy but the effects of it.

1455 I thank Deputy Le Lièvre for his speech, and, as he said, it is a change in policy direction, and a significant change in policy to hand over to social welfare, rather than a move to increase supplementary benefit.

1460 Deputy Ogier spoke about the issues of a few, well I go back to... which I read from, the 2003 report on the Corporate Anti-Poverty Programme. It said 43% of single pensioners are in relative poverty. That is not the issues of a few. That is a massive number. (**Several Members:** Hear, hear.) We were in a very bad position in that time, which is why we took the action that was taken then. It is very easy, isn't it, because it was so many years ago, to forget what we did and why we did it, and say, 'Oh we do not need to continue with that policy'? But it would be an error, and we would just repeat the historical mistakes that were made in the past.

1465 **Deputy Ogier:** Point of order, sir.

The Deputy Bailiff: Point of order, Deputy Ogier. What Rule has been broken?

Deputy Ogier: It is to clarify a misinterpretation of what I said.

1470 **The Deputy Bailiff:** Point of correction then.

Deputy Ogier: Point of correction.

1475 I did not say that the work to strengthen pensioners in poverty did not need to continue. I merely said that paying all pensioners more, in universality, was not the way to do it.

The Deputy Bailiff: Deputy Dorey.

1480 **Deputy Dorey:** I sat as a Member of Social Security, for one year as an ordinary Member and four years as a Minister, and Deputy Ogier spoke about what the pension organisation said they were happy with RPI only. He has got a different recall of those meetings to what I have. I remember something quite different, and saying that they needed a greater increase because of the costs that they were having to bear. (*Interjection*) I could go back to the minutes, I am sure, and have a look. (*Interjections*)

1485 Deputy Perrot said that he would like to go a lot further but we cannot do it now. If we had the money we could do it. That is the whole point, and I opened by saying, yes, if we changed the uprating policy that we would probably have to increase contributions. That was the conclusion when we did the Pension Puzzle back in 2009, and yes, some of the liabilities of the fund have

been reduced by the proposed changing the pension age up to 70, which I fully support, but there still will need to be, I believe, an increase in contributions, as I said it is a balance.

1490 He spoke about population projections. Yes, well if you plot population over many years it goes up and down, we do not have a constant number of people either increasing or decreasing our population, and it will vary with time. Obviously if you look back in history when we have had economic harder times the actual effect on the population has been a reduction.

1495 Deputy Le Clerc talked about speaking to a class of children, and that is very valid, but I prefer to take the notes from consultations. Their report had 248; the Pension Puzzle had 2,908 people responded. That was a very, very successful consultation, and the consultation was based on the increase of pensions at the half way point. She spoke about numbers, she spoke about .4% – I think Deputy St Pier mentioned 0.3% to 1.4% – and she said at least 1.4%. Well, actually the information is not there in the report, as far as I can see, because they have not plotted out that scenario.

1500 Deputy Stewart spoke about the working population. In the report there is a very good graph. Again it is A5.8 which shows the effect on the... It is in Appendix 5f, it shows the effect on the working population of the various policies, and the top line which shows that actually the working population does not fall by very much, it is based on extending by two months the retirement age by two months a year to 70 by 2049, which is what is proposed, and what the States has indicated it is likely to support by not supporting Deputy Laurie Queripel's amendment.

As Deputy Brehaut said, the whole point is to come back to the Assembly with information. That is the point of the amendment.

1510 Deputy Kuttelwascher spoke about the number of people who were on supplementary benefit who were pensioners. Well, I believe a significant number of pensioners who are on supplementary benefit, not all of them, are because they are in long time care, the co-payment they have to make is equal to their pension, and in order to give them sufficient money to have some pocket money that is often the additional supplementary benefit that they require.

1515 I thank, as I said as the start, the people who spoke in favour, and particular Deputy Fallaize for his excellent speech. As he said it is a most significant deviation from policy, we should be fully understanding that deviation from policy, understanding the effects of that deviation from policy, and also having the actuarial information on it, compared to what is being proposed. As he said, many cannot make adequate provision, and that was highlighted in the point I made, which is in the report in the appendices, which was done about the number of people with secondary pensions, where it said 55% of people are not contributing to either company or private pensions. I agree with him, it was feeble not to propose the increase in insurance contributions, that would have been the right thing to do in order to continue the policy. But I do not want to propose that, I want them to come back with a report, so that we can understand the effects of a policy on society as well as financially.

1525 I agree with Deputy Paint, people come first and we have got to put them first, and therefore I urge you to support this amendment.

Deputy Trott talked about means testing pensioners, and I think Deputy Langlois covered that. There is a particular appendix I think it is 5h which covers that means testing pensions. So there is a particular part of the report which covers that.

1530 But he asked about opting out. I know Deputy Langlois' answered that, but I always remember the administrator at Social Security saying to me that of any benefit that they pay out this is the one that people never forget to claim. I think it obviously relates to people having contributed for many years into the scheme, but he said they are always there ready and asking for their pension.

1535 **Deputy Trott:** Sir, may I ask my good friend to call on his experience then as Social Security Minister, and advise this Assembly whether anyone to his knowledge has ever opted out.

Deputy Dorey: I cannot recall of being informed of that by staff, but I know Deputy Lowe wants to...

1540 **Deputy Lowe:** Nobody to my knowledge in the pension chose to opt out, but they have in other benefits.

Deputy Dorey: I fully accept that if people do want to opt out, and I think it is a policy which should apply to all universal benefits, we should give the opportunity to people if they want to opt out to, and encourage that, because that is beneficial to everyone.

1545 But, I do agree with Deputy Brouard when he said that ultimately the right way is to claw it back through the tax system. Those people who have got other sources of income, we can claw it back. That is the best way, and I think that is the fairest way.

Deputy Harwood read from Appendix 5e paragraph 10. And he read of the amount it would cost, but my reading of that that has not factored in increasing the pension age. That is my reading of that appendix. If I am corrected, I will be happy to be corrected. They have not actually gone through that scenario of the increase.

1550 The important thing is the social consequences of change, and Deputy Le Tocq spoke about there has been very little information on the effect of the pension increase on actual pensioners, and I think that is correct, and that is why I want it to come back. He also talks about the working population. I think I have covered that in my reply to Deputy Stewart.

Alderney Representative Jean – I would be very pleased if there can be a comparison with the effect on pensioners in Alderney.

1560 I think Deputy Laurie Queripel summed it up with saying it is a conservative approach, not a progressive approach.

I think Deputy Sherbourne when he said we define society by how we look after the vulnerable including the old, yes, I think that does define our society.

Deputy Brouard also spoke about that we have always known – and that was in the Pension Puzzle going back to 2009, that if you just increase pensions with RPI yes, it is sustainable, you do not need to do anything else. The whole point is that that rate of increase was not acceptable if you wanted to stop relative poverty.

1565 I think again Deputy Green was very accurate in saying it is fiscally reasonable but socially unacceptable, is what is proposed in 10, 11 and 12.

Deputy Langlois spoke about a guideline. I think he is looking at a guideline as a rule. As I have said, I do not want to have a debate on the contribution rate, pension increase policy at every uprating report, that is not what it is for. That is the purpose of this debate. It is to set the policy and then the report can follow a policy. We should set the policy in this one, but because the information is not there I am asking them to come back just once more in that next uprating report, so we can debate the policy.

1575 I think I have covered the main points. I will just finish summing up by saying, Deputy Bailiff, when I was at the presentation, when I first heard about these proposals, I said they were harsh on pensioners, and one of the reasons why I reached that conclusion was because of the proposal on pension increases.

This, sir, is a modest proposal. It enables Members to have the full information before deciding whether to increase pensions by inflation plus a third of increase in median earnings above RPIX or to continue with the existing, long established, policy of uprating pensions annually at the midway point, instead of a third. I must emphasise that we, as a responsible Government, must ensure that we do not create the situation that we had in 2001 with so many single pensioners in relative poverty. (**A Member:** Hear, hear.) I think we all were ashamed when we knew that 43% were in relative poverty. One of the ways of doing that is to ensure that we have an uprating policy which fairly balances the needs of the contributor, who will ultimately be the beneficiary, and the existing beneficiaries, the pensioners.

1585 Please support this amendment to retain the option of being able to make a fully informed decision when it comes back to the States.

1590 Thank you, and can I have a recorded vote, please?

The Deputy Bailiff: Members of the States, there is a request for a recorded vote. This is in relation to the amendment that has been proposed by Deputy Dorey, seconded by Deputy Le Lièvre to substitute a single Proposition for Propositions 10, 11 and 12.

1595 Greffier.

There was a recorded vote.

The Deputy Bailiff: Well, Members of the States, I do not regard the next amendment as being dependent on knowing the outcome of that one, so I will turn to Deputy Burford and invite her to move an amendment to Proposition 16.

Amendment 4.

To delete proposition 16 and substitute the following:

'16. To direct the Social Security Department to bring into effect as soon as possible the various parental benefits as described in resolutions VI.10a to 10d of Billet d'État IV 2012, either by the levying of an additional 0.1% on employee social security contributions and an additional 0.1% on employer social security contributions, or by any other means deemed desirable and appropriate by the Department, in order to achieve the objective of implementation of the said resolutions, independent of other pension and benefit considerations, and to report to the States on the progress that has been made towards such implementation, including timescales, in their 2015 annual uprating report.'

Deputy Burford: Thank you, sir.

Hopefully, this is a very straight forward and simple amendment, with 15 minutes to go to lunchtime.

1605 I will just read out the actual amendment before I start speaking on it, so it is

'To delete proposition 16 and substitute the following:

"To direct the Social Security Department to bring into effect as soon as possible the various parental benefits as described in resolutions VI.10a to 10d of Billet d'État IV 2012, either by the levying of an additional 0.1% on employee social security contributions and an additional 0.1% on employer social security contributions, or by any other means deemed desirable and appropriate by the Department, in order to achieve the objective of implementation of the said resolutions, independent of other pension and benefit considerations, and to report to the States on the progress that has been made towards such implementation, including timescales, in their 2015 annual uprating report."

1610 Sir, for those Members not overly familiar with this issue, let me take just a few moments to outline the history of the matter. Over three years ago in February 2012, just before the start of this Assembly, the States approved a package of measures proposed by the Policy Council in relation to both statutory parental leave and parental benefits. This amendment is only in relation to the benefits as, unsurprisingly, that is proving the trickier aspect to implement. Policy Council will be bringing another report in a few months concerning the statutory leave aspect.

1615 The reason that the Policy Council brought the report back in 2012 was to address one of the three outstanding issues preventing Guernsey meeting the requirements of the Convention on the Elimination of all forms of Discrimination Against Women, known as CEDAW.

1620 CEDAW was adopted by the UN 36 years ago in 1979 and ratified by the UK seven years later. In 2003, and again in 2007, the States decided to prioritise work to allow CEDAW to be extended to Guernsey. It was known back in 2000 that existing legislation would be insufficient to meet CEDAW requirements as it did not cover the right of equal pay for work of equal value, maternity leave without loss of former employment, or maternity pay amongst other things. In truth we should not need CEDAW for us to know that such things are the right thing to do, but then one has to wonder where we might be if CEDAW had not come along, and eventually led us to prioritising this important issue 12 years ago.

1625 As the 2012 report says Guernsey is some way behind most other countries in terms of equality legislation. Providing statutory maternity leave, and changing the benefits, would help

1630 meet the aims of CEDAW, and would go some way towards the States objective of eliminating discrimination against women. The report goes on to say that improved maternity provisions will also contribute to increased social inclusion by improving child and maternal health, helping to reduce child poverty by giving families with new born children more income security, improving the work life balance of families, and maximising the work force by making it easier for women to re-enter employment. What is not to like?

1635 Let me be clear, however, this amendment is not about whether or not parental benefits should or should not be paid. That debate has been had, and that decision was made. Neither is this amendment about the level, duration or eligibility of those benefits. Unsurprisingly, in the intervening period, other countries have moved on further, and improved parental leaves and benefits, but as a starting point we just need to implement what we have agreed with no further avoidable delay.

1640 This amendment is being laid because in the elapsed three years, since the States resolved to pay these benefits, nothing much has happened. Well I say nothing, but, of course, that is not quite right, in those three years nearly 2,000 women have given birth or adopted a child in Guernsey.

In the Tax and Benefits Review it says that:

'...final proposals on parental benefits are not expected to be brought to the States until 2017 as by that time it may be possible to get a clearer idea of Guernsey's economic and fiscal position.

1645 What does this mean? Well, it either means that Social Security believe they will know by then whether or not they need to increase contribution rates in order to pay the benefit, or, and it is hard not to read this from the review, that they will decide whether they want to proceed with paying them at all.

1650 What is certain is that we are being told it will be nearly another two years before another report will be brought to the States, and that is just the report. It could easily be another three years before any parent sees a penny of this money, and by then nearly 4,000 babies will have been born.

1655 The 2012 report directed the Social Security Department to report back to the States at the same time as it reported on the funding of other benefits, with proposals for funding parental leave, and requesting the preparation of necessary legislation. In that report the Policy Council suggested that parental benefits could be funded by an increase of 0.1% on employer contributions and 0.1% on employee contributions. That report has not appeared, and the reason is because the Tax and Benefits Review came along, and one might have some sympathy with that, but it is yet another case of not doing anything until we do everything and ending up doing nothing. (**Several Members:** Hear, hear.)

1660 Back in 2012 it was predicted that allowing for the proposed report, and allowing for all relevant legislation to be prepared and come into effect, and giving all employers sufficient notices of the changes, the earliest that the proposals would be implemented would be January 2014. On the current trajectory parents will be lucky to receive anything before 2018, six years after the original debate.

1665 So what this amendment seeks to do is to de-couple parental benefits from any wider pension and benefit considerations. In the appendices to the PTR in Table 4.4, it says that:

'...if economic conditions improve from their current status parental benefits could be funded from the Insurance Fund without further increases in contributions.'

1670 That is all well and good, but it is not an adequate reason for such a protracted delay. If the decision has been taken to pay these benefits, and it has, then the States have agreed to incur that cost, all we are arguing over is how we account for it. This Assembly must hold Departments to implementing the Resolutions of the States. We must not languish any longer behind much of

the developed world into putting into practice these equality measures which will support women and support families.

1675 I ask Members to support this amendment today and speed up the painfully slow and long overdue implementation of parental benefits.

Several Members: Hear, hear.

1680 **The Deputy Bailiff:** Deputy Green, do you formally second that amendment?

Deputy Green: Yes, indeed, sir, and I reserve the right to speak.

*Amendment 3 by Deputies Dorey and Le Lièvre:
Carried – Pour 26, Contre 20, Ne vote pas 0, Absent 1*

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

1685 **The Deputy Bailiff:** Members of the States the votes on the amendment proposed by Deputy Dorey, and seconded by Deputy Le Lièvre, was that there voted Pour 26, Contre 20, and therefore I declare that amendment carried.

Deputy Bebb.

1690 **Deputy Bebb:** Thank you, Monsieur le Député Bailli.

Members, I do not need to speak long on this because I am sure that all of us are actually very supportive of this measure. But realistically I think that Deputy Burford made an excellent speech and the best point that she made is 37 years since CEDAW, 37 years of this States being behind. It is embarrassing! It is a disgrace! It is time we bring things to an end.

1695 It is my birthday today, I am 41. (*Laughter, interjections and applause*) When I was nearly four years old, CEDAW came into being! Are we really going to stay any longer? Truth is, I understand the problems, it is time that... and we hear about these delays happening because of a lack of resources time and again. It is time for us as Members to take responsibility. We have put these
1700 lack of resources in place, and therefore we have to act decisively and decide that we will

implement those things that we have agreed. It is embarrassing, it is a disgrace, it is time we brought it to an end. It is time we voted for this amendment.

Thank you.

1705 **Several Members:** Hear, hear.

The Deputy Bailiff: Thank you, Deputy Bebb, and on behalf of all Members, can we wish you a happy birthday? (*Laughter*) We hope you are enjoying your day! (*Laughter and interjection*)

Deputy Fallaize.

1710 **Deputy Fallaize:** Thank you, sir. It certainly seems to have put him in a good mood anyway!

I will support the amendment. I understand that Deputy Burford – she was not in the States when the States approved the CEDAW-related Propositions originally, so I understand why she has felt the need to make the case afresh for compliance. But for those of us who were in the States as the time, and did vote for the Propositions, which incidentally were the Propositions of the Policy Council, it was not done by some sort of renegade maverick amendment. Not that there is anything wrong with renegade maverick amendments (*Laughter*) but it was not done that way. The Policy Council made this Proposition, and the States approved it, so actually this is more an issue of holding Departments to States' Resolutions. The Social Security Department was directed to return to the States with the necessary proposals to bring into effect the policy agreed by the States. They have not; they show no signs of doing it. There are several years that have elapsed in the meantime, and the amendment is not prescriptive in saying exactly how these obligations should be met. It says either by the levying of an additional etc. etc. or by other means deemed desirable and appropriate by the Department.

1725 What Deputy Burford is really trying to do, is to hold a Department to a States' Resolution. I think that is a noble cause and the States should approve it, and I would be amazed if this amendment were thrown out. In fact, I think it would reflect very well on the Social Security Department if they indicated that they were prepared to accept this amendment (**Several Members:** Hear, hear.) in order that they can get on and do the job that they were asked to do by the States nearly three years ago.

1730 Thank you, sir.

The Deputy Bailiff: Deputy Gollop.

1735 **Deputy Gollop:** Thanks to Deputy Fallaize for his comments, and I too wish Deputy Bebb, of course, a lovely birthday.

But I would take him to task in one respect, because SSD have been a strong corporate player the last few years. We have delivered to the FTP. We loaned our Chief Officer for several days a week to another major Department, which, of course, put a strain on our resources, so we have had our constraints.

1740 I am a bit of a maverick and a renegade at times, and I am prepared personally to concede this amendment (*Interjection*) and I do so for four reasons. Firstly, I asked a question a day or two ago to the Chief Minister. He responded by putting to me some new information in response to Deputy Green's question. I read the question and saw that it was a strong linkage between our external relations and responsibilities internationally to CEDAW with the outstanding Resolutions connected with the maternity provision – not fully appreciating how interlinked they were. You cannot necessarily have one issue without the other.

1750 This is obviously a priority, we do not want Guernsey embarrassed over the next year or two for lagging behind on equality and discrimination issues, and I mean, what is the problem with Social Security accepting this? The problem is that we, on three occasions, have been stopped from placing sensible resolutions to raise contributions. This talks about either levying of an additional 0.1% on employee and employer or it could, of course be 0.2% across the... or by any

1755 other means deemed desirable. Well, if the Assembly adopts this – and I am sympathetic to it because of my past political beliefs and persuasions and current views – then the next stage is the Assembly has to guarantee the acceptance of a response from Social Security on how to fund it, and not play politics by saying we cannot afford this, or the business community cannot afford it, or people cannot afford it. Either we want it or we do not, and as we need it. It is no longer really a want, we have to pay the price that goes with it.

1760 **Several Members:** Hear, hear.

The Deputy Bailiff: Deputy Brehaut.

Deputy Brehaut: Thank you, sir.

1765 Just very briefly, Guernsey is very – in fact it has been mentioned already in the debate – proud of how it is viewed outside, whether it is through the External Relations Group, or whether it is Guernsey's participation in something like the British-Irish Council, and we always do the fiscal bit very well – that Guernsey has not got debt, it is a strong economy. What we do not do very well, and I know, we do not do the balance in the social policy arena.

1770 This says clearly to anyone out there who might still be listening is that Guernsey does acknowledge that it has previously brought to this Assembly the policies that have been approved that acknowledge the aspirations of CEDAW and go further than that, and there is the intent of previous Assemblies to implement the CEDAW aspirations through policy. Now is the time to do that, and I thank Deputy Gollop for discarding his crib sheet at this stage (*Laughter*) casting aside, throwing it to the winds, all control is lost. I am only kidding – I am only kidding – no, it is best to be organised, I understand that.

1775 But no, I think it is about time we recognised seriously the aspirations of CEDAW and I, like many others in this Assembly, am keen to support this amendment.

Thank you.

1780

The Deputy Bailiff: Well, Members, I do not see anyone else standing, so we could just put this one to a vote before lunch, if I call the... Well, I am going to do the wind up because nobody else wants to speak, so I am going to turn to the Minister of the Social Security Department, Deputy Langlois, to respond to the debate.

1785

Deputy Langlois: Now that the Deputy Bailiff has wound me up, we will get on with it.

1790 In the light of the comments here, and in terms of this particular amendment, and the interlocking relationship with the contributions level, I believe that on behalf of both the Joint Boards we will accept this. I think we should go with this because it does interlock, as Deputy Gollop has already pointed out, and it is an important point. It still requires coming back and saying how it will be financed, and the debate around that is for another day.

So I think we should accept this.

1795 **The Deputy Bailiff:** Deputy Burford, as the proposer of the amendment, to reply on the debate.

Deputy Burford: I think I will just thank the Joint Boards for their support and I have nothing further to add, sir.

1800 **The Deputy Bailiff:** Then we go to the vote on the amendment proposed by Deputy Burford and seconded by Deputy Green, to delete and replace Proposition 16. Those in favour; those against.

Members voted Pour.

1805 **The Deputy Bailiff:** I declare the amendment duly carried.

**Procedural –
Consideration of amendment 5 to Module 3**

1810 **The Deputy Bailiff:** Before you all rise for lunch Members, can I just mention one thing in relation to what is scheduled to be amendment no. 5, and that is to Module 3, and it is the only amendment to Module 3 that you will see. It is effectively to replace all the Propositions from being decision taking to noting.

1815 If there is to be significant debate on the amendment, so be it, but if the amendment is to be carried, effectively because it is the will of the majority, possibly even unanimity, to take that move, then what I would be minded to do, rather than have a debate on the amendment itself, is to divide general debate when all the amendments have been considered, and excise Module 3 and frontload it as a distinct part of general debate at the beginning.

So I am going to leave that with you over lunch time, so that you reflect on it, and then we will come back and we will move.

It is going to be Deputy Langlois who moves it, seconded by Deputy St Pier.

Deputy St Pier.

1820

Deputy St Pier: Sir, I was wondering whether it might be possible to lay the amendment and deal with it now and then we can move on to –

1825 **The Deputy Bailiff:** Well, no, I will leave Members to reflect on that course of action over lunch time because if there are people who want to speak today for any reason, then they have to be allowed to.

So we will now adjourn until 2.30 p.m.

*The Assembly adjourned at 12.34 p.m.
and resumed its sitting at 2.30 p.m.*

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

1830 **The Deputy Greffier:** Billet IV – Article I.

The Deputy Bailiff: I invite Deputy St Pier to lay the next amendment, which is no. 5.

Amendment 5:

In Proposition 1, to delete ‘, as put forward in that Report’.

To delete Propositions 19 to 24 and replace them with the following:

‘19. To note that, in the opinion of the Treasury & Resources Department and the Social Security Department, between 2016 and 2025 the payment of a universal Family Allowance under the Family Allowances (Guernsey) Law, 1950, should be phased out through gradual reductions in the amount paid having regard to the increases in personal tax allowances as outlined in Proposition 27 below.

20. To note that in the opinion of the Treasury & Resources Department and the Social Security Department the universal exemption from prescription charges for those over the age of 64 should be phased out by 2020.

21. To note that in the opinion of the Treasury & Resources Department and the Social Security Department from 2016 a nominal fee should be introduced for prescriptions of up to £1 per item for all those currently exempt from prescription charges, but to direct the Social Security Department to reflect on the views expressed on this matter during debate of this Report before presenting to the States a firm proposal in its annual uprating report in October 2015.

22. To note that in the opinion of the Treasury & Resources Department and the Social Security Department prescription charges should increase to £4.40 per item in 2016 and thereafter be reviewed annually, but to direct the Social Security Department to reflect on the views expressed on this matter during debate of this Report before presenting to the States a firm proposal in its annual uprating report in October 2015.

23. To note that in the opinion of the Treasury & Resources Department and the Social Security Department the provision of free TV licences for those over the age of 74 and those over the age of 64 claiming Supplementary Benefit should be phased out by closing the scheme to new members in 2016 and closing the scheme to all by 2020.

24. To note that in the opinion of the Treasury & Resources Department and the Social Security Department the Health Benefit grant for primary care appointments should be phased out by 2025.

24A. To direct the Treasury & Resources Department and the Social Security Department to reflect on the views expressed during debate of this Report before presenting to the States any firm proposals on the matters dealt with by Propositions 19, 20, 23 and 24, and to outline the mitigating actions to be taken in respect of any group of people disadvantaged by those proposals.'

1835 **Deputy St Pier:** Sir, very briefly, in proposing this amendment, of course, as Members will know it reflects feedback from States' Members, from the public at large through the presentation of the report in the public domain since February, and reflects the Joint Boards recognition of the legitimate concerns about the removal of – proposals to remove universal benefit without clarity about how they will be replaced for those who do have need. Therefore the Propositions, as you
1840 said, sir, before lunch, have been changed to merely note what was in the original Propositions, with an additional Resolution at Proposition 24A which is to direct both Departments:

'to reflect on the views expressed during debate before presenting to the States any firm proposals...'

It is our intention, sir, following debate, to engage in further consultation with the public and the third sector and their representative organisations, to enable us to come back with firmer proposals.

1845 At this stage I will not say anything else, and look forward to hearing Members' views on the contents of Module 3 in due course.

The Deputy Bailiff: Deputy Langlois, do you formally second that amendment?

1850 **Deputy Langlois:** Yes, I do, sir.

The Deputy Bailiff: Is there any debate on this amendment?

There is nothing to reply to. Therefore I will put this amendment – it is proposed by Deputy St Pier, seconded by Deputy Langlois – to you. Those in favour; those against.

1855 *Members voted Pour.*

1860 **The Deputy Bailiff:** I declare the amendment duly carried and confirm that there will therefore be a frontloaded portion of general debate in which any Member wishing to speak on Module 3 can speak on Module 3, but also then have a second speech in relation to the other Propositions in general debate.

Turning over, amendment no. 6 to be proposed by Deputy Conder. I invite him to open the debate on this amendment.

Amendment 6:

To delete Propositions 38 and 26 and substitute therefor:

'38. To agree that the States shall not introduce a broad-based consumption tax as described in that Report.'

'26. To acknowledge that there are risks and challenges associated with the States' considerable reliance – by international standards – on direct personal taxes and social insurance contributions; and to agree in principle that it would be advantageous to diversify sources of States' income in ways which take account of the principle of "ability to pay".'

1865 **Deputy Conder:** Thank you, sir, Mr Deputy Bailiff, fellow States' Members.

I lay this amendment conscious that, if I had not, we could have simply waited until we reached the main debate and discussed the Proposition and voted for or against it then.

1870 However, I, and I believe other colleagues, view the possibility of the introduction and incorporation of a consumption tax as so fundamental and important to our review of pensions, tax and benefits that we believe that it is imperative that we establish early in these discussions, and this debate, whether this Government wishes to anticipate the introduction of a consumption tax sometime in the relatively near future.

1875 My view about GST is well known, and I will refer to that in a few minutes, but before doing so I want to pay a very genuine tribute to both departmental teams, who are the authors of this report, and in particular to the Treasury & Resources Minister, and the Deputy Chief Minister, both of whom have worked extraordinarily hard to bring the report to this Assembly. As they have stated publicly, and I certainly acknowledge, they did not have to undertake this project, they could have left it to others to do so at a later date, or placed it in the 'too difficult' tray, but they have chosen to confront many of the complex issues this Island will face over the next few decades, and have brought them before us to debate, and for that we should acknowledge the debt of gratitude that we owe them. (**Several Members:** Hear, hear.)

1880 Sir, many who have read the report and commented upon it prior to the debate, have expressed concern that it leaves many issues untouched, or addresses one part of the future agenda without bringing forward proposals for filling the gaps that one set of policies, if approved, would leave.

1885 One example, of course, he has just addressed which was the proposal to abolish many universal benefits without explaining how the targeting of future benefits would work, and which parts of the community would be protected and how. The authors have, of course, addressed that dilemma by making Module 3 effectively a Green Paper.

1890 However, for me the most glaring omission is how the cost of many of the proposed changes will be addressed in the future. The failure to bring forward GST as a firm proposal, rather than suggesting postponing it to be addressed at a later date, feels like a last minute failure of collective nerve. Because so much of what has been presented to us appears to have been predicated upon the raising of £50 million of revenue through GST. If one reads Proposition 38 in detail and its many subclauses closely, it reads like a done deal, perhaps the worst of all worlds.

1895 Many of these proposals are brave, they are appropriate, they are far thinking, but both in the drafting of the report, and the presentations by our two colleagues, it is self-evident that in the opinion of the authors many of the visionary parts of these proposals cannot be achieved without the introduction of a GST, and yet we are asked to defer, or ignore, that elephant in the room, and return to it in 2017.

1905 Sir, the purpose of this amendment is to get the biggest part of this debate discussed and addressed up front, where it should be. The issues, the implications, the consequences the advantages and disadvantages of GST are so well known, and rehearsed, they do not need another can kicking consultation or report. We need to discuss them now. We need to discuss them now and give direction not just to the authors of the report, but to our fellow Islanders who must be a part of this debate and who, in just over a year's time, will be electing a new Government. They must be in a position to do that in the knowledge of what legacy we leave our successors to implement, and our successors must be able to act in the knowledge that this community is aware of what their future taxation regime is likely to look like.

1910 Sir, this amendment seeks to delete Proposition 38, and agree we should *not* introduce a broad based consumption tax as described in the report. At the same time the amendment seeks to re-word Proposition 26, such that it recognises in principle, but only in principle, that it would be advantageous to diversify sources of States' income, taking into account the principle of ability to pay. I fully recognise that if we do as the amendment proposes, reject a goods and services tax, then there might still be a case for there to be some diversification of our tax base, either through a more effective use of our existing tax structure, or the introduction of more equitable, and less regressive, additional taxes. My case is that the worst answer to the issues this Island face, or might face at some time in the future, is to introduce a goods and services tax.

1920 Sir, I first draw colleagues' attention to the wording of Proposition 38, which is by some way the longest Proposition in this States' Report, comprising as it does some 200 words, an introductory statement and eight bullet points. The Proposition goes into such fine detail as to what the proposed deferred report would include, as to beg the question why wait, possibly for more than two years, to seek the then States' approval for a consumption tax, the details of which are clearly spelt out right now in the eight subclauses of the Proposition? The Treasury & Resources Department knows what it wants to do. Very large parts of this States' Report are predicated upon the introduction of a goods and services tax, and yet we are free to debate most of these proposals, but T&R and not yet ready to discuss the means by which they wish to fund many of the proposals, and might not be for another two or more years.

1930 Forgive me colleagues, this is not realistic. Proposition 38 identifies a rate of not more than 5%. If we wait until June 2017 what rate do you think T&R will propose? They have already told us how much it would bring in, in paragraph 5.4.90, £50 million. They know what they want to do with it, they want to increase personal allowances to more than £16,000, improve the equity of the social security contribution system, and the application of the lower earnings limit of social insurance as an allowance for employed and self-employed individuals, to make the system more equitable between insurance classes, paragraph 5.4.91. They know they want to keep the system simple:

'...if a decision to introduce a consumption tax were made, the system should be kept as simple... as possible.'

1940 Paragraph 5.4.110. There are implications in that statement, but they are well known and need to be debated. They know, or have a very good idea, what the one off and ongoing costs of running such a system are

'Depending on the design of the system, it is estimated it would require the appointment of... 5 to 10 additional members of staff...'

1945 Paragraph 5.4.111. I have to say, based upon my own experience, that seems to be a very modest infrastructure for a tax system and regulatory framework based upon many third parties collecting and accounting for tax on behalf of the Government.

1950 In terms of ongoing costs paragraph 5.4.112 it states the cost of running the system is estimated at £500,000. Again that figure sounds extraordinarily optimistic. Remember, there will have to be administrators, inspectors and an enforcement arm, if we are serious about introducing a consumption tax.

1955 Finally, colleagues in order to give us, and the taxpayer, some reassurance as to the ability of future Governments to raise the rates of GST levied, we are offered the comfort of a two thirds majority required to raise such rates, and the printing of invoices to show the tax collected. This smacks of desperation. Could I remind colleagues that this Assembly is the Government, and the Government policy is determined by majorities, and the printing of tax collected on invoices has done precious little to prevent other countries from raising their rates progressively over time, as demonstrated by our near neighbour.

1960 Sir colleagues, I have spent some time in examining Proposition 38 to demonstrate why I believe that this amendment being placed early in this debate is so important. (**A Member:** Hear, hear.) By dissecting paragraph 38 I hope I have been able to demonstrate that the authors of the report have, by and large, determined they want to introduce GST, what it will look like, what the rate will be, how it will be administered, what the costs will be, and how it might be controlled. If that is the case, and given the amount of supporting detail in the report, it would appear to be so. Then it is essential that we debate it now, and determine whether or not this Government, this
1965 Government, is prepared to countenance the introduction of a consumption tax.

If we decide that we do not want to do that then we can move forward with refining the key proposals in this excellent report in the certain knowledge that GST will not be the mechanism by which some of these proposals will be funded. We will have to find other tax raising measures, hopefully much less regressive, to address any changes we choose to make to our pension, tax
1970 and benefits regime.

I would suggest colleagues that we cannot have a meaningful debate about all of the many recommendations in this report without deciding on whether we are prepared to countenance the introduction of a goods and sales tax. We must make a decision on behalf of this Government. It is not for us to abrogate the responsibility now, and pass it on to our successors, because we did
1975 not have the stomach to debate it and decide today.

Sir, this amendment proposes that this Government shall not introduce a broad based consumption tax as described in the report. Colleagues are aware that I have some experience of VAT in the United Kingdom. I do not wish to overstate that experience, nor to claim knowledge or insight which I cannot justify. In the late 1970's I was a senior control officer in VAT, for just a few
1980 years, before I qualified as an accountant, when I left HM Customs and Excise and moved into the professional practice where I observed VAT from a quite different perspective. However, what that experience gave me was an insight into the administration of a consumption tax and, more importantly, the administrative and bureaucratic burden and cost it placed upon all registered business.

1985 Sir, why am I opposed to the introduction of a broad based consumption tax, and why am I recommending that this States rejects the idea? First and foremost it is regressive. (**A Member:** Hear, hear.) It is one of the most regressive forms of taxation, hitting those least able to afford it the hardest, and the higher the rates go up and broader the sweep of the tax the more regressive it becomes. The poorer members of society have less discretionary income than others, they cannot avoid buying food and clothes, they have to heat their homes, they have to purchase certain basic services. In every case the additional burden of a consumption tax removes any surplus income they might possess and places it in the hands of the Government.
1990

Steven Colclough, the VAT partner at PricewaterhouseCoopers in the United Kingdom, said that VAT is seen as a particularly regressive tax – for it to work efficiently it has to be a broad based tax, which is levied on everything, but if it was to be put up to the full amount on food, fuel, children's clothing and the like, there would be rioting in the streets.
1995

Sir, I think that is pretty much what is proposed here, and what Jersey have done. We will not, I think, see riots in the streets, or even on the North Beach car park (*Laughter*) unless one or two of us choose to face the crowd, (*Laughter*) but if we introduce GST we would be placing a much heavier tax burden upon those least able to afford it, and because of the proposed broad base we
2000 would be introducing a more regressive model than nearly every other jurisdiction.

2005 Governments can, of course, put in place all sorts of ameliorating factors, such as zero rates on food, zero rates on children's clothing, domestic fuel, as they initially intended to do in the UK. But it is suggested in the report that we will not do that, we are proposing a uniquely broad based version of a consumption tax. If we had such a broad based version, if we did it, it would make the tax – if we were to try to achieve ameliorating results by zero basing and exempting some services, it would make the tax more complicated, the cost of the collection higher and, of course, make evasion much more attractive, thus putting up the cost of enforcement. We are not proposing that, that is not in the report. It is described as a broad based consumption tax.

2010 Colleagues, every year at budget time, some Members of this Assembly complain about increases in the current raft of indirect taxes (**A Member:** Hear, hear.) we impose upon our fellow citizens – thank you, Deputy Jones – for example tobacco, fuel and alcohol taxes, and the case is made that it is hitting the pocket of the working man and working woman hardest. But GST will impact upon just about every goods and service we purchase, as rates inevitably rise that imposition will become harder to bear.

2015 Sir, it is interesting that during the 40 years that VAT has existed in the United Kingdom, during which time the rate has progressively increased from 10% to 20%, the gap between the rich and the poor in that society has steadily increased. The gap between the rich and the poor in that society has steadily increased. Now, I would not suggest that VAT is solely to blame, but its regressive nature its ever increasing rates, and its broadening scope, must have been a factor in the increasing disparities of wealth in that society.

2020 Sir, the introduction of consumption tax will undoubtedly heavily impact upon Guernsey business. Paragraph 5.4.106 in the report states that

'...a high compulsory registration threshold can protect small businesses from the administrative burden. In Jersey, the registration threshold is set at an annual turnover of £300,000, which means that well over 70% of businesses are not required to register...'

In the UK by the way the current VAT registration boundary is £81,000.

2025 Sir, a recent Skills Guernsey survey noted that in Guernsey 70% of companies are micro-businesses employing between two and 10 employees. A further 26% are defined as small businesses employing between 11 and 50 employees. Given the structural nature of Guernsey's business the introduction of GST would either impact upon many very small businesses with all that implies, or if as suggested small business are excluded through an unusually high registration rate, then the tax take is bound to be lower, and only a very small number of businesses will be registered, with the inevitable market distortion between those companies that are registered and have to levy GST on their goods and services and those that are not.

2030 Sir, I have seen the impact of consumption tax on small businesses, they have to maintain a completely new set of records. They become unpaid tax collectors for the Government, and they can lose the goodwill of their suppliers and customers. It is not fanciful to state, and I have witnessed it, that in the face of such an imposition small companies simply decide to close down because they cannot face yet another layer of Government bureaucracy being placed upon them.

2035 Sir, colleagues, late last year many of us attended a presentation by Professor Dominic Swords of Henley Business School, in which he presented his report entitled, 'The Impact of Introducing a Goods and Services Tax to the Bailiwick of Guernsey'. In his report he stated that as a small and open jurisdiction, the impact of GST would have a disproportionate and negative effect upon growth and innovation in important business sectors. He said that our:

2040 '...unique business demography of a large proportion of small business would make GST particularly expensive and inefficient to operate on the Islands as it would place large administrative and compliance cost on these important local business.'

In his report Professors Swords examined a number of our key business sectors. He concluded:

'there would be a very negative impact of a GST on some key sectors for the islands.'

In particular, he said:

'That retail, travel, tourism, and hospitality sectors rely on a distinctive reputation as a low tax jurisdiction in general, and a low VAT status in particular, as a significant part of their competitiveness.'

2045

His analysis suggests that GST would harm the achievement of the goal of developing a more prosperous future for the Island based upon a more diverse range of economic sectors than at present.

2050

Nobel Prize winning economist Gary Becker and Richard Posner argue that GST is frequently the least best alternative for an economy looking to modernise its tax system, or even simply to fill a fiscal gap. They argue that it has hidden and destructive effect on business prosperity. They also point to the way in which GST usually suffers a rates creep after its introduction. It is, in their view, an apparently successful tax in raising revenue, but equally successful in raising business costs and damaging growth.

2055

Professor Swords stated that

'The status of Guernsey as a "No VAT" destination is significant. It is an unambiguous statement of there being no taxes on the sales of products and services. And while many products are, for other reasons, the same price as in the UK which has a 20% VAT rate, many luxury products command a price discount compared with the UK, France and other EU retailers. It is a point that drives visitor numbers according to tourism and retail representatives interviewed...'

as part of Professor Swords' research. He said

'...a 'No VAT' designation is a binary state.'

It is not credible to market Guernsey as being low VAT, or having less VAT than our competitors. No VAT is exactly that. Even if set at low rates, he said,

'...the psychological effect of a GST will undoubtedly be harmful to the Island.'

2060

He highlighted the experience of Jersey in terms of staying visitor numbers to that Island, following the imposition of GST. He showed that following the introduction of GST, visitor numbers in Jersey fluctuated as follows: 2009 immediately after its introduction, staying visitor numbers fell by 7%; 2010 they fell another 1%; 2011 they rose by 1.2% and in 2012 they fell by another 1.9%.

Professors Swords' states that

'It is difficult to allocate any specific part of this poor performance to the introduction of GST, however the falls in 2009 directly after the introduction of GST and again in 2012 after it was increased to 5% are somewhat troubling.'

2065

Sir, we must not be seduced by the argument that everyone has GST so we must fall into line. That is simply not the case.

2070

For example Hong Kong, Macao, the British Virgin Islands, Bermuda, the Cayman Islands and the Turks and Caicos Islands do not have a GST or a VAT regime. There is something rather familiar in that list, and the word 'competitor' jumps to my mind. The most notable example of a non-GST state is Hong Kong, who undertook a widespread consultation in 2006 over the possible introduction of a GST. Its aims were to consider widening the tax base of the economy and provide a sustainable future stream of revenue in view of its aging population. Perhaps a familiar story. Hong Kong however, decided decisively against introducing a GST as it seemed the tax would have potentially harmed their core unique selling position of the Island as a low tax trader centre.

2075

Sir, I now turn to the increase in costs of Government associated with introducing GST. As mentioned earlier, paragraphs 5.4.112 suggest an annual running cost of £500,000. Half a million, to me that seems extraordinarily modest. There would have to be inspection staff, trained and qualified, to undertake inspections at registered traders premises. Those inspections are

2080 essentially company audits, and they would have to be capable of ensuring that each business had correctly accounted for, and remitted correctly, the tax they had collected. Such well qualified staff do not come cheap.

2085 Secondly, there would have to be a card read inspection and enforcement staff to deal with the inevitable tax evasion based around cash, non-invoice transactions, and, of course there will have to be senior management and office based registry staff, responsible for maintaining the records of every registered trader.

2090 Colleagues, we spent the first two years of this term trying to drive unnecessary costs out of our system of Government, and to a not-insignificant extent we have been successful. Is this really the time to be considering implementing a new bureaucratic structure simply for the purpose of diversifying our tax structure? We must remember that diversifying from a direct tax to an indirect tax is in many cases simply taking cash from the same people. Remember, it is still largely Guernsey women and men being taxed. If we are not careful, it simply comes out of the left hand pocket, rather than the right hand pocket.

2095 Sir, I turn now to the issue of the ever-increasing rates of GST. Why do Chancellors of the Exchequer and their equivalents like VAT or GST so much? The answer is because it is the gift that keeps on giving to the Chancellor, every time the books do not balance up, there goes a few more percentage points on GST, (**A Member:** Hear, hear.) and hopefully no-one will notice too much.

2100 For those of a less advanced age than me, may I just remind you of the history of VAT in the United Kingdom. Introduced in January 1973 by Chancellor Anthony Barber, it was set at 10%. It was a condition, Deputy Jones, of joining the EU (*Interjections*) and as well as having a standard rate of 10% it had exempt and zero rates to protect certain goods and services. If I remember correctly there were six different schemes to deal with restaurants, and other food outlets, but that is another story. In 1979 when Mrs Thatcher's Government came into office, Sir Geoffrey Howe, the then Chancellor increased the rate to 15%. In 1991 in order to abolish the hated Poll Tax, Mr Norman Lamont increased the rate to 17½%, and for the first time imposed VAT on domestic fuel. In 2011 Mr George Osborne increased the UK VAT rate to 20%. It is important to note the ever-increasing upward trend. Governments do not reduce VAT or GST rates permanently.

2110 In terms of net tax collected, of course, the higher the rate of consumption tax the more efficient a consumption tax is as, by and large, collection costs remain the same, another reason for increasing rates.

Professor Swords estimates the cost of collection at between 1% and 2% of the total tax, which is considerably more than we suggested at £500,000. Thus clearly the higher the GST rates the greater the residual take for the Government.

2115 Clearly, the authors of the report have tried to give certain undertakings as to fixing the rate in the future, but, of course, they must know, as well as I do, that they can give no such undertaking. Future Governments will do what they will, and as rates climb so does the regressive nature of the tax.

2120 It is interesting perhaps to reflect upon the recent furore about the proposed width and emission tax, and how much it was claimed it would add to the cost of a vehicle. Well, colleagues, just reflect for a moment, that a 5% rate will add £500 to the cost of a £10,000 family car, and £1,000 to the cost of a £20,000 family car. Incidentally, a 20% rate of GST will add £4,000 to the cost of a £20,000 car. Think about a £100,000 extension to a house, 5% GST will add 5% to that cost, a 20% rate will add 20% extra to that cost. A 5% GST, Deputy Queripel, will add at least £100 to the cost of heating an average house, and so on through nearly every item we consume, and every service we purchase.

2125 Supporters of GST might claim that I am scaremongering, but that is the reality, that is what it is like in the United Kingdom and similar jurisdictions. We are suggesting introducing a much wider ranging form of GST without exempt and zero rates for essential goods.

2130 Sir, here are some of the VAT rates amongst our neighbours and wider afield: Austria 20%; Belgium 21%; Croatia 25%; Greece 23%; Hungary 27%; Ireland 23%; Italy 22%; Denmark 25%;

Finland 24%; Sweden 25%; Portugal 23%. And further afield: Faroe Islands 25%; Fiji 15%; Argentina 21%; Chile 19%, and Russia 18%. I am afraid I can only offer you, Jersey, Eritrea, Nigeria, Tuvalu and Yemen with rates of 5%. (*Laughter*) That must tell us something about the trajectory of VAT rates over time. (*Interjections*) If for no other reason than efficiency, not to say avarice, GST rates do not stay at levels as low as 5%.

Sir, the clear story colleagues, is that rates of around 20% to 25% are the norm. After the recent election in Jersey their Treasury Minister, when questioned, refused to rule out a further increase in GST from its current 5% having already raised it from an initial rate of 3%.

Colleagues, we surely know that if we go down the route of GST its inexorable rise is a virtual certainty. (**A Member:** Hear, hear.) Any hopes that future Governments will step up to the challenge that we took on to reduce the administrative costs of Government will be lost and the ever increasing regressive nature of a GST will bear down on the least well off members of this community just at the time, just at the time, that our economy and they individually are least able to withstand such an imposition.

So, colleagues, I suggest that we have to decide this now, and indeed the Treasury & Resources Minister, has asked for a clear direction as to whether we wish his Department to investigate a GST and return to this Assembly with proposals along the lines set out in Proposition 38. He has rightly said, that he did not want to undertake such a project if there is clear resistance to such a prospect resulting in his and his colleagues' time being wasted.

Sir, I think we must make a clear decision now, as anything that we debate by way of amendment, in respect of the 41 Propositions in this report, is to a large extent meaningless if we abrogate our responsibility to decide whether or not we believe that a consumption tax should be the means by which many of these, once in a lifetime, once in a lifetime, changes are funded and underpinned. We owe it to this Island, we owe it to our successor Governments, we owe it to the authors of this report to decide whether or not we believe that many of our future services and benefits will be funded by a consumption tax, or we should now reject it, and instruct the two Departments to bring back to us alternative funding mechanisms, or an alternative raft of pensions and benefits which can be funded without the introduction of this pernicious tax. Small islands need small tax infrastructures – sometimes we just get too ambitious.

Sir, colleagues this is probably one of the most important decisions we will make in the lifetime of this States. If we adopt Proposition 38 it is, in my opinion, a virtual certainty that we will see a GST introduced into this Island with all that implies.

If, as I hope you will, you support both clauses of this amendment we will give a clear signal to our colleagues, our fellow Islanders, and future Governments that this Island rejects this pernicious and regressive tax, and we will find other ways to address our future pension, tax and benefits systems.

As I have just said, small islands and small communities need a small and simple tax system. That is what this Island's fiscal structures have been built on for many decades.

Colleagues, please support both clauses of this amendment, and send a message to our fellow Islanders that this Government will not countenance the imposition of a goods and services tax upon this community.

Thank you, sir. (*Applause*)

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

Deputy Dorey: Yes, I do sir, and I reserve the right to speak later please.

The Deputy Bailiff: Who wishes to speak on the amendment? I am going to go to Deputy Langlois first, Deputy Stewart second.

Deputy Langlois: Thank you very much, sir.

If we just wind the clock back a bit from the excellent speech from Deputy Conder into the area of the main report, Why is any Proposition of this sort actually in this report?', you ask, and you have already given your version of the answer.

2185 We are much more heavily reliant on direct taxes than any other jurisdiction, and that is the central tenet of this review. Now that leaves us heavily reliant on the working population, particularly because the structure of our system distributes wealth through a social security system which is intentionally designed to focus on earned income. That leads on to the risk that as our working-age population falls, so will our revenues at a time when we are facing increasing
2190 spending pressure. So far so good, I think we have achieved even within these couple of days, or a day and a half, a fair agreement on that, that this is where the problem sits.

Our first recommendation is to agree in principle that we should reduce this risk by reducing our reliance on direct taxes – still on side I think, for most people. We believe that this is the key to long-term sustainability – see my logic through here, please. To achieve this we need to reduce
2195 the money we collect from direct taxes, and we recommend that this is achieved by placing an allowance on social security and increasing personal tax allowances.

Without a doubt this is the most beneficial method to reduce direct taxes for lower income households, it represents a much bigger proportion of the income of lower and middle income households, and it is more beneficial for them than reducing the headline tax rate, which we have
2200 also considered.

So, we are left with the big question here, sir, and that is we need to replace this income from another source, and that is what we are debating in this amendment.

We recognise that there is in relative terms room for increase in TRP, maybe even a substantial increase, but before some of our colleagues leap to their feet and say we do not want to pay what they do in the UK, rest assured that there is general agreement among the proposing Boards that
2205 neither do we. We believe that a GST is potentially the best option for making a substantial shift in the tax base, that is why this Proposition is in place, and it is a straight declaration of that.

But, sir, we spent much of this morning debating how such a major decision could be made without adequate information. We accept that you will not want to give firm agreement to the transfer of some of our tax income into GST until you have got enough information. We need to
2210 invest the time and resource to do this. So we need now direction as to whether this is worth pursuing.

Can I then answer some of the objections? The argument is used constantly that GST is a regressive tax. Now the problem with this word regressive, and its contrast with the word
2215 progressive, is that there is only sense in applying either of those words to a tax system as a whole. All taxes, virtually all taxes, are either progressive or regressive, because people have different personal circumstances, and therefore they pay different amounts, and they have different spending habits and so on.

Sir, to talk about the fact that GST is regressive, which nobody would dispute, if you only talk about that one tax, that is true, but its overall effect does not have to be regressive, and that has
2220 been clearly demonstrated in the modelling in the research that has been done. When combined with, for example, an increase in tax allowances we can bring benefit to the lower and middle income households. Elsewhere the impact on very low income households can be offset through pensions and benefits systems. But we need to consider how best to reach those who do not pay tax but are not currently eligible for benefits.
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The second criticism is that it is expensive for businesses to administer. Now, Deputy Conder made big play of previous experience of VAT, I can similarly attempt to pull rank in terms of lengthy experience in the UK, both as an employer and, heaven help me, somebody who had two companies large enough to pay VAT, and yes, any tax collection duty on behalf of the
2230 Government rankles. It is irritating, it occasionally produces an extra bit of work. But given that the experience being quoted previously was something like 40 years ago, in an early version of the VAT system, almost pre-computer era, or at least the computers that were being used were somewhat different from today's, I would suggest to you that VAT-type systems, GST-type

2235 systems have progressed enormously since then. We would want to work with businesses on the design of the system. We would want to make sure that the system that emerged had been looked at, had been accepted, by a significant number of businesses. The higher registration threshold would protect small businesses, as it has in Jersey.

2240 That then leads us to another objection of saying it is going to be enormously expensive for Government to administer. Well the simple fact is that in Jersey, our information is, they have eight staff administering that, and that is divided between their Income Tax and Customs Departments, and it costs about one penny in every pound that they collect. One other interesting fact about that is that it is actually a cheaper system to administer than their income tax system. You only have to look at the issues we have faced with income tax, and the ongoing number of employees we employ to collect income tax, to know that that would be a benefit.

2245 The final criticism was that people will import more. Well, the whole point about GST is it provides opportunities for both drawing tax from visitors to the Island, from people from outside of the Island, and potentially from internet sales.

2250 Sir, we have been accused here, of a failure of collective nerve. It is a very grand phrase, you should have seen some of our Joint Board meetings to know whether phrases like that were accurate or not. No, sir, it is not a failure of collective nerve. In the true political style you are damned if you do, and you are damned if you don't. In this case, the recommendation that has gone in, the proposal that has gone in, resulted from some considerable level of listening and response during the two years during which this has been in preparation. There were many twists and turns, and it was one of the areas in which we were left with, shall we say, some misgivings by one or two Members of the two Boards about whether we were coming forward with the right Proposition.

2255 I would also compare it with... if it is a failure of collective nerve, then I wonder why we have just had a unanimous vote for the previous amendment, which Deputy St Pier and I placed, to say well let's make Module 3 a Green Paper and let's get more detail out in the open, let's get more discussion on it before we push it any further.

2260 The removal of GST from this package today, completely reduces revenues raised from indirect taxes by around about £50 million. Now that is turned against us, saying, 'There you are, you are relying on this, this singular regressive tax to raise States' expenditure', and I am re-quoting from public meetings and the like. Sir, in all of those meetings and in all of the objections I have heard from States' Members, I so far have failed to hear any constructive, proportional suggestions about what might be a better approach. On top of that people are saying you have not looked into it enough. So, let's have permission today to take that extra step to research further, and to come back with appropriate suggestions.

2270 The options for diversifying income, and the extent to which this can be achieved, would be significantly reduced. As the package stands without GST the reliance on direct taxes would be reduced to about 70% or 72% from the 74% where we are at the moment. That would have been a very, very large amount of effort for not very much return.

2275 Sir, can I remind the Assembly we are not today trying to seek States' approval to introduce GST. For the reasons we have outlined, it may still be one of the most valuable tools that we have in the tool box, to address the issues that the report identifies, and I believe, the problems that have been largely accepted by this Assembly. Please do not throw this tool overboard and ignore its possibilities. I ask Members please not to deny consideration of that option when more detail is available.

2280 **The Deputy Bailiff:** I call Deputy Stewart, and then I am going to call Deputy Duquemin.

Deputy Stewart: Mr Deputy Bailiff.

2285 I honestly at this time cannot say where I am with Guernsey GST, and there is a good reason for that, because I do not actually know what it is. None of us know what it is. That is the whole point of Proposition 38.

2290 I agree with Deputy Conder, I think both Deputy Langlois and Deputy St Pier, in particular, have been very brave to raise this. It is not a popular subject to raise, taxation never is. But in the light of some of the fiscal challenges that we can see ahead of us. I am looking over at Deputy Fallaize and he was talking about known unknowns earlier. I think there is a huge amount of unknown knowns between now and 2049 or 2050. I think it is not the time right now to start taking things off the table.

Deputy St Pier was very brave to raise this, and straight away many have jumped to huge conclusions about what a Guernsey GST may or may not look like. Some even more than that have stood at the side and just decided to throw bricks in at this thing.

2295 In the media we have a term and it is called FUD, and I will tell you what FUD is, and a lot of lobbyists use this, and also a lot of media use FUD to extend their stories. What FUD is, is 'fear, uncertainty and doubt', and that is exactly what the media have done. That is what a lot of other people, who have suddenly jumped to conclusions and decided they want to sink this or kill this at birth... It is FUD, fear, uncertainty, doubt, and it is a common PR term and I recognise a FUD a million miles away.

2300 Now the Swords Report, Professor Swords' Report is just one of these bricks. The Swords' Report in my view, is total FUD – 38 pages, largely telling us what GST is – well that's useful – and other countries that have GST. That is actually most of the 38 pages. There is no real analysis about what it is. It is just FUD, and people talked around it. There is not a lot to read so you might as well read it, but there was no real analysis and as it is with economists – they say economists have two hands actually – on one hand they tell you this, and on the other hand they tell you that. Actually I could find plenty of economists who would speak in favour of GST. So, if we look, even at the people that consulted for the Swords' Report 16, none – some good people in there – but none expert in public economics, and no dialogue whatsoever did Professor Swords have with Treasury. So, I largely discounted that.

2305 Deputy Conder said, we cannot have the debate now, the problem is we... Sorry, you said we need to have the debate now. (**Deputy Conder:** Thank you.) I cannot read my own writing here – my eyes are getting worse, I'll hold it out here! (*Laughter*)

2315 We need to have the debate now, but we cannot have the debate now because we do not have the information. We have all made a huge amount of assumptions about what Guernsey GST could be, but I have not done, or Commerce & Employment has not done any work around it. What I would want to do is, if we were looking at introducing GST, million and one questions Commerce & Employment needs to ask from an economic point of view. What would be the *de minimis* to join in the scheme? Would it be quarter of million, £300,000, £500,000? How would we not impact retail and give internet traders an added advantage? These are all things that if we are going to consider we have to look at and mitigate these. How could we ensure we do not make areas of our finance sector uncompetitive? Again a huge amount that we would have to look into. I am not in favour of GST in general terms, but it is too early to take things off the table right now, in my view.

2325 I do say, since 1977 when you were working in VAT, things have moved on a huge amount in terms of technology, computing. There is so much, if you want to be original. You could exempt people easily, I own a Waitrose card. I am exempt from buying a newspaper in Waitrose, all I do is go ping like that and they deduct the cost of my newspaper. You could have certain people that were exempt from GST and all they would have to do is present their card. There are a million and one things you can do with technology now. These are things that could be considered.

Deputy Bebb: Point of correction.

Deputy Stewart: Sorry, I will give way to Deputy Bebb.

The Deputy Bailiff: Point of correction, Deputy Bebb.

Deputy Bebb: Thank you. Would Deputy Stewart agree that there is only exemption from paying for a newspaper if he pays £5 in the first place, which is not exactly a bargain?

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The Deputy Bailiff: Deputy Stewart.

Deputy Stewart: I think Deputy Bebb has gone off at a tangent. *(Laughter)* What I am making the point of *(Laughter)* – the point is – *(Interjections and laughter)* I am getting to the point – *(Laughter)* Oh, I love this Assembly.

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The point is there are ways that people could be exempted automatically from not paying GST. So if you were below a certain income level, or an old-age pensioner, just as you have a bus pass, or different cards now, if you are an old-age pensioner, when you go and pay for your goods you ping the card and straight away the GST could be taken off your bill. You can do a lot of things with technology, and rather than as a lot of jurisdictions have tried to do exempt certain class of products you could exempt people.

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I will give way again.

Deputy Conder: I am not sure if it is a point of correction, but if I may, it is not people who are exempt from VAT or GST. It is goods, businesses and services of a certain type.

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Deputy Stewart: My point is – *(Laughter)* The point is *(Laughter)* there are a huge amount of options, and none of those have been presented. I think all we are doing is looking at the fiscal challenges ahead, saying to T&R that we should not be taking things off the table right now, and I think it is a worthwhile exercise. Because our GST if we had it, may be acceptable to a lot of Members if it did not look like the UK's GST, if it looked like someone else's. If we can use technology to implement it in a way that would save us money that could be made fairer to people.

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I think the whole point of Proposition 38 is to give T&R the chance to go away and look at this properly. Because all that has happened is that, as my wife would say, most people have 'gone off on one', made a huge amount of assumptions – *(Laughter)* made a huge amount of assumptions, and have not given Treasury & Resources, or business, or Commerce & Employment, or other stakeholder Departments, a chance to really contribute to something that could be brought to this Assembly that could be properly debated, which will probably be about this size. But it is something that we should not take off the table at this time, in my view.

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The Deputy Bailiff: Deputy Duquemin, to be followed by Deputy Lowe.

Deputy Duquemin: Thank you, Mr Deputy Bailiff.

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Sir, chatting with Deputy Conder just before this afternoon's session, whilst we are on opposite sides of this debate, we were agreed on one thing. This debate, the debate on the GST amendment, is the most important debate that we will have during this term of the States. So it computes – no pressure – this is my most important speech.

I am going to start by looking back at a headline in *The Guernsey Press* archives after a States' debate in this Assembly. The headline read 'Problems Worry States but no Solutions so far'. 'Problems Worry States but no Solutions so far'. The disparaging body copy of the story read:

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'Familiar themes concern States' Members as they set aside yesterday for a special debate, but there is little sign that they are closer to resolving these worries.'

Sir, the two Propositions that this amendment focuses on are, in some ways, a cameo of that headline, and indeed a cameo of the whole of this review of the personal tax, pensions and benefits. One concentrates on the problem, and one concentrates on the solution. The original T&R, SSD Joint Committee Propositions clearly identify the problem. The very real problem that

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we face, and a possible solution, a proven solution that we could, should, consider if we want to tackle this problem.

Proposition 26 in the policy letter reads:

'To agree in principle that, to bring Guernsey's tax base more into line with those in other advanced economies, by 2025 the reliance on direct personal taxes and Social Security contributions should be both reduced significantly from its current level of 74% of total government income and diversified, so that a greater proportion of taxation revenues is derived from other forms of taxation.'

Deputy Conder's amended Proposition 26 reads:

'To acknowledge that there are risks and challenges associated with the States' considerable reliance – by international standards – on direct personal taxes and social insurance contributions; and to agree... that it would be advantageous to diversify sources of States' income in ways which take account of the principle of 'ability to pay.'

2390 In terms of identifying the problem, the original, and amended, Proposition 26 both reach similar conclusion, but some of the words in Deputy Conder's amendment, perhaps more eloquently highlight the magnitude of the problem. It highlights the risk, the challenge of our considerable reliance on direct taxes when benchmarked against others, and it highlights the advantage, the benefit to be gained from diversification. Sir, I know I am certain that there is not
2395 one Deputy, or Alderney Representative, in this Assembly that would have any argument with the final words of Deputy Conder's amendment to Proposition 26, which says we should

'...take account of the principle of ability to pay.'

For completeness though, I should perhaps shine a light, a bright light on paragraph 4.4.4 from the Billet where the T&R and SSD Joint Committee does articulate the problem in no uncertain terms, it reads:

'...the current over-dependence on direct taxes represents an unacceptable risk to public finances. It exacerbates the risk of the erosion of public income as a result of demographic changes and makes Guernsey's public revenues particularly vulnerable to economic pressures...'

2400 Do not just take T&R and SSD's word for it. Everybody who had the benefit of seeing the presentation given to States' Members by Martin Dorey, when he shared his independent and interactive modelling of Guernsey's finances in the context of the demographic challenges ahead, was provided with the most graphic evidence that the *status quo* is not an option.

2405 The original, and amended, Proposition 26 are not quite carbon copies, but there is little material difference, they both clearly identify that there is a problem that needs to be solved.

Proposition 38, where we start the all-important search for a solution, is where there is not a material difference, there is a monumental difference, and this is why I am urging, imploring the States to reject this folly amendment, and support the original Proposition.

The T&R, SSD Joint Committee Proposition 38 reads, to direct T&R to report to the States

'...with detailed proposals for a broad-based consumption tax...'

2410 before outlining in the bullet points that follow some of the guidelines that would be followed.

Deputy Conder's amended Proposition reads:

'To agree that the States shall not introduce a broad-based consumption tax...'

Sir, colleagues, in other words we know there is a problem, but we are not going to even investigate fully a possible widely proven solution. If we approve this amendment we know there is a problem but we are not even going to investigate a solution.

2415 On pages 290 through to 292, in what I think is a very well written Billet, provides in no-nonsense plain English why a consumption tax, GST, should be considered. Why it should and must be considered.

Staying with the Billet, or at least the Appendices on page 45 of the first section, at the bottom it reads:

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'...broader based consumption taxes are applied almost universally throughout the world in various forms.'

It says:

'Guernsey is in a very small minority in not applying them.'

It states the IMF's view is that consumption taxes are

'a key instrument for securing macro and economic stability and growth by placing domestic revenue mobilisation on a sounder basis so that the IMF has attached considerable importance to its proper design and implementation.

2425 Mr Deputy Bailiff, it is a key instrument. A key instrument that must remain on the table. Sir, proper design is possible, I repeat possible, and implementation should be considered.

I am perplexed sometimes as to why Guernsey always thinks that it is different and can buck global trends, without giving them proper consideration. The IMF quote in the Billet is from 2001, but whilst doing my own research, prior to this debate, I also sought the opinion of the OECD and will highlight an extract from an OECD publication on the consumption tax issues, that was published as recently as 2014. It states:

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'Consumption taxes account for approximately one third of the total taxes collected in OECD countries.

Speaking more specifically about VAT, the OECD report states that:

'VAT has been the most important development in taxation over the last half century.'

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Citing that it was limited to 10 countries in the late 1960's but

'...is today an important source of revenue in more than 160 countries worldwide.'

2440 I repeat that I am perplexed sometimes as to why Guernsey always thinks that it is different and can buck these global trends, without giving them proper consideration.

I was encouraged that paragraph 4.4.12 in the Billet read:

'...given the strength of public feeling against consumption taxes... a more detailed and thorough investigation be carried out...

including (1)

'...measures for the compensation of vulnerable households'

and (2)

'...mechanisms by which the impact on businesses can be minimised.'

2445 Guernsey is right, the rest of the world is wrong. I am sorry, I have not got enough evidence at the moment to make that decision, and I want there to be that debate.

Mr Deputy Bailiff, there are two groups of people that are against taxation. One is men and one is women. So, with this in mind, it is perhaps not surprising that on page 18 of the public consultation document, in the appendices, there is a large percentage of our population that are

2450 broadly not in favour of the revenue raising examples presented. But as 4.4.12 outlines we need to alleviate the fear and communicate the facts – I repeat, *the facts* – that mitigation measures will be in place, and we also need to debunk some of the myths about the cost to business that have been, in my opinion, overstated. Nobody is suggesting a GST, or a VAT, solution off the shelf of another jurisdiction, of course. If – and it is *if* – GST is introduced in Guernsey, it will be tailored to make it fit for purpose here, the Guernsey solution. There is a problem and we need a solution.

2455 Mr Deputy Bailiff, the most alarming paragraph in this month's Billet for me, is paragraph 5.4.9. Members may want to go to page 322 and read it for themselves, but I am also going to read it out. It says:

'This is not the first time the distribution of revenues has been raised as a concern. In... 1988 and 1989... the Advisory and Finance Committee expressed concerns about the proportion of revenue generated by income tax... and the vulnerability this represented to States' finances.'

2460 The States in the last two years of the 1980's and that is more than 25 years ago, were faced with exactly the same problem that we are facing today. So what was their response? Our ancestors – and that was in the days when Deputy Perrot really did have the body of a Greek God (*Laughter*) – they had successfully identified the problem, but crucially did they get close to a solution in this two stage process. Well, that brings me neatly back to the headline in *The Guernsey Press* that I used to start my contribution to this debate. The headline on the front of the broadsheet local daily on Thursday, 13th July 1989 was 'Problems Worry States but no Solutions so far.' It was that very same debate. *The Press* report on the debate on A&F's Policy Planning Economical and Financial Report held here the previous day read:

'...familiar themes concerns States' Members as they set aside yesterday for a special debate. Despite Conseiller Roydon Falla's warnings the States "some very difficult decisions will need to be taken over the next few months" '

the verdict of the reporter, a certain Richard Digard was:

'...there is little sign that they are any closer to resolving these worries.'

2470 Sir, that was then, this is now. We cannot re-write history. We cannot re-write newspaper headlines, but we can at least play a part in writing tomorrow's newspaper headlines. (*Interjection*) No longer a broadsheet, but now in the more popular tabloid format, I hope tomorrow's headlines will not satisfy the populace. I hope the headline will be 'Brave States keep GST as possible solution to tax problem'. (*Interjections and laughter*)

2475 Mr Deputy Bailiff, it is likely the GST will be an election issue, but I hope that others' fears that today will be a pre-election issue are unfounded. I have confidence in all of my colleagues, that like me they will be voting for Guernsey's future, not their own political future, (*Interjections*) and whilst talking of voting let's make it clear that whilst voting for the Conder amendment is akin to voting *Contre* to GST, voting out this amendment and voting for the original Proposition is not, I repeat *not*, akin to voting *Pour* GST. It is more like *je ne vote pas*.

2480 Just in the same way when the States voted for enabling legislation, we simply keep the option on the table, and we will vote for or against GST on another day.

2485 Today, I am not voting for GST, I am voting to keep Guernsey's options open. Sir, we know there is a problem and we know that GST is a possible solution. Let's not dismiss it today without proper consideration. I urge Members to vote against this amendment.

Thank you. (*Applause*)

2490 **The Deputy Bailiff:** Deputy Lowe to be followed by Deputy Luxon, to be followed by Deputy Brouard.

Deputy Lowe: Thank you, sir.

2495 I am disappointed with Deputy Duquemin's end of his speech there, because I hope we are not going to have this for the next year, where if people do not agree with a report that suddenly they are going to be looking at the elections. We do not need those sorts of remarks really. People are in here to make a decision of how they think it is appropriate, regardless of an election.

2500 Now, do I support the amendment? Yes I do. But I support the amendment, not for the reasons that you are talking about Deputy Duquemin. I support the amendment because it is very clear in here, and I know I read it this morning, the amendment that was, this morning, to highlight the reasons why I was supporting it. But I think this time we need to actually remind ourselves what is actually in the report, rather than the amendment. Because the report is very clear:

'To direct the Treasury and Resources Department to report to the States of Deliberation no later than June 2017 with detailed proposals for a broad-based consumption tax, and agree that such should include:'.

2505 Then there is a whole list of bullet points of what that will actually include. So it is not *if*, it is *how* you will have a consumption tax, and I think that is what is key for me. I am not going to be endorsing staff to come back for a report of something that will be introduced, because that is clearly what it states in this Billet in number 38, which we will be asked to vote for. So I will not be voting for that.

2510 So, Deputy Langlois said that they have been listening and they have responded. Well if they have been listening and responded, I would have expected them to actually vote for the amendment, because I struggle to find supporters for GST, I really do. You speak to people and they are going no to GST, so if you are listening, why are you still supporting this?

2515 You also went on to say, Deputy Langlois, that you have not heard others come up with alternatives, but I have, and many other States' Members in here are all going, 'Sorry, you are not right'. The public have come up and said look at income tax, the public have come up, and indeed many States' Members have come up, and said territorial tax, there has been lots of options put forward, but as it does not suit this report they have been dismissed, and that is wrong, because we should not be criticising members of the public, or indeed States' Members, who have come up with an alternative. What we were told was we must not mention that because we must not rock the boat. Well, I am sorry, that is just the way it goes really, if you have got an alternative that does not suit, it should still be considered, but that is not on the table.

2520 Oh he's gone, Deputy Stewart, sorry he's gone – Deputy Stewart said, just previously, that he needed to consult with the business, because businesses had not been consulted. Actually that is right and proper that consultation takes place with businesses, but surely he has looked at his e-mails because they have not waited for Commerce & Employment and they have sent us loads of e-mails to say the business community are not supporting the GST. So do not use the we need to consult with businesses as a delaying tactic, because they are ahead of the game, and in fact with this report, that has been out now for a few weeks, they could have easily done a quick sample and consultation with the business community to report back to us today, straight from the top, but we have not had that.

2530 I did like his FUD – I thought that was quite good actually – but I think he was looking at it the wrong way round because back to front it is DUF, and I think actually this is quite duff because I do not actually think we should have a GST. So I think it is a duff way of coming up with funding. I thought that was a better way of looking at it.

2535 All I want to say because I think you could probably take the vote now, sir, I do not think any speech is going to change anybody's mind on this one. We have all made up our minds, I would suggest, beforehand. But the point for me is from my Members here, this is not shall we have it, this is how it will be, because it is about knowing *how* it is going to be done, not *if* it is going to be done, and that is the wording that is here in this report.

2540 So I urge Members to support the amendment and to throw out this because the staff – we have heard again this morning about an amendment that Deputy Burford had brought forward – had not had time to implement a States' Resolution back from 2012. We know that it is so easy to say, 'Oh well, we will support that because the staff can go and look at it, and when it comes back

you throw it out., Please do not waste valuable staff time. If you do not agree on the GST it does not matter how they dress it up, this is asking you to support a GST of 5%, and how it would be implemented. If you do not support it, please support the amendment and throw it out here and now.

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The Deputy Bailiff: Deputy Luxon.

Deputy Luxon: Thank you, Mr Deputy Bailiff.

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Sir, if Proposition 38 actually asks us to approve the introduction of GST now, I would sadly not be able to vote for it, because I think our economy currently is too fragile, and many of Dr Conder's concerns I think may well come true.

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Sir, I talked yesterday morning about transformation and efficiencies, and on that basis twice I have asked Deputy Dr Conder to help me, free of charge. I invited him to give a master class to the PSD Board and senior managers two years ago, on finance for non-executive boards, and it was brilliant, and he was brilliant, and everybody thought he was brilliant – free of charge (*Laughter*) – and last year I invited him, as Treasury & Resources had not managed to prioritise zero based budgeting yet, I asked him to come and give a master class on zero-based budgeting to help what was PSD, but also HSSD in terms of setting the scene for financial management that would bring improvements. (*Interjection*) He was brilliant, he gave a brilliant master class on that as well.

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If I had invited him to give a fair and balanced master class on the merits of GST, and he delivered a speech this afternoon, I do not think it would have been brilliant because it would have been a brilliant hatchet job for the concept (**Deputy Conder:** Impossible) of GST. Whereas on the other two instances he gave incredibly balanced, informed, and very technical, presentations.

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The point I am trying to make is that when Deputy Conder stands for re-election next year, and is re-elected as one of the poll toppers of St Peter Port, then in June 2017, when Proposition 38 which we will support today comes forward with the GST proposals, he can dust off the speech he gave this afternoon and re-give it, because the points that he made today were very powerful, but they were one side of the argument.

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Deputy Langlois gave a very good speech, but it was on a completely different matter which was the actual Proposition here. Deputy Langlois' speech was about asking us to remember that the Proposition asks the Joint Committees to go away and bring back proposals for a GST, or a broad based consumption tax, with all of the full detail.

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Dr Conder has asked us to actually make a decision today with only half of the argument. Deputy Langlois has asked us to ignore the amendment, support the proposal, so that in June 2017 or before, although this States we tend not to bring things back before the timeline that we set ourselves, so that we can have an informed debate at that time. At that time our economy may be in a different place and a consumption tax, a broad based consumption tax, a GST, may well be appropriate.

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I think Dr Conder mentioned that there were quite a few paragraphs within the States' Report linked to this particular Proposition 38, and he is right, five pages, 25 paragraphs quite a bit of detail, and it should have that amount of detail, because it has got a £50 million potential tax revenue income raising tag attached to it, so I would have expected there to be a lot of detail. That does not mean to say it is a foregone conclusion. I have not read in the policy paper that absolutely the two Boards believe it is absolutely the right thing to do. I read that they believe that it is the right thing to assess whether it is the right thing for us to do. Many people in this Assembly today, at the end of this debate, may feel that many of the other Propositions are not palatable to us all and in fact we might choose GST, or a consumption sales tax, as the least worst of the options, but if we support this amendment that option has gone.

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Sir, Jersey was mentioned quite a lot, and so was Professor Swords' Report. I was staggered when GIBA came out, and I am going to one of their presentations this afternoon at 5.30 for a cup

2595 of tea at the AGH, I am not sure I will be welcome. I was amazed that their lead spokesman, GIBA's
lead spokesman, came out on the back of the launch of this very extensive consultation, and
made a decisions that GST was the only issue, and the sole issue, the media then followed, and
they came up with all sorts of – I hope I have got this right by memory that it would cost £10
million to administer, and that the net income would be marginal. How utterly ridiculous and non-
factual. We know what Jersey's income has been since the launch of their GST, and the
2600 assumptions within the policy paper we have here are absolutely right. Deputy Langlois referred
to them. It would raise approximately £50 million. Jersey actually has eight FTE, eight people out
of their Customs and Border Agency, who work directly on their GST.

From my point of view, the options of a GST may well be something we will have no choice.
When I made the point about the 28% cap, I did ask Deputies Langlois and St Pier to clarify what
2605 would happen if unavoidable escalating health care costs came along, what would happen, and
they answered that clearly they would need that to be addressed, there was some capacity within
the 26½% to 28% range.

I do not want to preclude this Assembly, or future Assemblies, from making the right decision
even if it is a decision that might not be attractive to the people of Guernsey.

2610 Sir, when GST was launched in Jersey, if you had asked the people of Jersey would they
support it they would have said no. But it did not have many of the negative implications that
Deputy Conder alluded to be the case. The tourism numbers in 2009 and 2012 did not fall
because of the introduction of GST. They fell because 2008 was the financial market collapse, and
there were all sorts of issues to do with the core market of the UK for Jersey's tourism, not
2615 travelling because the UK recession hit badly.

All I am saying is, let us have not a one-sided debate with no evidence before us today. Let us
leave the option open to ourselves so by 2017 we can make the right decision for this Island into
the long term.

2620 I thought it was an incredible speech Deputy Conder made, and I completely disagree with it,
but I may do in the future.

Thank you, sir.

The Deputy Bailiff: Deputy Brouard, to be followed by Deputy Laurie Queripel, to be followed
by Deputy Bebb.

2625 **Deputy Brouard:** Thank you, sir.

I was not going to speak on this particular item, but as usual, actually it is quite funny, but
Deputy Duquemin has brought me to my feet.

2630 GST does not create wealth. It is way of bringing in tax. We are told that we are at risk because
we are relying on income tax, but GST is nothing more than a delaying tactic. Because the real risk
is how diverse is our economy, and how well our economy is doing, and how it is employing
people, the breadth of people, the length of time it is employing them. I cannot overemphasise it,
GST is *not* a creator of wealth.

2635 He mentioned global trends, and can Guernsey buck the system? Well, of course it can,
because we do not go around buying votes, like most of the other parties do in other
democracies, where they promise this, that, and the other, and then they suddenly have to find
ways of paying for it. We do it a lot more simply here. We are honest as politicians from the point
of view that we come together on different issues, and we agree on some, and disagree on others,
and those parties form and dissolve as the day goes through. So we are honest with what we do.
2640 That is where most of the western economies have come unstuck, because they have been
promising people things, and they have not got the money to deliver, and that is why the UK is
two trillion or whatever it is in debt.

2645 Deputy Luxon made a point about the number of people used to collect GST in Jersey, or as it
would be here we would have eight full time equivalents, but we would also have all the
businesses who are doing the VAT, they become the collectors, that is where the real cost is, it is

in the cost of doing business, and the business themselves, the collection, the accountants, the lawyers, that is where all the cost comes in. It is not necessarily the Government here holding their hand out waiting for the cheques to come in, it is the cost to business in administrating it.

2650 I know I have recently had an encounter with a terminal speed bucket (*Laughter*) but I just do not get it. I just do not get the idea of GST. I just do not understand it. We are having it sold to us because the working-age population is going to fall, so therefore we need GST to spread the load, but how does that work? So who is it that is going to pay? (**A Member:** Everyone.)

2655 If it is everyone – okay someone just shouted ‘everyone’ – thank you for the answer. Okay, if it is the children, how do the children, the people under 20, students and that, how would they pay? Well they only can pay because their parents have given them some money. Then you have the chunk of the working population, and then you have those who are retired.

2660 So we are saying that we need to broaden the base, because the working population is getting smaller. So in effect then are we then saying that we want to find some way of taxing those who are in retirement, because in effect that is what it comes down to, because there is no-one else left, because the children are paid for by their parents who are of working age. (*Interjection*) So in that case then, why don’t we think of something like a tax that works on say income? (*Laughter and interjections*) Would that not be a fair way of doing it? I mean, I remember the art of taking taxation is plucking the feathers of a goose and making sure it does not squeal too much, but that is about the fairest tax that there is – it is basically an income tax.

2665 Of course, the turn round will come from Deputy Langlois and Deputy St Pier – ‘Ah, but you have got the tourist and the finance industry, they will pay.’ Okay so we will charge the tourists – yes great, so that will make Guernsey just as attractive place as anywhere else to go to. Or the finance industry, which is an interesting one, because speaking to our Head of Registry, he made the point to me quite recently that although Jersey has got the VAT, their 5%, we have got slightly higher charges with regard to our Registry, so the headroom to put VAT by having some set amount extra on companies, is not quite there as you would think. There is not that 5% or 6% margin that you think. So the idea of looking to the finance industry where, I think in Jersey they pay a lump sum, is not actually there.

2675 So you then come down to the point of view that we are doing it because we only want to charge the tourists. I really do not think that is a particularly good way of looking at it. I would much prefer that we look to income tax.

2680 Now on income tax, Deputy Langlois says no-one has mentioned this to him, so it is going to be a real revelation this afternoon. (*Laughter*) What about income tax, Deputy Langlois? What about possibly looking at allowances on income tax? I do not understand, none of it and again this knock on the head, I just do not understand it. Why would you want to put VAT on one hand so that you can raise allowances on the other side? What is the point of that? Why not *not* put the GST on and *not* increase the allowances? (*Laughter*) In fact if you had to, why not reduce the allowances if you needed more money? Why increase them? What about an idea of 20 means 20 when you get (*Interjections*) past a certain limit of income, that you pay a straight 20%? (**A Member:** Hear, hear.) What about something – this is going to be really ridiculous here – what about perhaps over £75,000 of income you pay 25%? (*Interjections*) Okay, sorry, that has caught too many people in the room here. (*Laughter*) I do not know if I can quite go as far as the Deputy Bailiff, but (*Interjections and laughter*) I will sit down before I am told to, I think.

2690 But, come on, what are you trying to do with the GST, what problem are you trying to fix? If you are trying to take a tax off the people, look at income tax. The only thing that produces the money is the income through the wealth generation that we do, and that comes through the income tax. If you have got a GST all you are trying to say is, is there a way to tax pensioners, and the only way to tax pensioners fairly, is the same way you tax everybody else, which is through the income tax system.

2695 I think that knock on the head did me well.
Thank you, sir.

The Deputy Bailiff: Deputy Laurie Queripel.

2700 **Deputy Laurie Queripel:** Thank you, sir.

I am very glad to hear that my Vale colleague, Deputy Lowe, liked Deputy Stewart's FUD piece. That was very interesting to hear!

2705 Sir, despite any mitigating measures that might be in place to counter the negative effects of a GST, and they have not been fully formed yet, and it is not possible for us to understand all the implications – and that is the point that Deputy Duquemin made – but I have to ask, after two years plus of work, if those measures have not at least been partially formed, or could be more explained in detailed way, I have ask is why that is the case. Is that because there are too difficult, sir, to instigate or to put in place?

2710 We know that one of the measures they have suggested is an increase in personal tax allowances, in a universal sense of £17,500. That is all well and good for people who earn above that amount, but it will not mitigate the negative effect of GST, or TRP rates increasing, on people below that income level, and it will not mitigate the increase in any charge, actually, that has not been thought of, there has no hint from the Joint Boards of what other ways those negative effects might be negated.

2715 **Deputy St Pier:** Point of correction.

The Deputy Bailiff: Point of correction, Deputy St Pier.

2720 **Deputy St Pier:** Sir, the report does make it quite clear, in relation to the use of benefits and pension changes to mitigate in that respect, and the modelling has been done on the assumption that those changes would be made.

The Deputy Bailiff: Deputy Queripel.

2725 **Deputy Laurie Queripel:** Aside from anything else, a broad-based GST is a very stark tax. Taxing people for the essentials of life, food, clothing etc. that they are already paid for in the purchase price, that is stark, sir.

2730 Aside from all the very good arguments that have been forward by Deputy Conder and others, of the administrative and bureaucratic consequences, impact on businesses, and so on, there are others issue and potential anomaly or anomalies. This is where the plot thickens, because I know this has been mentioned already by Deputy Stewart and Deputy Langlois – the issue of on-line bought goods. When I mentioned to Deputy St Pier some time back that a duty, in effect an import duty, on on-line purchased goods should be considered, he raised a number of problems with it, and I seem to recall one of them was something to do with the Protocol 3 Agreement, movement of trade and goods, that it might fall foul of that very august body, sir, the EU.

2740 Now, sir, my reasoning was that currently, and the figure will go up in the future, £200 million a year leaves the local economy in purchasing of on-line goods. Ironically, probably mostly sourced from countries that are member states of that august body, the EU. So the value of that £200 million is lost to the Guernsey economy and the ability, or potential, to apply the multiplier effect is also lost. Even if we applied a 10% duty, it would raise about £20 million. It would not deny people the choice of shopping on line, 10% would not be a punitive duty, but it may in some small way assist local traders, retailers and suppliers, but it would enable us at least to claw back some of the money that is flooding, I say flooding, £200 million off of the Island.

2745 But if the issues with such a duty, as raised by the T&R Minister, are valid, and perhaps insurmountable, does that not weaken the pro-GST argument further, in that would it not discriminate against local traders, and local customers, who choose to shop locally, if they have to pay GST on locally purchased goods, while others get their on-line purchases free of GST?

2750 So, my questions are these, sir. Will the GST only apply to products bought from local shops and not on-line purchased goods? If not, is this a form of discrimination? Will it not make a sector already struggling, the retail sector, even less competitive, leading to more on-line buying and less local buying, further disadvantaging the local retail sector, and increasing the likelihood of those businesses closing, and reducing the number of people working within that sector. Is the T&R Minister still persuaded that taxing on-line purchasers would be very problematic?

2755 The other thing I am considering, sir, is if that is the case, I am looking at diminishing returns. I just wonder if that was the case if GST could only be applied to locally bought goods and not to imported goods, bought on-line, in the end would we only see food bought locally and actually services acquired locally, and most other goods bought on-line? I would be concerned about that diminishing return aspect as well. Sir, I would like the T&R Minister to think about these questions and address them if he possibly can.

2760 Thank you, sir.

The Deputy Bailiff: Deputy Bebb, to be followed by Deputy Domaille, to be followed by Deputy David Jones.

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Deputy Bebb: Thank you, Monsieur le Député Bailli.

One of the joys of living your life in a second language is that new phrases appear every now and then, that you have never heard before, which are a common part of the language, and I quite enjoy hearing them.

2770 One that I recently heard which I quite liked was 'run with the foxes and hunting with hounds', and indeed the next time I have someone from Wales who asks me what on earth does hunting with hounds and running with the foxes means, I think I will refer them to this debate. Because if we look at the amendments that have already passed, I think that we will find that Deputy Queripel... and Deputy Queripel laid an amendment which lost, but it was seeking the Department to investigate options, and yet the Departments spoke strongly against that amendment because they wanted to throw it out. They did not want to investigate it.

2775 Later on we had an amendment by Deputy Dorey and Deputy Le Lièvre asking Social Security Department to investigate and to report back on certain advantages, and it was once again said, do not go for this because we do not want it. Even when we had Deputy Burford and Deputy Green's amendment, quite rightly, I think that Deputy Le Clerc said, do not support this unless you intend to support the proposals when they come back.

2780 Which very true, but now that we come to GST, this very feeble defence seems to be placed that, 'Well, I do not know what GST will look like (*Laughter*) and I would like to have a report back.' Well, quite frankly we know what GST looks like, because as it quite rightly says, it is a broad-based consumption tax. Now, anybody who is unaware of what a broad-based consumption tax looks like might like to take a day trip to Jersey, because, strangely enough, it is there and is in many other European jurisdictions.

2785 But the other thing that I would like to say about this debate is that I remember Michael Portillo talking strongly against VAT, and he described VAT as the 'Very Awful Tax'. That has stuck with me, that has always stuck with me, because I have always hated the idea of VAT. But VAT is delightful compared to GST, because VAT recognises certain necessities in life that should not be taxed, and GST makes no such distinction.

2790 I am simply going to state that I cannot possibly conceive of supporting a tax that taxes food. The basics for people to live on, food. My experience with GST in Jersey, which is a little bit more recent than Deputy Conder's experience of VAT in the UK, is that there was a time when I used to fly to Jersey and spend four days of the week working there because of my work, and I used to quite enjoy walking down the High Street, and occasionally buying the occasional item in Jersey, it is quite pleasant to see a difference. I particularly liked a book shop that they had there, and I remember that I decided to buy a couple of books, and for the first time ever I was taxed for it, and I was offended. I was offended because I was being taxed for the pursuit of knowledge, and

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that is what GST looks like. It taxes the desire for knowledge. GST taxes food, it taxes knowledge, it makes no distinction.

2805 I believe that Deputy St Pier and Deputy Langlois are to be commended for an awful lot of what they have achieved in their consultation. I believe that there is now a far greater understanding of why there may be a need for a consideration of a different type of tax on the Island, and I think that they should be commended for that work. I would go so far as to say that if there were was a possibility of zero rating certain parts of taxation, I could even find myself being supportive. But the truth is that GST, as we know, as a broad-based consumption tax does not give the actual space for that position that VAT does. It does not allow –

2810 I will give way to Deputy St Pier.

Deputy St Pier: Thank you for giving way, Deputy Bebb.

2815 It was really actually a point of correction, because a goods and services tax and a value added tax system are one and the same thing. The decisions in relation to the goods and services tax, in terms of how far you choose to spread the net, is precisely the detail that would appear at the next stage. Just because it is called a goods and services tax does not mean that it would necessarily have to cover food, for example. That could be zero rated, and in many GST systems around the world, or VAT systems around the world, of course, food is exempt. If you look at I believe Canada and Australia, and a number of other countries – in fact, in most countries where

2820 GST operates, there is a zero rating of certain goods.

The very broad based nature of the Jersey system is not common to most jurisdictions, so the assumption that that would automatically be imported to Guernsey is certainly a level of detail that would appear at the next stage. So I absolutely would encourage Deputy Bebb to reconsider his position, because that is precisely what would appear at the next stage, sir.

2825 **Deputy Bebb:** I thank Deputy St Pier for that.

However, if I remember correctly from the report, and I am sure Members will forgive me for not actually being able to remember exactly which paragraph, but there was the point with regard to how we have a joint approach with Jersey for the collection of taxation, and any complication in the arrangement would therefore lead to that being a less than attractive proposition of sharing the resources in collecting the taxation.

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We know that, and as Deputy Conder said in his speech, as a small jurisdiction, and Deputy St Pier would agree, it is necessary to keep our taxation simple, because complications in our taxation systems lead to an increased amount of cost in its collection. That is why in an Island population of nearly over 60,000, any complications add to the cost of such a tax system and that is why any form of intricacy within the system becomes less and less attractive. There is no need for a report to come back for us to understand those basic principles.

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That is why I have come to the conclusion that realistically, as Deputy Langlois said in his speech, do we go and ask the Department to come back? And as we have said previously, and as Deputy Le Clerc said on the previous debate, on the previous amendment, please do not support this and then vote it out when the proposals come back in 2017. Do not ask Departments who are overstretched with work, who are running short on resources to the point that we barely keep up to date with existing States' Resolutions – do not send them off to do work and then to have the report laid before you to vote it out. That is quite frankly negligent of our duties, because it is sending people off on a wild goose chase.

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I would say that personally, I cannot see how there would be sufficient intricacies in the system to allow for sufficient fairness for those people who require the basics, food, reading materials. I know that Ireland for instance tax on newspapers. I cannot conceive of a system whereby we tax on the pursuit for knowing what is happening in the world. Tax on news. *(Interjection)* I think that we realistically need to understand that whatever is there will be an attractive prospect, and to have that intricate system is less and less likely because the costs will increase.

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2855 Therefore Members, this is a debate today as to whether you support GST. To try and dress it up as anything else would be wrong. Because it sends the Departments off to look at that work and then to vote it out, and that would be wrong, as Deputy Luxon agrees with me and I am thankful for that. But so it is a debate (*Laughter*) as to whether we support GST or not. Personally, I have to say I cannot see any system that would be possible to be introduced here in a cost-effective manner that would avoid the basics of life, and that is something that I could never vote for. Therefore I ask you please to support the amendment (**A Member:** Hear, hear.)

Thank you.

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The Deputy Bailiff: Deputy Domaille.

Deputy Domaille: Thank you, sir.

2865 I will be brief. I rise to make a request to the Joint Boards through Deputy St Pier, and with a question for Deputy Conder.

One page 291 – Members do not need to look at it – of the report, well it is actually throughout this report, and indeed Deputy Conder, we have been asked to agree that we diversify our source of income. That is the basic premise in all of this, and in the report it states that:

‘The most effective options for diversifying the tax base are outside of the current tax base.’

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The very next paragraph it then states:

‘This includes the introduction of a broad-based consumption tax.’

2875 My request to the Joint Boards is that if this amendment falls, when they do come back with a report on a broad consumption tax addressing all the issues they have talked about within that report, they put forward say two or three or perhaps four alternatives to a broad-based consumption tax. So that at that time the States can make the decision on an informed basis. (**A Member:** Hear, hear.)

2880 Similarly for Deputy Condor – Conder, sorry I do apologise, Deputy Conder – we are being asked to agree in principle that it would be advantageous to diversify sources of States’ income in ways which take account of the principle of the ability to pay. I simply ask Deputy Conder today to suggest three or four alternatives to a broad-based consumption tax.

Thank you, sir.

2885 **The Deputy Bailiff:** Deputy David Jones.

Deputy David Jones: Thank you, Mr Deputy Bailiff:

2890 I just want to take a different tack on this, and talk about the cost of already living in Guernsey. We already have VAT being charged in some of the English stores now. We have a 30% difference in food prices, between us and other jurisdictions, certainly France and the UK. I do not know what the percentage is in construction costs, possibly another 30%, and the iniquitous freight charges, because the VAT that is actually charged is put down as freight charges. Some of the highest fuel prices now across the EU.

2895 The reason why I cannot support the GST, and I will be supporting Deputy Conder’s amendment, is because Government’s simply cannot be trusted with these kinds of taxes. They have proved it. People say, ‘Oh let’s see what it is going to look like.’ Well go and have a look at these countries that are billions of pounds in debt. England, £1.5 trillion in debt, and what they do is, they borrow money and then they pay off that debt by increasing consumption charges. The UK is in such a ridiculous position that it is borrowing millions and billions of pounds to pay overseas aid, £55 million a day to the EU, and try and pay off its debts. You could not make it up. But that is what is happening.

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2905 What has kept Guernsey actually one of the finest jurisdictions in the world as far as living within its means, is because we have never had these easy, quick-win taxes. We have always had to look at what we spend. We have always lived within our means. The big fear for me is that will go out the window. Do we need money in the future? Yes we do, I am more worried reading this report, and I agree with the two Ministers that if we do not have GST, we are going to have to do something.

2910 You heard the Health Minister talking about the millions they are going to need to upgrade our health system. So whatever we do, and whatever the future States does, we will have to do something, I actually was very taken with the last speaker, Digger Domaille (*Laughter*)

The Deputy Bailiff: Is that Deputy Domaille?

2915 **Deputy David Jones:** Sorry, sorry did I say – what did I say? Sorry. (*Laughter*)

Deputy Domaille: Sir, Deputy Jones knows more about diggers than I do. (*Laughter*)

2920 **Deputy David Jones:** Yes, Deputy Woolloomooloo Domaille. He suggested that if the Joint Boards came back, then they would have to come back with alternatives, two or three alternatives other than GST. Because whatever we do, and I was very taken with Deputy Spruce the other night at a Douzaine, when a very heated debate took place about this particular Billet, and all the ramifications, when he said, and I agree with him that the worst result at the end of four days, may be five days, could be six days, who knows, would be that we just chuck everything out, and we make no decisions on anything. That would be a travesty, because I think there are decisions that we can make, and I too admire the two Boards for putting this together, as unpalatable as some of it may be.

2925 But I cannot support spending lots of time exploring the GST, knowing full well that if they do I still will not support it, if it came back (**A Member:** Hear, hear.) I think there are many people who would be in the same position. We have already got an artificially high economy now, because of many things, because I suppose it is where we live and the fact that we have to ship everything in. What would even a 5%...? And it will not be 5% – within five or six, ten years it will be 10% and probably 15% after that. What is that going to do to an already high cost of living in Guernsey? I believe that one of the main reasons people are leaving the Island – and they are leaving, there is evidence of that, families are going – is because they do not get the best bang for their pound any more in Guernsey. Even though there are other charges and that elsewhere, their living costs are much lower. Their basic everyday living costs are lower, which makes it worth their moving away.

2930 So I will be supporting Deputy Conder's amendment, but at the same time, I am very certain – well, I am certain – that we are going to have to find more creative ways of raising revenue in Guernsey than this blunt old tool that is abused by every Government that has ever introduced it.

2935 Thank you.

The Deputy Bailiff: Deputy Spruce, to be followed by Deputy Green.

2945 **Deputy Spruce:** Thank you, sir.

2950 Members, Deputy Conder seeks to throw out Proposition 38 without, in my view, any understanding of the details surrounding the introduction of a goods and service tax. He decided he was against GST many months ago. In fact he publicly stated his objection to a goods and services tax long before any detailed work had even been carried out. He stood in the High Street of St Peter Port telling everybody he was against it, and we had not started work.

Deputy Conder: Point of correction, sir.

The Deputy Bailiff: Point of correction.

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Deputy Conder: It was in my manifesto a lot earlier than that.

Deputy Spruce: Anyway, sir, so it was even further back. *(Laughter)* No detail but against it.

2960 Such an approach, in my mind, it is really closed minded, and to be frank that a Deputy of Deputy Conder's calibre would even consider making a final decision without all the facts at his disposal.

2965 We surely should not throw out clause 38, when broadening our tax base is of such importance to our economy. Our economy is structurally unbalanced. To reject clause 38 at such an early stage would be folly. We have spent 18 months considering this matter, and we have not proposed GST's introduction now. We are asking you to direct us to report back with detailed proposals before any decisions are taken.

Members, it is essential we diversify our tax base, and GST is a major tool in any diversification toolbox. If even asking this Assembly to approve evidence gathering measures is thrown out, other measures will have to be introduced which may be far less palatable.

2970 Members, Deputy Conder has told you forcibly why he dislikes GST, but he has not provided you with any alternative whatsoever. He has failed to recognise that our economy is far too reliant on direct taxes, direct taxes on earned income. It is a fact that our economy is over exposed, especially during recession periods, or high unemployment, or reduced earnings and, of course, the impact of changing demographics. He fails to recognise the benefits that accrue from a substantial increase in personal allowances on taxable income. In fact there is nothing the Joint Boards could say that would have convinced Deputy Conder that it was a good idea.

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Members, I urge you to keep an open mind, please keep an open mind, await the detailed facts and reject this amendment.

Thank you.

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The Deputy Bailiff: Deputy Green, to be followed by Deputy Burford.

Deputy Green: Mr Deputy Bailiff, thank you very much.

2985 I listened very carefully to the somewhat analytical speech by my good friend Professor Conder, and clearly it is appreciated by most in this debate that the broad-base consumption tax does come with a bundle of disadvantages, and I think even the T&R Minister would accept that.

2990 I accept the diversification argument in terms of the tax base, I think it is a valid point. We know all about the figures. We are as an economy over reliant on employment-related income tax and social security contributions. I accept that, but it does not follow, to my mind, that this package which is on offer in this Billet is necessarily the only way, or indeed the best way, that you can help to broaden or diversify the tax base. I think that is a point worth making. I accept what the two Joint Committees identify as the problem, but I do not necessarily go the whole hog in terms of what they say is the solution.

2995 Deputy Brouard spoke before about, in effect, dealing with the problem via the income tax system, and I understand that argument. There is some merit in that income taxes widely seem to be fairer in the sense that they are directly linked to the ability to pay, and another argument that you hear sometimes is that if you are, as we are, overly reliant on income tax then in a recession when your tax take is down the role of the Government then is to actually tighten its belt, and you have to then spend less, so actually there is an automatic kind of mechanism, if you like, for reigning in spending, because your income will be down naturally in a recession or depression. But nonetheless I accept that that is an alternative policy, but I think on balance I prefer some measure of diversification –as I say, I accept that principle.

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I think I am probably in two minds in terms of this amendment, at the moment, so I am going to try and set out my thoughts before I listen to the rest of the debate.

3005 I accept that many of the problems that a broad-based consumption tax would bring with it
are unpleasant – the impact on small business, the impact on those on low or fixed incomes, the
administrative burden on Government, the well-made point that it would probably inevitably rise
from the 5% level, as well as the economic consequences. I think it is fair to say, and I do not think
3010 that has been particularly touched upon so far, but I do not think the Island community that we
live in has bought in to the solution of GST, and I think that does need to be reflected. I think we
are starting an argument, I know the personal tax review has been going on for two years or so,
but I think from the point of view of ordinary people, ordinary working people in the community
in which we live, conversation on this has only really just started. So I think we do need to be
mindful of that.

3015 Deputy Dave Jones made a great point before, and for me this is probably one of the most
powerful reasons as to why the States ought perhaps not to introduce a broad-based
consumption tax because of the very high cost of living. I think if we lived in an Island where the
cost of living was perhaps lower than what it is, I think my view on GST would be very different
from what it is. As I say, I might be prepared to look again at some form of GST in the future, if I
3020 got a reasonable sense from this Government, and its policy, that there was a clear plan in place
to actually try to mitigate the effects of a high cost of living that we see, but I do not actually get a
feel that that is really happening at the moment. So I do think the cost of living is an important
factor, and I do think that over time that is something which for me is very much tied to the merit
or otherwise of GST. As I say, if we lived in a different Guernsey where the cost of housing, the
3025 cost of living in general, costs of day-to-day living, costs of food and other things were less, then
it would change the dynamics of this debate I think. But, of course, we are not in that scenario.

There is a merit in this jurisdiction being able to say we are GST-free, we are VAT-free, that
does give us a competitive advantage. It is perhaps not a unique selling point, but it is
nonetheless a selling point, and we would lose that if we go down this road. Deputy Conder listed
3030 some of the other jurisdictions, Hong Kong, Macao and others, Cayman Islands, some other
Caribbean Islands which overnight would in effect have an advantage over us if we pursue this to
the ultimate conclusion.

It is at that point in the speech that I just want to perhaps take the other side of the argument
for a moment, because I do wonder about whether we should ever totally rule anything out. It is
3035 not totally fanciful to say that in the future our economy, particularly our finance industry perhaps,
could suffer some real decline, and in those circumstances we may face a set of fairly
uncomfortable choices in terms of perhaps draconian costs to our public services without some
form of GST or sustainable decent public services with it. That is not a fanciful suggestion, that
could well happen. It will not happen today, it will not happen in the next five or ten years but it
3040 could happen at some point. I think that is the scenario whereby I would say perhaps for me GST
really is an option of last resort, because in those kind of circumstances, I would probably look, I
think most reasonable-minded Deputies, probably would look rather more favourably on GST as
an option of last resort, because the bottom line is, I probably would support GST if it meant that
it put our public services in a position of safety, if the alternative to that was cuts which really have
3045 never really been seen the light of in this jurisdiction before.

So when Deputy Conder sums up at the end, I would like him to deal with that to some extent,
in terms of how I can reconcile the benefit of voting for this amendment with that point that I
have just made in terms of GST as a last resort. Because why should I, if you like, vote for this
amendment and give GST the death knell, if that is possible, when I might actually want to
3050 possibly consider it as a last resort. I hope I have made that clear.

I return to the point I made a moment ago, which is that I accept the case for diversification
but I am not convinced that enough analysis has really been done in terms of other methods of
diversifying the tax base absent of GST. I know clearly there will be other amendments which we
discuss later on, but some mention has been made of alternatives, and we do not talk that often
3055 about economic growth. I know there is some mention in the documentation and in the policy
letter in terms of growing the population, in terms of growing the economy, and that is important.

I wonder whether my officers could be placed on that in the future. Corporation tax, clearly, without getting into a debate on that, is something that will have to be looked at. Deputy Lowe talked about a territorial tax before but even forgetting that there are other alternatives.

3060 As I say, I accept the case for moving away from an over reliance on income tax, but let's be entirely clear that there is not another practical way of diversifying before we actually go down the road of GST.

This amendment clearly does give proper recognition to the risks, and the challenges associated with that over reliance on direct employment related income taxes, so that is something that I am glad about, and I am glad the amendment reflects that reality.

3065 So in a way, I am instinctively sympathetic to the case that underpins part of this amendment, and my only nagging doubt is whether we in effect would be crossing the Rubicon if we vote for this amendment and unable to come back to this, and again if Professor Conder could deal with that when he sums up, I would be grateful, in terms of what he considers to be the dangers of this amendment, if any.

3070 So, in conclusion I think I agree with Deputy Bebb, who spoke just a moment ago. I think we probably have quite a lot of the information to be able to make a sensible decision today. I am not in the camp of saying actually we need to go away and do much more work before we can really come to a view on this. I think, to be honest, we know what a GST would look like, primarily from the experience in Jersey, I think we know what it looks like in effect. So I do not think we should get too hung up on that. So I will consider this amendment, and I will possibly consider voting for it.

3075 In all of this and I will be returning to this in general debate later on this week or next week or whenever it is, and there are three non-negotiables for me, which I personally want to see at the end of this process, and they are no capital taxes, 20% generated income tax, and no GST. But I just wonder whether I need to vote for this amendment in order to secure the final one of those.

The Deputy Bailiff: Deputy Burford, to be followed by Deputy Trott.

3085 **Deputy Burford:** Thank you, sir.

In that time-honoured phrase, I was not going to speak but Deputies Spruce and Stewart bring me to my feet really. It has been touched on slightly by Deputy Green, but the argument that we do not know what GST is going to be like when it comes back in two years' time or whatever it is, I just cannot agree with that. I mean, it walks like a duck, it looks like a duck, it is going to be a duck.

3090 We can see it is 5%, we are going to look to Jersey, so we know what their system looks like. The interesting thing is that in the Tax and Benefits Review there are certain areas where allowances are being proposed, or charges on taxes are being proposed, and it then goes on to say, 'Well we did not necessarily want to give them to this group, or tax them for that group, but actually that is too tricky so we are just going to do them across the board.'

3095 So that on one hand is showing us how difficult it is to start making a system different with exceptions to that, and then we have Deputy Stewart suggesting that some pensioner will not have their copy of *The Guardian* taxed in Waitrose or something, with some kind of smart card as part of this GST system. I am sorry it is beyond ludicrous, quite frankly.

3100 **Deputy Stewart:** Point of correction, sir.

The Deputy Bailiff: Point of correction, Deputy Stewart.

3105 **Deputy Stewart:** I was not saying that they would not have their *Guardian* taxed. What I was saying is that through technology it does give us the advantage of being able to use new technology to allow people to be, certain groups to be, excluded through technology and that was just an example demonstrating how point of sale technology could actually help.

The Deputy Bailiff: Deputy Burford.

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Deputy Burford: Thank you, sir.

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Well I am sure we could use a lot of this technology in order not to have to give large tax allowances to people who do not actually need them. (**Several Members:** Hear, hear.) But yes, we must diversify, but there are other ways of diversifying the tax base – that is a plug for an amendment that is coming later – but instead of presenting these various possibilities for consideration alongside GST, the Joint Board have chosen to put all their diversifying eggs in the GST basket. Why? This approach means that those considering voting for this amendment are being charged with the accusation that by throwing out GST, at this stage, diversification is not possible, well that is simply not so. The Joint Boards tell us that the low paid will be fine with GST, because they will have an increased personal tax allowance. So, let's have a look at the Joint Board's magic wand personal tax allowances. On the face of it, it seems a beautiful solution, rebalance your tax system by bringing in GST, do some long overdue tidying up by sorting out anomalies, like wives being taxed by their husband's return, and then make it all balance by raising personal allowances. You would even get the added bonus that at £17,500 our personal allowance would be 40% higher than the UK Chancellor's intended rate, but, and it is a huge but, personal allowances are in the words of the Guernsey Community Foundation a blunt tool, the problem is that to get the full benefit of the £17,500 allowance, you have to have the income of £17,500 in the first place. What if you only earn £10,000? You still have all the pain of the new proposals, but you do not have all the gain.

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Now before one jumps to the same consultation as the Joint Board seem to have done, and assumes that a person with an income of £10,000 would be on benefits, remember they could easily have a spouse who is earning more than £17,500 so one partner will be able to take full advantage of the new allowance, but the other one will not but they will still have to pay GST. By contrast, a wealthy couple would have to spend £60,000 a year in Guernsey for us just to recoup their increased personal tax allowances by GST. There is an assumption that anyone with a low income who is affected by the changes will be fine because they are either in benefits already, or will be pushed into it if it is expanded a bit, or they will be rescued by the retargeting of universal benefits at some indeterminate point, and in some indeterminate way, in the future. It just is not good enough.

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Deputy Luxon says that the state of the economy might be fine in 2017 for the introduction of GST, but what is evident, globally, is that inequality is widening. This means that a consumption tax where one is even taxing food and clothes is inevitably going to be regressive, and given the measures in the Joint Board's report, which make no apparent attempt whatsoever to redistribute wealth, the chances of reduced inequality by then are essentially none.

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So I urge Members to support this amendment.

Thank you.

The Deputy Bailiff: Deputy Trott, to be followed by Deputy Fallaize.

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Deputy Trott: Sir, this Assembly is about to hear something, with good cause, that it will not hear every day, or every week, or every month, or even every year, sir. An admission from me that I was wrong. (*Interjections*) I understand the Assembly's surprise at that statement, sir. (*Laughter*)

A Member: That is in *Hansard*.

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Deputy Trott: I was wrong, and I will tell you why I was wrong. (*Interjections and laughter*) In fairness some of you did always realise this. I had not until fairly recently. That is when I was Treasury Minister, and indeed Chief Minister, I thought I was being smart by recommending the Assembly to keep on the table the option of GST because it was a fall-back position.

3160 The problem with that stance is that when my good friends on the Joint Committee went away, they designed a report around one particular solution, that solution being GST. Anyone who has read this report will quickly come to the conclusion that it was, up until the eleventh hour, almost certain to be a recommendation to this Assembly, but for a variety of reasons it was pulled back. Now I blame myself, sir, I blame myself, because I should never have put the Joint Committees in that position. If I had realised at the time, sir, that it was foolish keeping this most unsuitable tax on the table, they never would have found themselves in that dilemma. So, can I apologise, to them here and now, sir?

The Deputy Bailiff: Certainly.

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Deputy Trott: Now sir, Deputy Langlois, my good friend Deputy Langlois who was once in the very distant past a tutor of mine – *(Laughter)* I confess I did not listen to very much he had to say, sir. *(Laughter)* That had very little to do –

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Deputy Langlois: Nothing has changed. *(Laughter)*

Deputy Trott: That had little to do with his tutoring skills, and much more to do with a couple of attractive young ladies that were sat in the front of the class at the time, if my memory serves me correctly. The point – I was a young man, I was a teenager – I have changed – *(Laughter)*

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Sir, Deputy Langlois tells us that GST is essential to diverse away from a high dependence on employment taxes, and others have picked up on a similar theme. Well, Deputy Langlois was a good tutor, and Professor Geoffrey Wood is an outstanding economist. In fact he is so well thought of that we use Professor Geoffrey Wood to assess our fiscal position, that is the confidence in which we hold him, and he says, sir, that it is not an issue, do not fret about it, it does not matter that a substantial part of our tax derives from employment taxes.

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Why does he think that? Well, I am not sure, sir, but I can speculate that he thinks it is for a variety of reasons. One, if the majority of your income comes from employment taxes you worry, as an Assembly, continuously about the fundamentals of providing the right platform to provide jobs, and maintain jobs, and that is laudable. I suspect he also knows that as we age the importance of keeping people in well-paid jobs becomes even more important as the economic dependency ratios deteriorate in the manner in which they are going to.

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Now, sir, Deputy Darren Duquemin harked back to a 1989 headline, which basically suggested that the States of the day did not know what to do, it was faced with a dilemma or two and it was not sure what to do. Well, it did not get too many things wrong, because just a few years later this Island was creating surpluses that were larger than it knew what to do with. It was creating enormous contingency reserves on the back of very significant surpluses. One never knows what is around the corner.

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Now, sir, my good friend Deputy Luxon, in an unusual speech, for a man of such, usually, carefully considered opinion, *(Laughter)* was critical of GIBA over their view on the cost of collection of the GST, and that followed, and others have picked up on this point, that followed a fairly regular statement from proponents of this dual States' Report, that that was not an issue for Government, Government did not have much tax collection costs to incur, because it was all borne by the private sector. Now the private sector are telling you, because they do know, from experiences elsewhere, many of their businesses are pan-Channel Island, that it will cost an enormous amount in their resources to collect this tax. It is cheap for Government. As Treasury Minister, as Chancellor of the Exchequer in the UK, finance ministers all over the world love this tax for the reasons that others, in particular Deputy Jones, have given. It is so easy for Government to raise revenue through this sort of tax, because the burden of collection rests, almost exclusively, with the private sector, with the wealth generators.

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Deputy Luxon: Point of correction, sir, please.

The Deputy Bailiff: Point of correction.

3215 **Deputy Trott:** I am happy to concede. You do not have to contrive a point of correction.
(*Laughter*) I will sit down and let you –

Deputy Luxon: Heaven forbid that I should ask Deputy Trott to admit that he has been wrong twice in one speech. But, sir, the GIBA spokesman was very specific, that the costs of collecting would be about £10 million. The costs of Government collecting and therefore the net income from sales tax would be minimal.

3220 In Jersey, having operated business pan-Island throughout the period before Jersey introduced it, the actual on-cost for businesses to introduce and collect the Jersey Sales Tax is not significant. It is a nuisance, and there may be some additional on-costs for some software, but the on-cost of actually collecting, managing and processing is not excessive, as Deputy Trott indicates. Fact.

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The Deputy Bailiff: Deputy Trott.

Deputy Trott: Well I confess that having read the GIBA document completely differently, I thought they were talking from their position as private sector collectors, and I would like to revisit that document to see. But I do not think anyone in this Assembly would contest that the greater burden is certainly with the wealth generators, rather than the wealth spenders. That is us by the way.

3230 Some may say, ah, now it is all well and good to jump on the electoral bandwagon of not liking a GST, and like Professor Conder, I have made my position clear on this over an extended period. But we do have a credible alternative, or at least a partial alternative, one that will take us some of the way. That is amendment 9, which is coming up a little later on in this debate. It just so happens to be proposed by me, sir, (*Laughter*) what that amendment does, is it asks the Joint Boards to go away and investigate a progressive system of taxation that takes into the account the dangers of the marginal rates can create. It is certainly a partial solution, sir, one that I hope Members will take heed of later, but in the meantime, I shall unreservedly support the Conder amendment, and I applaud him for laying it.

3240 Thank you, sir.

The Deputy Bailiff: Deputy Fallaize.

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Deputy Fallaize: Thank you, sir.

3250 The tone of this debate which could have been extremely polarised, I think, has actually been quite healthy, and more constructive than I thought it would be. That perhaps reflects that although there is some concern about the introduction of a broad-based consumption tax, there is an acknowledgement, I think, that the Joint Committees had no realistic option, but not only to investigate GST, but to lay it before the States and at least to test the opinion of the States on the subject. I think it would have been inconceivable that they could have carried out a comprehensive Review of Personal Taxes, Pensions and Benefits, without placing the sort of emphasis they have on a broad-based consumption tax. So, I do not think that there should be any criticism levelled at them for that. There are some good arguments for a broad-based consumption tax, I agree wholeheartedly with Deputy Green, if it comes down to a choice between deep cuts in public services or a broad based consumption tax, I would, without hesitation, support the latter. But, we are now operating under a 28% cap of States' income which is not far off where we are now, and I will come back to that in a moment.

3260 Deputy Jones said that:

'Governments cannot be trusted with taxes like GST'.

Now, we hear Deputy Jones say that quite often, and I sort of know what he means, but it still irritates me. It irritates me because Deputy Jones never says *we* cannot be trusted with taxes. I do resent particularly Ministers standing from the top bench and preaching to the States that Governments cannot be trusted, as if Government is someone else – (*Interjection*)

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The Deputy Bailiff: Deputy Jones, please.

Deputy Fallaize: Deputy Jones is as much a part of the institution of Government as all the rest of us are, and so if he says, if he says Governments cannot be trusted, then by implication he is saying that *we*, including *he*, cannot be trusted, and I do not think that is right. It is no more the case that Governments could not be trusted with GST than with property taxes, or universal tax allowances, or universal benefits, or petrol, or any other kind of tax with the possible exception, almost uniquely in Guernsey, of the headline rate of income tax, which seems to have become sacrosanct. Governments can change rates of taxes quickly, and often do. So I do not think it is fair to say we should not approve of GST because Governments cannot be trusted with it.

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I also do not accept the argument that there are huge administrative costs associated with GST. I mean clearly there are some, there are huge administrative costs associated with the collection of income tax, particularly with the way we seem to collect it in Guernsey these days. But there are administrative costs with the collection of any kind of tax, and I am persuaded, particularly by the experience in Jersey, that the collection costs of GST would not be enormous and we would not need to introduce a rate of 10% or 20% just to justify the costs of collection.

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It is also clearly an option for diversifying the tax base, and as Deputy Duquemin said, it exists in many other jurisdictions, although I would not place too much emphasis on that argument, because I think the reason it has been introduced, and raised, in other jurisdictions is as much political as economic. There has been a coordinated deliberate and, in my view, pernicious attempt by people outside of Government over the last 30 or 40 years to move taxation away from an ability to pay basis, and on to many of those who cannot bear any additional burden, and that is what, if you look at what has happened around the world, the amount of revenue collected from direct taxation has fallen significantly. The amount collected from indirect taxation has increased significantly, that does not have a great deal to do with economics, it has a great deal to do with powerful, lobbying of politicians who have been far too compliant to play to a particular neo liberal agenda. There is small thread of that running through this policy letter.

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It is not fiscal conservatism, Deputy Conder is a fiscal conservative, who is in favour of balanced budgets. It is well beyond fiscal conservatism, it is a deliberate attempt to move the burden of taxation away from those who are most able to bear the burden and on to those who are less able to bear the burden.

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I think, sir, that the amendment is very likely to succeed, but one day it seems likely that Guernsey will probably end up with a broad-based consumption tax. My assessment of it is that it will happen when Guernsey faces the immediacy of a crisis. In fact we might already have GST if we had reacted, or two States ago had reacted differently to the immediacy of what was a crisis really, the introduction of Zero-10, and the creation of a deficit of perhaps £30 or £40 million a year out of what had been a surplus of £50 or £60 million. We might have introduced GST at that time, but for what, he would now doubt claim, because of his view on the subject of GST, was a political masterstroke by Deputy Trott.

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Deputy Trott: I would like to say for the record, I do, sir. (*Laughter*)

Deputy Fallaize: He is as vigorously opposed to GST as Deputy Conder is.

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Now why did Jersey introduce GST? Or how did certain politicians in Jersey persuade the States of Jersey to introduce GST? Off the back of Zero-10. The States of Jersey were not prepared to enter into a period of deficits, when they introduced reform of company taxation, they just were not prepared to do it. They do have generally, particularly in recent years, a less conservative view

of taxing and spending than Guernsey does. Guernsey resisted the introduction of GST when Zero-10 was introduced, and instead combined the use of reserves with decreases in, or certainly
3315 restraining any increases, in public expenditure, as a way of trying to remove the deficit.

I think that GST could probably have been driven through the States in 2006, because there was very considerable concern about the effects of entering into a period of deficit, and the effect of restraining public expenditure. Now, I am not sure I would have been prepared to vote for a GST but I would certainly have been on the side of not necessarily accepting the consequences of
3320 Zero-10 as they were presented to the States in 2006. I think probably alternative measures like GST could have been driven through at that time. But, Deputy Trott, and others, decided not to do that.

To do it now is much, much harder, because we have a much smaller deficit, and indeed we now have a very credible plan to remove the deficit. It is almost eliminated. To try to introduce GST in this community, and in the States, when we almost have no deficit at all, is a Herculean task and I will be amazed, and I would say that if Deputy St Pier and Deputy Langlois manage to get a GST introduced during a period when we do not have a revenue deficit (*Interjection*) I will be speechless – and they will have produced a political masterstroke which far surpasses anything that even Deputy Trott could produce. (*Laughter and interjections*)

It is a little bit odd that the two Committees are asking the States for two years to review GST, between 2015 and 2017. Because I thought they had been spending the last two years reviewing personal, taxes, pensions and benefits. This is not really a criticism of them, it is more a question – I am not quite sure, having spent two years reviewing the personal, tax, pensions and benefits system, why they are not in a position to make a firm recommendation about a broad-based consumption tax. I am not convinced that the arguments for and against are that complicated, that in total it needs to take four years, the two years it has already taken, and another two years until 2017, to make a firm recommendation in respect of GST. That is because I do not quite buy the argument that today is all about keeping it on the table. I will return to that in just a moment.

There is a very considerable risk of deferring this to the next States, in the way that it has been presented, and the risk is this, okay Proposition 38 could be approved, and it could be presented on the basis of its being kept on the table. Well, my suggestion is, if it is kept on the table in March 2015, it will very quickly be knocked of the table in April 2016, because it will be an invitation, which some Members of the States, and maybe even former Members of the States will not be able to resist, to enter an election pledging to reverse, or not to pursue, the investigations into GST. I am pretty certain of that. I will just make one further point, and I will give way to Deputy Trott. I do think that from a point of way of trying to manage the construction of a sustainable tax pensions and benefits system it would have been much better to have got in place the fundamental building blocks of that in one States' term, rather than trying to make that bridge two States' terms with an election in between.

I will give way to my friend, Deputy Trott.

Deputy Trott: The moment has passed, sir.

Deputy Fallaize: Okay, good-oh. (*Laughter*) I will happily give way if Deputy Trott remembers the point later on.

Deputy Trott: The point was somewhat trite –

Deputy Fallaize: No, I was not giving way now. (*Laughter*)

Deputy Trott: In that case it is a genuine point of correction, sir.

The Deputy Bailiff: Point of correction, Deputy Trott.

3365 **Deputy Trott:** My good friend Deputy Fallaize's normally impeccable memory suggested that it would be reversed in April 2016. The States does not meet in April 2016, so it would have had to have waited to at least May 2016. But I considered, sir, on reflection that it was a rather childish point to make, and that is why I was not going to make it. *(Laughter)*

3370 **The Deputy Bailiff:** Deputy Fallaize.

Deputy Fallaize: Deputy Trott has changed, hasn't he? *(Laughter)*

3375 But I do not think it will survive, and so I really do think that the Joint Committees would have been better – I think my sense is that they do believe in GST, they do think it is reasonable approach, and I think they would have been better to have tried to get a firm agreement to it in a single States' term.

3380 Now, I want to link Proposition 38, and the amendment, to decisions that were made yesterday on the first two amendments. First of all my amendment was defeated, not to set a cap on States' income of 28%, by defeating the amendment the States have clearly indicated that they do wish to set a cap on States income of 28% of GDP. Now that means, that the headroom that is left between the income collected now, and the income that could be collected before the cap is breached, is about £25 or £30 million a year, by my calculations. If this is a matter of raising revenue, remembering that the only headroom left is to raise £25 million or £30 million a year, one has to consider whether a broad-based consumption tax is the best way, the most reasonable way, and the fairest way, of raising that additional revenue. I have to say that my instinct is, rather
3385 along the lines of Deputy Brouard, and it is a matter of raising revenue to say that I would prefer to do it through a combination of company taxes, and use of the existing income tax system. I do not necessarily mean the headline rate, but certainly the better use, more targeted use of allowances.

3390 But, of course, that is not the central argument for the introduction of GST, the central argument is the tax base needs to be broadened. That is based on two things, first of all, demographic change, and secondly, the risks of being too reliant on direct taxes in the event of economic downturn. Now I am not sure – I am not convinced one way or the other – but the Joint Committees have not persuaded me that those two risks need to be mitigated by the introduction
3395 of a broad-based consumption tax.

The defeat of Deputy Laurie Queripel's amendment yesterday, which was the second amendment laid, is in an indication that the States are prepared to vote to increase the pension age to 70 with effect from 2049. There is a table in Appendix A.5f which, Deputy Dorey referred to this morning when we were debating his amendment, which shows the projected working age of the population, adjusted for changes in the retirement age, and it demonstrates that if the retirement age is increased to 70 from 2049 the change in the working age population goes from about 42,800 – this is not the number of people in work, but the working age population – 42,800 to about 42,000 at its lowest point in the 2070's.

3400 Now I am not sure that presents an overwhelming case for us to become less reliant on employment based taxes. Certainly, if the number of people in work was to half, or to be reduced by 40% or 30% then there would be a pretty unarguable case to become less reliant on employment based taxes. But I am not sure that a projected change of 42,800 to 42,000 really encapsulates the case for moving away from employment based taxes.

3405 The other point about an economic downturn, if there is an economic downturn people will spend less. Now, I do not doubt that the rate at which consumption tax receipts would decrease is lower than the rate at which employment based tax receipts would decrease. But I doubt there is a great deal in it. I very much doubt that if we have a serious economic downturn, the fact that we have transferred some of our employment based tax on to consumption taxes, I doubt it will have a very substantial effect on the robustness and the resilience of public sector revenue. I do not
3415 know, because that has not been presented in this report, but I doubt it will have a significant effect. What persuades me of that is that, as I understand it, at the moment about 73% or 74% of

our tax revenue is generated from employment based taxes, and I think I have read, and I cannot locate the paragraph in the report this afternoon, but I think I have read that in the event that a consumption tax of 5% is introduced, the reliance on employment-based direct taxes will go from around 73% or 74% to around 66%. Now that is not, unless I am wrong – if I am wrong I would like one of the Ministers to point it out to me, before I continue this line of argument. But if that is the case, that is not a huge change, that does not represent a massive transfer from employment-based taxes to consumption-based taxes. Because of that, I am not sure that the introduction of a 5% GST will make our economy and public finances all that much more resilient in the case of an economic downturn.

As Deputy Trott has said, there is some merit in being reliant on employment based taxes. Jersey's unemployment rate since the introduction of GST has spiralled, they have suffered very similar economic problems that Guernsey has. Now I am not remotely saying that GST has caused an increase in unemployment in Jersey, because I do not believe it has. But I *do* believe that policy makers in Jersey are slightly more prepared to tolerate higher levels of unemployment because they are not quite so reliant any longer on employment-based taxes. (**A Member:** Hear, hear.)

Now I do not want to tolerate –
I will give way to Deputy Brouard.

Deputy Brouard: Thank you very much. Just to help with that, you are absolutely right, Deputy Fallaize, it is on page 344 at 7.1.2, it advises that, after the 10-year transition period as outlined,

'...this scenario would reduce the dependency on direct personal taxes from 74% to an estimated 66%.'

So you may carry on, on that line of argument. (*Laughter*)

Deputy Fallaize: Thank you. I was wondering why the two Ministers had not stood up to correct me. (*Laughter*)

But I do not think that 74% to 66% represents a massive change. If it was perhaps going from three quarters to up to a half or less than that, that is a pretty substantial change, but I do not think 74% to 66% is such a massive change. It would make us slightly less dependent on retaining very high levels of employment.

Now, I used to have this debate with Deputy Trott, when I was at *The Press* and Deputy Trott was the Treasury Minister, about the emphasis that should be placed on employment, and the emphasis that should be placed on inflation. I have to say that I think that the number one priority that faces the States, and should continue to face the States, is retaining high levels of employment. Because if we see a significant increase in unemployment it will have disastrous consequences, economically and socially. Deputy Langlois' Department deserves a great deal of credit for measures which in part they have taken to ensure that unemployment has not increased substantially, despite the economic difficulties that Guernsey has faced. (**Several Members:** Hear, hear.) I do not want to do anything which makes future States slightly more relaxed about higher rates of unemployment.

Now, GST is regressive, there is no question about that. I think the Joint Committees accept that. Yes, I accept that to some extent the regressive effects of GST could be mitigated, to some extent, but they cannot all be mitigated. There is no question that moving from employment based taxes to consumption based taxes will be a regressive move. It will bear disproportionately on people who are unable to afford that burden.

I will give way to Deputy Langlois.

Deputy Langlois: Just to remind people it could do that, if it were done in isolation – exactly the same point as I made earlier. If you do that in isolation, a single tax is either progressive or regressive. An overall package is where the judgement of progressive or regressive should be drawn from.

Deputy Fallaize: I accept what Deputy Langlois says, but I do not accept the consequences of that, because I think the package is regressive, because if you take a... There are people – and I think the analysis that has been carried out by the Guernsey Community Foundation is useful in this respect – there are very substantial numbers of people who will be worse off in the event that the package succeeds, and it will not be possible to mitigate all of the effects of that. You can raise the personal allowance to whatever you want, if your earnings are less than the current personal allowance, it ain't going to make any difference whatsoever. (**A Member:** Hear, hear.) And it is alright saying, well we can break up the population into deciles, and we can demonstrate that, for example, the third decile is on average the third decile is better off, but that covers over that a substantial minority of the third decile is worse off. If 49%, I think there is a line somewhere in this report that says that 49% of single parents would be worse off. Now I find it inconceivable that a Government would vote for a package of major tax, pensions and benefits changes which make 49% of single parents worse off. I cannot be persuaded that there is such an array of mitigating measures out there, which will mitigate the effects of consumption taxes on all of those people, who we would need to mitigate the effects against. If there were, there is not much point introducing it because it will raise such little revenue. (**A Member:** Hear, hear.)

Also, I am not convinced that future States will have the political inclination to see through all the mitigating effects. Because I do not see around me a large majority of States' Members who are particularly keen on generous increases in benefit rates, I do not see that at all. I think that if consumption tax is introduced in a very conservative political environment, the chances are very high of people who are unable to bear the additional burden being left to bear the additional burden without, even if they existed, without the mitigating measures being put in place.

If the objective is to broaden the tax base, and clearly it is, and I accept that it is a reasonable objective, I would prefer tax on company profits, environmental taxes, and property taxes. Now I know that the Ministers will say, TRP is more regressive than consumption tax. To some extent that may be true, but consumption tax is less avoidable, and that is the problem I have. That is where I will measure the regressive effects of a tax.

Environmental taxes can be designed in such a way that they can more easily be avoided, and so can property tax. It is an issue that we do not particular want to face up to in the States, but there is an element of choice in the properties which people choose to inhabit. There is not much choice in the food that people have to put on their table, and the clothes that they have send their children to school in. I think that is the problem with consumption taxes. It is not so much that they are regressive; it is that they are regressive and they are incredibly difficult to avoid.

Now, the final point I want to make is about Proposition 38, because Proposition 38 asks the States to agree:

'To direct T&R to report to the States with detailed proposals for a broad based consumption tax.'

Now, that is the sort of Proposition that is normally constructed if a Committee is absolutely committed to a particular course of action, and it wants to get the approval of the States in principle, and then it wants to come back later with the detailed proposals. This is not a Proposition which says, 'To direct the Treasury & Resources Department to investigate further the advantages, disadvantages, and possible consequences, of introducing a broad-based consumption tax, at some point in the future.' It could have been written that way, but it has not been written that way.

The argument that Proposition 38 is just an attempt to keep GST on the table is, I think, not quite right, because GST is always on the table, because the States have put in place the enabling legislation. (**A Member:** hear, hear.) The enabling legislation for GST exists today. That is part of Deputy Trott's masterstroke (*Interjection*) and I cannot see, if you have already got your enabling legislation in place, why does it need a four-year review, because we have already been doing it for two years, now we are going to do it for another two years. When you have already got the enabling legislation in place, why does it take four years to review whether you should introduce

GST? There is an inconsistency in that argument, which I hope the Members of the Joint Committees, when they speak in this debate, will address.

3520 I cannot really see this is a Proposition to keep it on the table, and therefore all my instincts are to vote in favour of the amendment. Now that is not to say, that I rule out the introduction of a broad-based consumption tax for ever. I have already said that if it comes to a choice between real cuts in public services and a broad-based consumption tax, I will vote for the broad-based consumption tax.

3525 I lost an amendment yesterday, not to have a cap on States income. Now if there was no cap, I might have been more inclined to make the argument that we should levy a broad-based consumption tax, in order that we can fund essential public services, but it seems to me that that option is gone. The only reason left for a consumption tax is to broaden the tax base. I cannot be persuaded to do that if it is just broadening it from 74% to 66% and when it would have regressive, and largely unavoidable effects on people who cannot bear the additional burden. Particularly when I think there are other more palatable options on the table. So I will vote for the amendment.

Thank you, sir.

3535 **The Deputy Bailiff:** Deputy Perrot.

Deputy Perrot: One of the criticisms directed at the Joint Boards is that it has taken two years, why should it take another two years? Surely everybody knows what GST is all about.

3540 What I can say is over the last two years, GST has been considered as one of the concepts. There was consultation, I do not think anybody could criticise the Joint Boards for lack of consultation. There was consultation before the report was drafted, but much more importantly there has been consultation afterwards. Again, I do not think anybody could criticise – in fact many people have praised the Ministers for going about as they have trying to explain the proposals to everybody. If you read – I know that some of you are utterly devoted to it – the e-mail traffic which has passed between Deputies and the Ministers, but between the general public and the Ministers, you will see that they have had infinite patience at dealing with the subject.

3545 I think that the Joint Boards – I know that I am a member of the Treasury Board – but I think that they are to be commended actually for listening. There has been a huge background noise about lots of things to do with the personal tax review, with the loss of universal allowances, for example. There was the adjunct there was this Enough is Enough process, when we had all the antics from the Commerce & Employment Minister, (*Laughter*) tearing up Billets and what have you, but part of that process related to the Personal Tax and Benefits Review. Various things have been thrown up which require a lot of work, actually, by the Joint Boards, if there is going to be GST, then a lot of work is going to be required both as to research into it and to, what we suspect, is quite considerable and deliberate misinformation about the effects of GST.

3550 So it does actually take time to do this extra work, but I fear that Deputy Fallaize is right – I cannot remember where he was saying it in his speech, in the first 40 minutes or so (*Laughter*) but what he was saying was that he thought that if it got through in principle today, then it could well be kicked into touch next year, if it comes before the States next year, and I fear that that is right. I do not think that that is the correct thing to do, and I say it is right, I think he is right in that analysis, alas. I do not think it should be the thing, because personally – personally – all gasp as I say this – I am in favour of a goods and services tax. (*Interjections and laughter*) It is just pure theatre, isn't it? (*Laughter*)

3565 **The Deputy Bailiff:** I am tempted to say look behind you, Deputy Perrot, but...

Deputy Perrot: When I have a song and dance man in the States behind me, I just cannot go wrong.

3570 So I am in favour of it, but I do well understand that people are anxious about it. Can I say
though, there is one word which keeps being used and that is the word 'regressive'? Every
payment which people make is regressive when you compare it with ability to pay. If you take a
litre of milk, we all know – well, my staff tell me what the cost of a litre of milk is – (*Laughter*) No,
joking, of course I know how much a litre of milk is. Let's say a litre of milk is about £1.15 (**A**
3575 **Member:** 13.) Thank you, very well £1.13. A person who has little by way of funds will find that
more costly than a person who has got a lot of money, but the price of a litre of milk is not
changed in order to meet the ability of someone to pay. So, everything is regressive because
things are cheaper, or relatively cheaper, for those people who have more money. So you could
say that any form of taxation is regressive.

3580 Anyway, can I just go on to Deputy Conder, we have got to refer to him in various ways,
Deputy Conder, Professor Conder, Dr Conder, and I think people use those terms in order to add
weight to what he says. In fact, I looked him up on Google, I looked up his manifesto, he is both a
teacher, an accountant and a chartered secretary, so there are very many strings to his bow. But,
can I say that when he was a manager in relation to VAT, that was over 30 years ago, and I am not
3585 sure that things are quite the same now as they were then. Particularly so far as information
technology is concerned. So I am not sure that actually by playing that card again, I am sorry,
Deputy Conder is a man of great wit, charm and intelligence, and I am sure if I were to get
married, I would wish him to be my best man, (*Laughter*) I do not think that playing this card is
always appropriate for him in relation to this –

I give way.

3590

Deputy Conder: If I may, in defence, just one sentence from my speech.

'I do not wish to overstate that experience nor to claim knowledge or insight which I cannot justify.'

Deputy Perrot: Thank you, I endorse all that he says. (*Laughter*) Indeed, in Deputy Conder
saying that his past experience allows him to speak more knowledgably about VAT, means that
here am I, I was demoted staff sergeant in the Elizabeth College Army Cadet Force, (*Laughter*) that
3595 would give me authority to speak on the deployment of armed forces in southern England. That
would just not be appropriate. So, whilst I know that Deputy Conder has some knowledge about
VAT, I think things have changed really quite substantially.

I feel that I must disagree slightly with my beloved leader on the Treasury & Resources Board,
because I do not know that I accept that value added tax is quite the same as a goods and
3600 services tax, because VAT does depend on added value, whereas sales taxes do not necessarily
relate to direct value. Of course, VAT was a creature of Europe. That was one of the condition
upon which the United Kingdom went into Europe. The United Kingdom loved the idea of VAT,
because with a party system you promise absolutely anything to the electorate in order to get
elected, knowing full well that you cannot actually pay for it all. That is what they have been doing
3605 generation after generation, and that is why they have got a massive deficit which they have got.
So they love that sort of thing. There are no limits, of course, imposed around – with these
countries, they all have different amounts of VAT.

We had Deputy Conder having lots of fun in giving us the various rates of VAT, which showed
that there are a number of countries which had very substantial rates of VAT, but of course, as
3610 Deputy Fallaize says, we have now put our own limit in of 28%. So it is going to take a lot of
persuasion, I suspect, for any future States to allow GST to go above a level which would break
that 28%. So I think that we were talking about scaremongering earlier on. I think that that little
bit of theatre does need to be explained, and I cannot see that Guernsey, which is well known for
financial probity, to allow that sort of thing to happen.

3615 He also said that Hong Kong had brooded on the idea of bringing in a goods and sales tax and
then did not. It could just be that that had something to do with the fact that it was withdrawn
just before the election of its Chief Executive, but there was a very close connection between
those two events and there was also a directive at that time from the mainland government in

3620 China on the government in Hong Kong to feel the pulse of the electorate. I think that was the term used, and that was the reason why GST was not brought in in Hong Kong.

Deputy Mary Lowe said that she would struggle to find supporters of GST. I am quite sure she is right. If we had no tax at all in this Island, and suddenly the Treasury Minister were to be suggesting, 'What about income tax?', I think she would find that there would actually be no supporters of the concept of income tax. Nobody wants to pay taxes, absolutely nobody.
3625 *(Interjections)* Deputy Laurie Queripel does – well, that is grand, but everybody else, I suspect, does not wish to pay it. *(Interjection)*

Deputy Brouard: I would like to pay the most tax, sir. *(Laughter)*

3630 **Deputy Perrot:** Well there we are, that is the first election address that we have heard. *(Laughter)*

There have been ridiculous assertions about the cost of collection of this tax, and Deputy Luxon has referred to that. We never talk about the ridiculous cost of collection of ETI, but employers collect ETI on behalf of the States, something which Deputy Trott was happy to
3635 continue while he was Treasury Minister. We also, of course, collect social security contributions and all it implies. There is no problem with doing that, actually, the Treasury & Resources Board, and the Social Security Board, have come up with the most brilliant bit of IT called Returns Creator, which does it make it a very easy thing to do, and as far as I am concerned, pretty well cost free. *(Interjections)*

3640 It is difficult being deaf and being interrupted, and not quite hearing what people are saying. I am not sure whether I ought to be responding to any of that.

The Deputy Bailiff: Deputy Perrot, nobody is on their feet so they are just muttering under their breath. Do not worry.
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Deputy Perrot: Well, I think Deputy Trott is slightly more than muttering under his breath, but –

Deputy Trott: Sir, what I actually said was, 'Is that the time?' *(Laughter)*
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The Deputy Bailiff: Deputy Perrot, do not worry at the moment about the time, please continue.

Deputy Perrot: That was a very amusing and helpful intervention. *(Laughter)*
3655

Deputy Brouard, I am so sorry that a bucket was thrown over his head *(Laughter)* and has affected his ability to think with his usual clarity. *(Laughter)* He was referring to the fact that GST may adversely affect tourists coming in to Guernsey. Now, most people in this Chamber will go on holidays on a regular basis, and they will go to countries where they will pay goods and services tax. If they go to America they will do it not only on a city basis, but possibly on a state basis as
3660 well, and we all pay those things quite without thinking about it, and that certainly happens throughout Europe. I have never heard Deputy Brouard say that he has held back on one of his skiing holidays as a result of paying VAT in Europe. The fact is that we all accept that we have to do so, and we do not actually think about it. It is only this sort of debate which really makes us think about it. Certainly, I do not think anybody stops going to the United Kingdom simply
3665 because people have to pay tax, VAT, in the United Kingdom.

I had much else to say, in fact I will leave that, because I know that Deputy Conder is going to be a party to an amendment which want to bring, as will Deputy Trott... They will be parties to amendments which want to bring in progressive taxation, and I will wish to speak rather more fully about that at the time.

3670 I do think, it is odd for somebody like Deputy Conder who comes from academia, who is used
to the idea of research, where one of the pillars of research is that nothing is not debatable. You
look at it, and if it is terrible you throw it out. But we have got this idea now of saying, 'Oh Mum,
it's the bogey man, I really don't want to discuss it'. That is not the way it ought to be. However
awful (*Laughter*) you think GST is, let's at least look into it, give us the opportunity of looking into
3675 it. There is much more to look into, despite what some Members have said this afternoon, and
then if in a future parliament we do not want it, then it will be thrown out.

I have to say one final thing. Deputy Lowe criticised Deputy Duquemin for referring to the fact
that some people would be against GST because they fear for their votes at the next general
election. I think, actually, it was a fair comment which he had to make. I think that we ought to
3680 vote on these things, quite irrespective of how we think it is going to play in general election.
(Several Members: Hear, hear.) We ought to vote properly in accordance with our consciences.
Unfortunately we no longer have a Conseiller system, we do not have a system whereby we have
10 or 12 people elected on an Island basis who are sort of senior people of this House. The
trouble is everybody is up for election. I ask Members to think about leadership rather than
3685 following. (*Applause*)

The Deputy Bailiff: Members, of the States, we have not heard from the seconder of the
amendment, we would still have to do summing up, so I am going to adjourn now until 9.30 in the
morning.

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The Assembly adjourned at 5.44 p.m.