



OFFICIAL REPORT

OF THE

STATES OF DELIBERATION

OF THE

ISLAND OF GUERNSEY

HANSARD

Royal Court House, Guernsey, Friday, 27th March 2015

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Law Officers

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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, E. G. Bebb, L. C. Queripel

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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,
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The Clerk to the States of Deliberation

D. A. Knight, Esq. (H.M. Deputy Greffier)

Absent at the Evocation

H. E. Roberts, Q.C., H.M. Procureur; Deputy M. J. Storey (*indisposé*);
Deputy S. A. James, M. B. E. (*indisposée*); Deputy A. H. Brouard (*relevé à 9h 45*)

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States of Deliberation

The States met at 9.30 a.m.

[THE DEPUTY BAILIFF *in the Chair*]

PRAYERS

The Deputy 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 Deputy Greffier: Billet d'État IV, sir. Article I debate continues.

The Deputy Bailiff: Deputy Conder to place amendment 11.

Amendment 11:

In Proposition 28, to replace the year '2025' with the year '2035' and to delete the words 'and that the withdrawal should broadly follow the schedule provided in Appendix 8d'.

Deputy Conder: Thank you, sir.

5 Mr Deputy Bailiff, fellow States Members, this amendment is quite straightforward and has at its heart the desire to mitigate the effects of the withdrawal of mortgage interest relief in respect of principal private residences by extending the phasing out period to 2035, rather than 2025 as proposed in Proposition 28.

10 I should make it clear that, in principle, I fully support the proposal to remove mortgage interest relief as I believe it distorts the market. The cost of housing is simply a product of how much an individual or couple can afford to pay. Anything that increases that ability to pay will impact upon the price of housing. Ultimately, the only sectors that benefit are those professions that derive their fees from a percentage of the selling price of a house.

15 Sir, as many of us have detailed in the past, we live in particularly difficult economic circumstances, characterised by stagnant wages, historically very low inflation and low interest rates. This situation has existed for nearly a decade and at the present time no forecasters can predict when those circumstances might change.

Indeed, deflation already exists in many economies and is predicted to be the case in much of continental Europe for the foreseeable future. In times of deflation the true cost of debt increases, notwithstanding low interest rates, asset prices – including houses – fall and wages and stagnate.

In such circumstances, sir, we need to recognise that the compacts made between Government and the community should not be broken, and one of those compacts over many years, which has been particularly important for young and first and second-time buyers, was that they were able to rely upon mortgage interest relief as an amelioration of the cost of acquiring their own home. Many house buyers currently have, and will have for many years, mortgages which stretch their family budgets to the limit.

Those in this Assembly of my age, who were purchasing their first house in the 1970's or the 1980's, were the lucky generation insofar as house purchases were concerned. Paradoxically, inflation, which was the scourge of national economies, was actually the friend of the indebted because it effectively wiped out the true cost of debt very quickly, in some cases in just a few years. In the 1970's, and to some extent in the 1980's, inflation rates of between 10% and 20% per annum were common, and even on one brief occasion, for the year 1975, under the stewardship of the late Mr. Harold Wilson, inflation rose to 25%. However, at the same time as inflation was rising, salaries rose or sometimes exceeded the rate of inflation. Indeed, in the UK Civil Service, salaries were index linked to the rate of inflation such that those salaries were increased every month by the rate of RPI. Sir, under such circumstances, even with much higher interest rates than we are used to today, the real cost of debt rapidly declined. My first mortgage in 1971 was £4,000 – yes, £4,000! – and repayments initially took more than half of my net salary, but within four or five years, due to the increases in my salary to reflect the rise in the cost of living, the monthly repayments were less than one tenth of my salary, solely due to the impact of inflation on wages and salaries. Sir, under such circumstances, although mortgage interest relief was given on the whole debt it very quickly became an irrelevance in terms of the net cost of repaying my mortgage.

We live in very different times, notwithstanding that interest rates are low. The rate of inflation is much lower and indeed, as I have said many times before in this Assembly, major European economies and indeed the UK economy are moving into deflation with a great deal of uncertainty as to when normal growth will return. Under such circumstances *the cost of debt in real terms can rise*. Wage increases are non-existent, as we have experienced in some sectors of our economy, and economic growth grinds to a halt. That situation, or something like it, means that young families, who have stretched themselves to take on a substantial mortgage, unlike me when I was their age, will face the prospect of having to service that debt in real terms possibly for most of the life of the mortgage. Consequently, we should be careful before too hastily and retrospectively withdrawing a long-established allowance, notwithstanding it is the right thing to do because it distorts the market.

Mortgage interest tax relief represents one of the many compacts that governments make with their citizens. Individuals make life-changing decisions based upon the unspoken assumption that their government will not renege on those contracts. There will be families and first-time buyers whose disposable income is fully committed and who simply cannot afford the relatively swift withdrawal of this tax allowance in the current economic circumstances.

Sir, this amendment recognises that mortgage interest tax relief should be phased out, but it attempts to ameliorate the impact of such a decision by extending the phasing out period from 10 to 20 years, which is a significant part of the life of most people's mortgage. I believe this will allow mortgage-holders to gradually adjust their budgets whilst enabling the housing market to more gently take on board the reduction in affordable income that the average house-buyer can afford to devote to a house purchase.

I think and I hope colleagues will accept that my proposals will be helpful to the authors of the Propositions in that they fully recognise what they are attempting to achieve, which is undoubtedly the right and essential thing to do, but I believe that approval of this amendment will help to take our fellow citizens with us during these changes. The proposal to extend the

70 phasing out period to 20 years will soften the impact of such proposals on some severely stretched members of our community, help to provide a soft landing for the Guernsey housing market, make the proposals more acceptable to those they will impact upon, and will continue to facilitate home ownership amongst first-time buyers and other members of our community.

75 Sir, colleagues, please be under no illusion: this not a plea for the retention of mortgage interest tax relief. That would be a quite different amendment and not one that I would support. Rather, it is a recommendation that under the current and foreseeable economic conditions of stagnant growth, zero rises or a fall in wages and little increase in the value of properties, we give some comfort to those hard-pressed mortgage payers, whilst giving them unambiguous evidence, through slowly falling tax relief, that mortgage interest tax relief is being phased out. If economic
80 conditions change and inflation, rapidly increasing wages and bonuses and rising house prices reappear, this decision can always be revisited.

I am conscious of how pressed for time we are in this debate. I would hope that my proposal will be relatively uncontentious and the authors of this Report might be able to accommodate them. The decision we need to make is a very straightforward one and I hope that we can come to
85 such a decision expeditiously. I ask all Members to recognise the merits of this amendment and vote to support it.

Thank you, sir.

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

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

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

95

Deputy Brouard: Yes, please, sir. Thank you.

The Deputy Bailiff: Deputy Langlois, to be followed by Deputy Bebb.

100 **Deputy Fallaize:** Sir, I do not wish to speak, I just wish to say that, notwithstanding what you said at the start of the debate... because, with all due respect to colleagues, when I look around the States I do not think that the potential conflict of interest in this matter is quite as general as it might be with some of the other issues. It is not specific to me but I do feel that I would be too conflicted to vote on this matter and so I will not participate in the debate or vote.

105

The Deputy Bailiff: Thank you, Deputy Fallaize.
Deputy Langlois, to be followed by Deputy Bebb.

Deputy Langlois: Thank you, sir.

110 Once again, I rise to just point out that there is a huge amount of material on all of this. We have had one debate already about it during a Budget event and there is a huge amount of material in the Report.

115 Can I just emphasise that one of the reasons why the deliberations of the Joint Boards took so long was that in each of these cases we have been over all the ground and we have given a careful risk assessment to this one, because in this particular case it is all a matter of risk assessment – risk to the economy as a whole to the whole of our population, not risk to individuals who have made particular decisions?

120 While this extension will further soften the impact on households of withdrawing mortgage interest relief, the extension actually lengthens the amount of time over which the States are exposed to the risk of increasing interest rates. That is the *whole* of the population, not just a select group; and in fact that select group, as Deputy Conder has just pointed out, would actually,

perversely, benefit from that event, whilst the rest of the States suffered, the rest of the population suffered.

125 It also prolongs the distortion that the existence of MIR has created within the housing market. The proposer has acknowledged that. It is well proven that it has changed all sorts of aspects of the housing market and I think we can all agree... I do not know if anybody else has had experience of the housing market in the last year or so but there is a severe issue there, there is a problem, because nothing is moving. The prices have reached a particular level and particularly at the lower end, which is the area Deputy Conder was most concerned about, there is very little chance for people to enter that market.

130 Extending this will further reduce the speed at which it will be possible to increase personal tax allowances. This was seen as a good thing yesterday by virtually everybody, and by extending this it will definitely affect... Because we have thrown out certain options, because we have reduced the number of tools in the box, anything like this is going to affect the freedom to make other changes.

135 Deputy Conder has suggested that he is being helpful to the authors. I would not like to see him in an unhelpful mood! (*Laughter*) But this helpful comment is an interesting one. He does not want us to act 'too hastily'. This is a steady move, a steady change, over 10 years. I think some of the definitions of words... I must have a chat with him some time about definitions of a particular word. Even in Guernsey politics I do not see an action over 10 years as being hasty. He, however, stresses, of course, it is the right thing to do. Well, thank you for that. He also... I am genuinely confused, because if you look at... We had a lot of rhetoric yesterday about the regressive nature of taxation and so on. There is nothing more regressive than mortgage interest tax relief. The benefits go all to the people who take on the biggest risk and take on the biggest debt, and they can only do that if they are in the highest income groups. Overall, sir, I think that 10 years... I realise that at different stages of life you see the world differently, you see personal income differently and so on, but 10 years is surely sufficient planning period for households.

140 Deputy Conder referred back to the period of the 17%, 18%, 25% inflation and waking up one morning and finding that your mortgage interest had risen from 12% to 16% overnight and doing a hasty recalculation on the way to work and on the way back again as to how you would rearrange your personal finances to cope with that. There are currently no indications that we are about to enter that sort of era again in terms of speed of change, and therefore I would say that it is perfectly reasonable for the Government to remove this relief, which does not serve any good purpose, over a steady period of 10 years. Please oppose this amendment.

155 **The Deputy Bailiff:** Deputy Bebb.

Deputy Bebb: Thank, Monsieur le Député Bailli.

I suppose I should start by stating that I personally have a mortgage. It is a 25-year mortgage and I am either 11 or 12 years into that mortgage.

160 Deputy Conder gave us a lesson in history back to the 70's, but I would like to start a little bit earlier. Back in 1789, through to 1799, there was a little event in Europe known as the French Revolution. One of the central reasons for the French Revolution was that there was a great sense of unease as to mortgage interest, as in tax allowances being given to property owners. It was one of the central facts of the French Revolution that to give property owners tax advantages was seen as a disgraceful imbalance in the system. Just over 200 years later, finally, in Guernsey we are about to actually catch up. I see that on this one we are even slower than on CEDAW and that is saying something.

170 Members, this is long overdue. If I had my way, even with my mortgage, which is a burden on me, because it is a burden on anybody... If anybody looks at the basis of 'mortgage', of course it comes from the French word for 'death now'. It is a dreadful... It is a burden on people – but I enjoy great privilege as a result: I own the property and I will outright.

I have to say that of course we also ignore the effect that Deputy Langlois spoke of, which is that by having mortgage interest relief, we are disadvantaging those who want to get onto the market because it inflates the market. If you create a tax allowance then you are more likely to be able to afford more, and that is inflating the market.

175

I would like to see young people assisted and one of the best ways of assisting them in the housing market in Guernsey is to supply more houses – and the other one is to stop interfering in that market. I do not think that benefiting people by buying houses is something that we should do, because it really creates a disgraceful imbalance for those people who cannot afford their first foothold on the market, who are given no tax relief on their rent payments.

180

The other factor that I would like Members to consider is that over 10 years the vast majority of mortgages that are sold these days are repayment mortgages, the vast majority. The days of interest-only or other types of mortgages are pretty much gone. It is a huge number. I would not like to state exactly because I do not have those figures to hand, but we all know that this is the type of mortgage that people have. During the first years of that mortgage, of course, the interest rate is high – the amount you pay in interest against the amount you repay in capital is disproportionately high – but over a 10-year period the amount of interest that someone pays in relation to the amount of capital reduces greatly and I think that a 10-year period is a fair amount of time for us to say that we will phase it out. I would be content to see a more aggressive timeline, but I am quite content to support the proposals as they stand.

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Members, it is time for us to support young people in this Island and the best way of doing that is to phase this out, because the next generation really do need a better assistance and that is not to inflate the prices in a way that mortgage interest relief does. Please reject this amendment.

Thank you.

195

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

Deputy David Jones: Thank you, Mr Deputy Bailiff.

As Housing Minister, you would probably expect me to say something on this. My Board and I discussed this, the last time it came to the States, at some length and I think that, by and large, the Board supports the phasing out of mortgage relief because we would want the money saved to go towards other forms of encouraging first-time buyers and people onto the housing ladder, which is through partial ownership and that magic word 'supply'. But the reason, the concern for us, is that it skews the private rental market. Those in private rental get no financial help or incentive at all from the Government other than to pay the quite high rents that they do pay, because of supply and demand again. I believe that the phasing out over 10 years is a perfectly reasonable period to do that.

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I have to declare a real interest here. I have two children who have both got hefty mortgages, and it is uncomfortable because they will have to adjust the way that they manage their incomes to accommodate any phase-out period. My son – his children in 10 years will be adults, so that will help that situation.

210

Certainly it is the private rental market that concerns Housing most, because we did try to get some financial help for those in private rental. You will remember the discussion the Social Security Minister and I had in this place a year or more ago – whenever it was now; I have forgotten, it has been so long – about that particular subject. We did get some assurances from the Treasury & Resources Department that the phasing out of mortgage relief would make more money available for perhaps other ways that we could help the housing market.

215

The housing market at the moment – and Deputy Allister Langlois is perfectly correct – is completely flat-lined; and even with mortgage relief – people have mortgage relief available to them now – it is not helping that market. The problem we seem to have is that the mortgage lenders now require you to fit a very tight profile and if you do not fit that profile, getting a mortgage is very, very difficult. It is certainly much more difficult than it was. I would like to see a local Guernsey bank that actually could lend money for mortgages on a local playing field rather

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225 than our borrowers, for instance, having to go through the UK banks and all the criteria that they set down that do not always reflect the local housing market in Guernsey.

So, unfortunately, I cannot support extending this to 20 years. I think that it is a perfectly reasonable amendment and it would have some easing, there is no doubt – Deputy Conder is absolutely right; but I think the way that this does skew the housing market is something that we simply cannot ignore and therefore I will not support this amendment.

230

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

Deputy Harwood: Thank you, sir.

235 Like Deputy Conder, I had memories of my first mortgage in the 1970's; but unlike Deputy Conder, I do not recall being able to have the luxury of having monthly pay increases. So I did actually endure the period of high inflation – *(Interjection and laughter)* I had to endure the problems of high inflation and also high interest rates.

240 Deputy Conder used the word 'compact', and that does resonate with me because I do recognise the responsibility Government has in respect of promises that have already been made to a section of our community. If Deputy Conder's amendment purported to grandfather the protection of those who are already committed to mortgages, who already have that problem, then I would be inclined to support his amendment, because most people have committed to a 20 or 25-year mortgage. Unfortunately, the flaw in Deputy Conder's amendment – and I suggest also the flaw perhaps in the authors of the Proposition – is that there is no such grandfathering, so that

245 anybody who takes out a mortgage, certainly under Deputy Conder's amendment, over the next 20 years will have a period when they will enjoy mortgage interest relief.

250 Deputy Langlois has rightly pointed out the risk for this Island of the cost of giving that relief. If interest rates start moving up – 1%, 2%, 3% – the entire population of this Island... the States of Guernsey's cost is going to increase enormously as a result of this relief. So whilst I was sympathetic to Deputy Conder's amendment and I was minded to perhaps agree that extending the transition period to 20 years would work, I am not prepared to do so unless at the same time it is accepted that the transition and the withdrawal period only applies to those who have already committed to mortgages, because then I agree that is where the compact lies. I do not agree that the compact should lie with people who have not taken out mortgages and come in later. So, on

255 that basis I will not be supporting the amendment.

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

260 **Deputy Hadley:** Mr Deputy Bailiff, the last speaker and Deputy Conder have both spoken about a compact. To me that does not make any sense, because if one really thought there was a compact and an obligation to continue this relief then the same would apply to all the taxes we apply. I cannot think, just because there is a tax rate now, anybody realistically thinks we are never going to change it.

265 I would like Deputy Conder to say, when he sums up, what would be the effect of a reduction, in real terms, of mortgage repayment if we had, say, 2% inflation per annum. It seems to me that if you were absolutely certain that we would be having no inflation over the next 20 years then this might have some sense, but in reality I would have thought... Again I will be guided by Deputy Conder, but I would have thought that most people would expect inflation to be at least marginal – 1.5%, 2.5% – and even at those sort of levels the payments mortgage owners will have

270 will be reduced significantly. But again, perhaps he could advise us as to what the reduction would be.

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

275 **Deputy Green:** Thank you, sir.

I declare an interest as well. Like others, I have a mortgage. I would probably benefit from this amendment if approved. I declare that interest and that relates to a mortgage from 2011.

280 I probably cannot support his amendment. I am sure that my good friend Deputy Conder will forgive me for saying this – or possibly not; I don't know! (*Laughter*) It is a very well intentioned amendment; there is no doubt about that. He is trying to give some comfort to mortgage holders and I appreciate where he is coming from, but I think actually the effect of this amendment is probably not that progressive in impact.

I agreed with what Deputy Hadley said a moment ago: I think you can make too much of this point about the compact with homeowners in terms of taxation; I think that is right.

285 I also agreed with Deputy Langlois – that does not happen every day, but I agreed with pretty much everything he said. Mortgage interest tax relief does distort the housing market in an unhelpful way, and I think extending the period for withdrawal of the relief will, in effect, slow up the pace of improving the personal Income Tax allowance for lower and middle income people. I think that actually will not be terribly progressive, if that happens.

290 The other point, which Deputy Bebb made, which is also very well made in the policy letter, is that this is a subsidy on housing costs which is clearly not available to those who do not have a mortgage, it is not available to those who rent and those who rent are people we have to represent, as well as those who have mortgages. So I agree that the impact of this relief is inequitable.

295 I think the reality is that the 10-year period is probably sufficient to cushion the blow of the removal of this allowance. Deputy Conder seeks to make that into 20 years, rather than 10. I think that is probably going too far, so reluctantly I will not be able to support this amendment this morning.

Thank you.

300

The Deputy Bailiff: Deputy Gollop.

Deputy Gollop: Thank you.

305 Today is not a day for rambling repetition, so in one sentence I will say the solution to our housing issues is much more about the Housing Board, in connection with the wider States, grasping the nettle, buying up expensive sites and building new homes for rental and for partial-share ownership; (**A Member:** Hear, hear.) not about continuing, for a whole generation, mortgage tax interest relief.

310 **The Deputy Bailiff:** Deputy Kuttelwascher, to be followed by Deputy Le Lièvre.

Deputy Kuttelwascher: Thank you, sir.

315 I feel somewhat disappointed with some of the opening statement made by Deputy Conder, because I think it was a political *faux pas* to stand up and say that an amendment is straightforward, uncontentious and would expect the support of basically the whole Assembly. The last time that happened, the amendment was absolutely trashed. I will not mention who it was and when it happened, but that is not the way, I believe, to start that sort of introduction.

320 I want to point out a couple of things about the unfairness of mortgage interest relief, because it does apply to a certain section of the population who are sufficiently well-heeled to be able to afford a mortgage, and it has a twofold effect. One is obviously it helps them provide housing, but it also subsidises the investment value of a property. People buy a house, in part, for its long-term appreciation investment return, and I do not believe that should be subsidised, especially since, as someone has already mentioned, all those in rental accommodation do not get any such subsidy for any such similar investment, but they also pay the taxes that subsidise it. I am not at all surprised that the French Revolution in part was caused by, shall we say, tax relief given to a certain section of the population that the rest of the population thought they did not deserve.

325

330 Finally, I lived through a withdrawal of mortgage interest relief in England and at the time I was hopping mad, like everybody else. All sorts of doom-watch scenarios were being presented and none of them materialised. It was withdrawn, I think, over a period of about three years, and I say to you: look back over the last 20 years and look what has happened to the UK housing market. It certainly is not something that will destroy our housing market, so I cannot accept an extension to 20 years, as is being suggested in the amendment. In fact, I think 10 years is quite generous, compared to what has happened in other jurisdictions.

335 I implore Members to actually reject this amendment; otherwise, we are going to have a very interesting Budget next time around.

The Deputy Bailiff: Deputy Le Lièvre.

Deputy Le Lièvre: Thank you, Mr Deputy Bailiff, Members of the Assembly.

340 I want to introduce a touch of reality into the proceedings. Guernsey has a two-parent working model. That, we know, is true across all sectors: private rented, social rented and indeed the owner-occupier sector. Many of those people who are buying into accommodation, who are purchasing their accommodation, are young couples, and young couples in many instances with children and young children at that.

345 I am going to declare... I have got the permission of my children, my daughter. This is my daughter's case and I use it because it is typical, I believe, of the children of many of the people in this Assembly and it is certainly typical of a person who is not a million miles from me behind me.

350 We have a young couple, typical of many in Guernsey; both are professionally qualified. They have got two very young children. Their mortgage is £388,000 and it is set to run for 31 years from today. Both are employed; neither in roles that provide bonuses or suchlike. Both are professionally qualified, and despite the fact that they are they earn £30,000 and £34,000 each, so their gross income is £64,000. They are both providing for their future by way of pension provision and they therefore fall very squarely into the socially responsible group that this Assembly seems so preoccupied with. They have child-minding costs – at the moment of £500 a month, projected to rise to £1,100 a month; that is £13,200 per year – because they both need to work but of course the children need to be cared for. They have a grandparents' subsidy also technically of £500 in value, rising to £1,100 in value when we take hold of Henry. *(Laughter)* That is another £13,200 a year. They have mortgage repayments of £19,200. And they get by. They have an income at the moment, a disposable income of £3,000 above that of a supplementary benefit couple in the same circumstances.

360 If we actually apply – and I spent some time on the computer in my office, such as it is, last night – mortgage interest tax relief as per A820 and with the current personal tax allowance, they end up with a disposable income of £769 above that of a supplementary beneficiary. So they are £2,000-odd worse off. That is after 10 years, and when the 10 years is up their children would be 10 and 13, so they are not going to be out of the wood by any means. If you apply another model, MITR as per A820 tax allowance rising to £17,500 – well, we are not going to see that any more – they would actually end up ever so slightly better off than they are now. But if you go to the tax allowance rising to £17,500 and the mortgage interest tax relief, but you start to reduce Family Allowance, then they end up £1,000 a year worse off than they are now and with a disposable income just £40 a week above that of a supplementary beneficiary. If we go to the worst scenario of all, which is reducing mortgage interest tax relief and leaving the standard tax but reducing FAM, they end up £885 a year worse off than a supplementary benefit couple in the first instance.

370 We have failed to take into account in any speech so far the cost of childcare, and childcare is as important as the mortgage. They are committed to this.

375 I will give way.

Deputy Bebb: I thank Deputy Le Lièvre for giving way.

Would Deputy Le Lièvre agree that, therefore, a more targeted approach of assisting childcare would be preferable to the current scattergun approach of mortgage interest relief?

380

A Member: Hear, hear.

385

Deputy Le Lièvre: Yes, I would agree that any system that actually assists with the cost of childcare or the provision of childcare would obviously be beneficial; but we are not there yet, Deputy Bebb. We have to get through several hurdles, and they are not being made any easier by the decisions we made yesterday – of which I was part, I admit. (*Laughter*)

390

This couple are not well-heeled, as I hear reference... They are not well heeled. They might have an income of £64,000, but they are not well-heeled, and their situation... Okay, the scenario I have used does not use any increase in the RPI, I accept that; but I used it to demonstrate what would happen if everything stayed the same.

395

I firmly believe that MITR should go – I do, I believe that – but for young couples, and there are hundreds of people in these similar circumstances in Guernsey, what is proposed represents a risk to them. I know that Deputy Langlois talked about a risk to the economy, but I thought, listening to some of the things that were said here, that we wanted to encourage people to stay, that we wanted to encourage young families to have children, to have even more children. There is absolutely no way that there is a third child on the horizon, it is an impossibility, and yet that is the sort of replacement value we need in children.

400

By the way, whilst I am on my feet, all this talk about the private rented sector and the owner-occupied, social rented... The purpose of SWBIC is to actually absorb the social rented, to actually remove some – not all, but some – of the assistance that might be granted to social housing tenants and push that out into the private rented sector. But if we go back to the housing needs surveys of I think it was 2003 and 2007, whatever the dates are, both of those showed that the income of people in the private rented sector was higher than in social rented for sure, and not far short of – in fact, I think probably the same as – the owner-occupied sector. So we must not start utilising arguments based on spurious figures that the private rented sector is very much worse off, they cannot afford it. Many people are in the private rented sector because they can *afford* to be in the private rented sector.

405

Nevertheless, going back to mortgage interest tax relief, I believe that the 20-year model – although it does represent risk and I accept that – is the part of the... These people, these youngsters, have joined a system that actually encouraged them to do so. It is not their fault. This is the Guernsey housing market, this is what the situation was. They are in it – they are in it quite early on, I accept that, but the risk to them and the risk to this Island is that you do start to lose professional people from our Health Service and suchlike. So I would implore the Assembly to think carefully and, in particular, think of the real costs.

415

I will give way – (*Laughter*) only just.

420

Deputy David Jones: I just wanted to pick up one point that my good friend from the Vale mentioned, and that is about the private rental. There are many people in the private rental sector who are just below or just slightly above the threshold to come into social housing and are struggling. It is supply-side that we simply cannot raise those thresholds in order to take those people in at this time because we simply do not have enough supply.

425

But there are quite a number of people who are in, I think that Deputy Roffey used to call it 'rent-induced poverty' in the private rental sector, that I have a real regard for, so I just wanted to make that point.

Deputy Le Lièvre: I do not deny that, Deputy Jones. I do not deny that at all. We live in a complex world where people's circumstances are... There is no one couple in Guernsey whose circumstances are exactly the same, but we have here very many young couples in Guernsey with growing families who have followed the culture that owner-occupation is the best way forward.

430 That is the culture that has grown in Guernsey and they have been encouraged by their parents and their grandparents in many instances because they have seen that you do end up with a capital asset at the end of it, which no doubt will go towards providing for your long-term care. This is what people think of when they talk of responsibility. These people have joined the responsibility group, and this is what is proposed: a risk to their future.

435 So despite everything that has been said to the contrary, I would say that these proposals are reasonable. They do represent a protection for many of the young families in this Island who pay huge costs for childcare – good childcare, quality childcare – but nevertheless are forced down that route because the two-parent childcare model is what we have; and if we go and change it as proposed, we do put very many young families at risk.

440 Thank you, sir.

The Deputy Bailiff: Deputy Le Clerc, to be followed by Deputy Brehaut.

Deputy Le Clerc: Thank you, sir.

445 I cannot agree with Deputy Le Lièvre on pushing out this for another 10 years.

One of the reasons why I was happy to put myself forward to be a member of SWBIC was to try and assist those on low incomes, particularly those in the private rented sector. Those are the people who contact me, who are just outside of the points system for social housing or for Guernsey Housing Association. Those are the people who are really, really struggling. I know, as part of SWBIC... and every time we meet I say, 'When are we going to discuss the rent rebate?' because that is a difficult one. So I cannot agree to a subsidy that gives people who have a mortgage something that people in the private rented sector do not receive. It is not equitable, in my view, so I cannot support this amendment.

I worked for many years in the UK, giving out mortgages. I remember when the mortgage rate was 12% and I was telling people to fix for five years at 12% – and we had queues of people outside the door fixing at 12%. I have asked our treasury team at the bank where I work what the expected interest rate rises might be over the next 10 years. Unfortunately, we have got no idea what that will be, but they said to me the longest that they could predict, or the longest that the Bank of England could predict, is something like 2019 and there is already a projected increase from where we are today, at ½%, up to 3% in 2019. We have got no idea what the long-term projections are on increases in interest rates, so therefore – we are paying £8 million subsidy at the moment – we do not know what liability we are storing up for ourselves at some point in the future.

465 It is for those two reasons that I ask you to reject this amendment and vote for our own proposal.

Thank you.

The Deputy Bailiff: Deputy Brehaut.

470 **Deputy Brehaut:** Thank you.

I do not wish to in any way demean or undermine the clear message that was in Deputy Le Lièvre's example he gave, but the Guernsey housing market, it seems to me, mirrors aspects of the UK market but over the years has changed.

475 If you were a baby boomer, if you are a baby boomer, or if you predate baby boomers, the chances are you bought a house pretty much and you stayed in that house – it was your home, you raised your children in it. I know it is a generalisation. Younger people... and I speak with some experience. I have moved a number of times and I do not think Interpol have found out yet, so there is always time! (*Laughter*) People use the equity in their house in a fundamentally different way than they did some years ago. The Guernsey housing market has remained buoyant, 480 fortunately. I do not know whether it has flat-lined – I think if your house is at the right price you will still sell it. People move and realise the equity to get the things they could not otherwise have.

485 For some people it means selling a property, funding your children through education, moving to another property, investing a bit more in that property, paying a bit more for your mortgage. A number of people do that and they use the housing market to their advantage in ways that are hugely beneficial to them and enhance their life quality, rather than this – I will not say ‘caricature’; that would be unfair – burden of debt that they are saddled with for the bleak years ahead.

490 I do not think that is an accurate interpretation. I had a high mortgage, we had two young children and we were paying, I believe, almost £800 a month for our two children in childcare, so I speak with some experience. But actually, if you can be a bit creative and think in a different way and be prepared to empty more than one loft in your life, then sometimes you can enjoy the equity that is within that property.

The Deputy Bailiff: I turn to the Minister of the Treasury & Resources Department, Deputy St Pier, to respond to the debate.

495

Deputy St Pier: Thank you, sir.

I think it is probably just worth remembering that, actually, when interest relief was withdrawn on all other loans in the mid-2000’s, of course that was done in one go. There is a difference, obviously, but it is just worth remembering that before I begin.

500

Deputy Conder referred to historically low interest rates, and of course he is absolutely right – they are the lowest rates there have been in the history of the Bank of England. Presently, average mortgage interest rate in respect of mortgage interest relief claimed is 3% and that is costing taxpayers around £7 million to £8 million a year to support those claims.

505

If we work with Deputy Conder’s history lesson about what interest rates have been, and given Deputy Le Clerc’s comments that we have got no idea what interest rates may be, and let’s just imagine that at some point between now and 2035 interest rates do go back to where they once were – maybe not to where they were in the 1970’s when inflation was 25%, as Deputy Conder mentioned, but perhaps they could go to, say, 15% where they were in the 90’s – that would cost us £40 million a year. Forty million pounds a year is the risk that we carry, and that is carried... The risk has been transferred from the borrower to all other taxpayers, and I suggest to you, sir, that is simply a risk that we cannot, in the current times... In the very different times which Deputy Conder referred to, simply we are unable to continue to expect taxpayers to carry that interest rate risk. Again, I draw Members back to the title of this report: ‘Planning a Sustainable Future’. It is all about planning sustainable finances and this has to be one of the biggest risks that we carry and we should be looking to mitigate and manage that risk.

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Yesterday, Deputy Conder made much of GST being regressive, and of course he was challenged on it by those of us who were arguing against his amendment, in terms of the extent of it being regressive, but nonetheless that was a central tenet of his argument yesterday. Yet here today we have mortgage interest relief, which is very regressive, and Deputy Conder is arguing for its extension beyond those in the proposals. Perhaps like us all... we all want it all ways, and we cannot have it all ways.

520

Can I just draw Members’ attention to appendix A8d, and in particular some comments there that were made:

‘Analysis... shows that the withdrawal of relief on mortgage interest would be progressive for households in the first seven deciles, those with higher income being more likely to have a large mortgage. For the top three deciles, the average value of the relief relative to income decreases and therefore the withdrawal of this benefit is mildly regressive at very high incomes. This proposal has little impact on pensioner households as mortgages are typically not extended beyond the pension age...

By income the benefit is largest among those in lower income households just above the threshold at which they would be eligible to claim means-tested benefit.’

and then the same the comment in relation to pensioner households.

525

So I think it is worth remembering the progressive nature of the proposal which the Joint Boards have put before you, and indeed that is acknowledged also by the IMF, who said:

'The measure, which could be rationalised by the absence of taxation of the corresponding income on owner-occupied residences, should be gradual, as proposed. Eliminating interest deductibility in this way could, in and by itself, be expected to exert downward pressure on house prices. This measure, particularly when combined with increased personal allowances, may have a strong progressive impact.'

In relation to the impact on house prices, again in the report, analysis performed by Oxford Economics in 2013 estimates that the upward pressure, caused by mortgage interest relief to have:

'added approximately £44,000 to the average house price in Guernsey, almost 9% of the current average residential property value.'

530 So that is the burden that we are putting on first-time buyers with mortgage interest relief. We have added £44,000 to the cost of acquiring the average home, and of course the analysis would suggest that if you withdraw mortgage interest relief then the house prices would adjust down by that amount, which of course is precisely why it does need to be a gradual process, because we could not possibly have that impact in one go.

535 If we were to go with the amendment, we will reduce the speed at which we can increase personal allowances and the benefit that comes with that. Again, the analysis that has been presented to Members in the appendices shows that if we were to withdraw mortgage interest relief and consequently increase personal allowances to £10,950, then there would be an increase in income of nearly 1% a year for those in the second and third deciles.

540 Deputy Harwood made a very interesting point about grandfathering and noting that that was a major flaw in Deputy Conder's amendment, and I agree entirely with Deputy Harwood's point. Of course, we did consider grandfathering in relation to our own proposals; in other words, permitting interest claims on current mortgages but not permitting new claims. Of course, the reason that we did not propose closing the claiming of the relief to new mortgages is that it would reduce the availability of finance to new mortgages, which would have an immediate impact on house prices, because of course house prices are driven very much by first-time buyers at that sector of the market. So we would have an immediate downward pressure on house prices, which is precisely the risk of withdrawal that we need to manage. So that was the reason why we did not recommend grandfathering and closing mortgage interest relief to new claims. But I am inclined to agree with Deputy Harwood that, because of the risks which I have mentioned in terms of the carrying of the interest rate risk, I think we would have to consider closing the relief to new mortgages if this amendment were to succeed.

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550 Deputy Green made a very good point about this not being a progressive measure, and I think I have addressed those comments earlier, sir.

555 I think Deputy Le Lièvre's point to some extent ties in with Deputy Brehaut's point that it is very likely that the couple that Deputy Le Lièvre is talking about will probably want to have moved by 2035, and of course, by 2035, with a 9% downward pressure on house prices exerted by the withdrawal of relief, that is where they will benefit from the withdrawal of the relief.

560 For all of those reasons, sir, I do strongly encourage the Assembly to reject this amendment and support the original Proposition.

The Deputy Bailiff: Deputy Conder to reply to the debate on his amendment.

Deputy Conder: Thank you, very much, sir.

565 I will not keep the Assembly, because I think the mood of the Assembly is very clear.

I think it has been a discussion both about mortgage interest tax relief and its efficacy, which I think we all agreed on.

The amendment that I proposed simply relates to the current economic conditions and the burden of mortgages upon young people in the current economic conditions, if they continue.

570 Deputy St Pier made great play of the cost if this was to be approved. I would just remind him of almost the last sentence in my opening remarks, where I said if economic conditions change

and inflation rapidly increases wages and bonuses and house prices reappear this condition could always be revisited. Absolutely, that would be my position. The proposal is simply to recognise that, at this time, the downward cost of a mortgage – which so often has in the past been mitigated by the effects of rising salaries, rising wages – at this time and, in my opinion, for many years in the future, is not going to exist.

I think it is interesting that yesterday, in the latter part of the debate – not the GST debate, which others have referred to, but yesterday in the latter part of our debate we made great play, and many colleagues did, of the need to protect this Island in terms of its tax structure to still be able to encourage high-wealth individuals to come here, that our headline rate of tax at 20% was so critical to ensuring that entrepreneurs and so on were not put off coming to this Island. And yet for many of the indigenous population, those who are at this time potentially struggling with high mortgages, the real cost of which will remain for much of their lives, we are not at this stage prepared to anticipate that that real cost may exist for many years.

I do sense the mood of the Assembly and I do not wish to prolong the debate, so I would urge colleagues, in the current climate, in the current economic conditions, to give some certainty... This amendment is trying to give some certainty to those people who are holding substantial mortgages, who are struggling in our current economic circumstances, to know in these conditions they have some certainty going forward that their mortgage will be ameliorated in the way that it is at the moment – always subject to revisiting the issue if our economic conditions change.

I think there was one specific question that Deputy Hadley asked in terms of the impact of 2% inflation. I have not done the figures, but the point, of course, is if we have 2% inflation... The only way that the cost of a mortgage goes down is if wages and salaries keep up with that. They are not at the moment; they have not for a number of years.

I would ask for colleagues to vote for this amendment in the context in which I placed it.

I ask for a recorded vote. Thank you, sir.

Deputy Sherbourne: Sir, may I ask a point of clarification for voting? Deputy Fallaize raised the issue of our conflicts and interests. I wonder if you can give us some guidance on that. I have three children with mortgages and I really just need guidance on that.

The Deputy Bailiff: Deputy Sherbourne, I indicated at the start of the debate on this Billet that nobody needed to make any specific declarations of direct or special interest under Rule 12.8, which means that everyone is free to speak and everyone is free to vote. There is a request for a recorded vote, so those people who wish to abstain from voting will say 'Je ne vote pas'.

A recorded vote, please, Deputy Greffier.

There was a recorded vote.

The Deputy Bailiff: Well, Members, that was clearly lost. I will give you the result once we have had the next amendment placed and seconded.

I turn to Deputy Dorey, if he wishes to move the amendment numbered 12.

Amendment 12:

In Proposition 37, to delete 'as part of the ongoing budgetary process' and substitute ', and to include in that review consideration of its abolition or reduction and replacement with increases to Tax on Real Property; and further to direct that Department to report to the States as expeditiously as possible with appropriate recommendations, having first analysed the likely effect of such changes on the property market'.

Deputy Dorey: Thank you, Mr Deputy Bailiff.

615 Proposition 37 is to direct the Treasury & Resources Department to review the structure of document duty as part of the ongoing budgetary process. This amendment replaces the words 'as part of the ongoing process' with 'and to include in that review consideration of its abolition or reduction and replacement with increases to Tax on Real Property; and further to direct that Department to report to the States as expeditiously as possible with appropriate recommendations, having first analysed the likely effect of such changes on the property market'.

The purpose of this amendment is to carry out a broader review, other than just the structure of document duty.

620 There are a number of reasons why we should comprehensively review document duty and report back to the States. The first reason is its effect on the property market, which I became aware of when Mike Parr, an economist, wrote the report 'Operation of the Housing Market in Guernsey' in 2002. It can be found in Billet II, 2003. He was critical of the then policy of the Advisory Finance Committee for reducing document duty for lower-priced houses, as it causes
625 increasing prices. That is one of his many recommendations. This same error was repeated by T&R in the 2014 Budget. I did speak against the reduction, based on Mike Parr's recommendations, but the majority of the Assembly ignored my comments. It is interesting to note that in the 2015 Budget, T&R included the following:

'No extension is proposed to the temporary reduction in Document Duty rates for lower band properties as there is no evidence to suggest that it has facilitated an increase in property conveyances and Document Duty income.'

630 In 2002, as a member of the Housing Authority, I had the opportunity to discuss the report with Mike Parr. He said that a reduction would only work if you balanced the reduction in document duty with increases in fixed, immovable property taxes, like the then TRV, which he also recommended needed to be updated. I remember him saying that it would result in better use of buildings as we encouraged people to downsize to a smaller property when they no longer
635 needed a large house, so they did not pay the extra TRV on the larger house and the transaction to buy a small property would not be taxed. Also, for someone who needs a larger house, the move to a larger property becomes more affordable without document duty, without that tax on the transaction. The current situation encourages people to extend their existing house rather than move to a larger one, which has the effect of reducing the supply of smaller, affordable
640 homes.

A second reason is that document duty has been a very volatile source of income for the States. For example, in 2007 it raised £24 million; and in 2008, the following year, it only raised £15 million. In 2012 it was £17.1 million; in 2013, £15.5 million – that is £13.8 million from conveyancing and £1.7 million from bonds. In the 2015 Budget, the estimated income for 2014
645 was £14 million, but the latest unaudited figures are £13.1 million – that is £11.3 million from conveyancing and £1.8 million from bonds. This, of course, might be subject to final adjustment, not as the £17 million referred to in appendix 8g, paragraph A8g.20. This illustrates the volatility. Receipts are difficult to predict. In contrast, one of the advantages of taxing property rather than transactions is the predictability of the income source.

650 Thirdly, document duty has easily been avoided. The States has lost millions of pounds when commercial and residential property is conveyed by share transfer and also by inheritance. I know that in the 2012 Budget Report the States approved a proposal to introduce a share transfer duty regime, which would tax transfers of the beneficial interest of entities that owned either commercial or domestic real property in Guernsey. In the 2014 Budget it said that the States
655 report and draft law would be debated early in 2014. I now understand it will come to the States this year and, if approved, will commence in 2016. Until then, we continue to lose money. Also, we do not know how effective the new law will be and whether there will be any loopholes. Nor do we know what effects it will have on the property market. Also, it will not tax transactions by inheritance.

660 Lastly, I would like to draw your attention to the advice that the IMF gave to T&R, which is:

'We generally caution against the use of transaction taxes due to their adverse implications for the volume of transactions and their high revenue volatility.'

The IMF also referred to their working paper, entitled 'Taxing Immovable Property', which states the following:

'Property taxes can promote efficient use of land, thereby further stimulating development and growth.'

665 It also states that 'common elements of a reform strategy would ideally involve...' – and here they make several suggestions, including that property transfer taxes should be reduced or phased out and possibly replaced by either recurrent property tax or a capital gains tax. I know we do not want a capital gains tax, so that leaves the recurrent property tax.

670 When bodies such as the IMF make these suggestions we should take notice and do it properly to assess all the advantages, disadvantages and effects. That is why this amendment asks T&R to do this as part of their review of the structure of document duty.

Thank you.

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

675 **Deputy Fallaize:** Yes, I do, sir, and I will speak later in debate.

The Deputy Bailiff: Thank you.

Amendment 11, by Deputies Conder and Le Lièvre:

Not carried – Pour 6, Contre 34, Ne vote pas 4, Absent 3

POUR

Deputy Laurie Queripel
Deputy Lowe
Deputy Le Lièvre
Deputy Paint
Deputy Wilkie
Deputy Conder

CONTRE

Deputy St Pier
Deputy Gillson
Deputy Le Pelley
Deputy Ogier
Deputy Trott
Deputy David Jones
Deputy Spruce
Deputy Collins
Deputy Duquemin
Deputy Green
Deputy Dorey
Deputy Le Tocq
Deputy Adam
Deputy Perrot
Deputy Brouard
Deputy De Lisle
Deputy Burford
Deputy Inglis
Deputy Soulsby
Deputy Sillars
Deputy Luxon
Deputy O'Hara
Deputy Quin
Deputy Hadley
Alderney Rep. McKinley
Deputy Harwood
Deputy Kuttelwascher
Deputy Brehaut
Deputy Domaille
Deputy Langlois
Deputy Robert Jones
Deputy Le Clerc
Deputy Gollop
Deputy Bebb

NE VOTE PAS

Deputy Fallaize
Alderney Rep. Jean
Deputy Sherbourne
Deputy Lester Queripel

ABSENT

Deputy Stewart
Deputy James
Deputy Storey

680 **The Deputy Bailiff:** Members of the States, the voting on the amendment proposed by Deputy Conder and seconded by Deputy Le Lièvre was: Pour, 6; Contre, 34; and four abstentions. I therefore declare that amendment lost.

Deputy Langlois.

685 **Deputy Langlois:** Thank you again, sir.

The content of this particular amendment is very logical. There is huge logic in what is being said and what is being presented; however... The 'however' in this case centres around the practicality of what is going on here.

Let's just track back over some of the arguments. TRP is a much more stable revenue stream than document duty, but domestic TRP receipts are much smaller. If the document duty is to be offset by increases in domestic TRP, that increase would have to be considerable. It would have to be punitive. In 2013, document duty raised £16 million, compared with the £4 million coming from TRP. So here we are in an area of taxes which apply to specific events or a condition such as owning.

690 I will not give way at the moment.

695 **Deputy Dorey:** Sir, it is a point of correction.

The Deputy Bailiff: Point of correction, Deputy Dorey.

700 **Deputy Dorey:** The information that I was given is that document duty on conveyancing raised £13.766 million in 2013 and £1.702 million in document duty on bonds. That is £13.766 million on conveyancing and £1.702 million on bonds.

705 **The Deputy Bailiff:** Deputy Langlois to continue.

Deputy Langlois: Yes, sir.

Sorry, I am just trying to see what material difference that makes to the point I have just made. We could be as much as £¾ million out here. Can I change the phrasing of it and say that, in approximate terms, document duty raises four times as much as TRP? Let's leave it at that.

710 A reduction or abolition of document duty may, in the short term, make buying a house more affordable. However, in much the same way as the MIR has increased prices, given the shortage in supply of housing, reducing the amount of people who pay fees may, in the long term, increase the amount they can afford to offer on a property to secure it. This risks another increase in property prices and may not, in the long term, improve overall affordability. There is also an administration cost associated with property sales, particularly under the current system of processing sales through the courts. Given the cost of administration, it is unlikely that a recommendation to remove document duty is entirely practical.

715 So, sir, to return to the main theme here, logical but impractical. We are looking at trying to shift £16 million, or £15 million, or something of that order. Yesterday we had one piece of the toolkit thrown overboard; this would be another example. It would further narrow down the options. It would leave us with, yet again, fewer options to pursue and would reduce the flexibility that is available because this, as has been briefly mentioned yesterday and the day before, is a long-term view, and in a long-term view the more flexibility you have got the better.

720 We ask you to oppose this amendment.

725 **The Deputy Bailiff:** Deputy Fallaize, to be followed by Deputy Gollop.

Deputy Fallaize: Thank you, sir.

730 Right, Deputy Perrot has got his stopwatch on – I think I will have to go at about 450 words a minute!

First of all, to counter what Deputy Langlois has just said, he presupposes that the amendment would lead inevitably to the abolition of document duty and the transfer of all of those receipts onto TRP. Actually, the amendment reads to include in a review by T&R consideration of the abolition or reduction in document duty, and also it is to have it considered as part of a review.
735 This is not a firm proposal to abolish or reduce document duty; it is to have it considered in a review which is already proposed by T&R at Proposition 37.

We know that there are significant pressures and difficulties in the housing market and we know that in Guernsey, where population density is high, land needs to be used as efficiently as possible; and yet, at present, Guernsey has relatively low property rates and relatively high
740 property transaction costs. That must inevitably distort the housing market – which, in Guernsey of all places, we can ill-afford. It encourages under-occupancy and it restricts supply, probably most especially to first-time buyers.

It is difficult to see what exactly is being achieved by taxing the purchase of a smaller home by a couple whose children have now left home and who wish to downsize, thus freeing up a larger
745 home for a growing family, and it is difficult to see what exactly is being achieved by taxing the purchase of the larger home by the growing family who are moving to accommodation which better suits their needs. But that is what document duty does. In this way, a young couple may be required to find £7,000 or £8,000 or £9,000 up front to pay document duty on the purchase of a fairly modest home – certainly of a home of a value below the average price in Guernsey. There
750 was a lot of focus, in the last debate, on first-time buyers. It cannot possibly assist first-time buyers to maintain relatively high transaction costs and relatively low annual property rates.

In contrast, annual taxes or rates on land and property, i.e. TRP, can be used to discourage both under-occupancy and land ownership which does not have the prospect of productive use in the near future, both of which are highly desirable objectives given the conditions of our housing
755 market and the scarcity of land in Guernsey.

Three further points, sir. TRP is administratively simple and very difficult to avoid. Document duty has been over the years, and remains, far easier to avoid.

Secondly, there are some houses, and some house of very high value, which transfer ownership very infrequently, if at all. There are some very large houses which are passed through the
760 generations and inherited. They are never suffering document duty. Despite the high value of the property and the high value of the land, they are not suffering any document duty; whereas a home that may be of much more modest value but is being transferred every few years, as average family homes often are these days, is suffering a transaction tax – document duty – with every transaction.

There has also been focus in this debate on mitigating the unpleasant consequences of potentially regressive taxes. I do not accept that TRP is inevitably more regressive, for example, than consumption taxes, and the reason is this: I think it is easier to mitigate the effects of
765 property taxes, because property is immobile and TRP is levied annually, and even if it were levied monthly it is a single transaction which is consistent and is applied on something which is immobile – property. Consumption taxes are highly unpredictable. People would be subject to consumption taxes in a way that was volatile and unpredictable and almost constant. It would be much more difficult to directly mitigate the effects of consumption taxes applied generally than it would be to mitigate the effects of increasing property taxes.

Document duty, as Deputy Dorey has said, is volatile, inefficient, inequitable and almost
775 certainly counterproductive as a form of taxation, most especially in Guernsey, and therefore it must be logical – to use Deputy Langlois' words; he did say the arguments put forward by Deputy Dorey in laying this amendment were logical – that as part of the review of the structure of document duty consideration is given to transferring at least some of the burden of document duty onto TRP.

I hope Members will support this amendment to include this matter in the review which is
780 proposed by the Joint Committees.

Thank you, sir.

The Deputy Bailiff: Deputy Le Clerc, followed by Deputy David Jones.

785 **Deputy Le Clerc:** Thank you, sir.

I just want to read out the amendment. Deputy Fallaize has not quite been accurate with his words, because it says:

'and to include in that review consideration of its abolition or reduction and replacement with increases to Tax on Real Property;'

and I think it is really important to have a look at that wording before you vote later on.

790 I agree: TRP is a much more stable revenue than document duty. We know that document duty receipts are likely to be low again this year. Housing sales have stagnated over the past year or two and it would be foolish to consider the abolition of it as a tax. It is an important part of the States of Guernsey's revenue raising, whatever figures you decide to choose.

795 Domestic TRP currently only raises – and I will use 'approximately' – £4 million. The trouble is we are damned if we do and damned if we don't, because if we proposed a significant increase to TRP there would have been an amendment today to say that we would be fuelling rent increases to the private sector, that we will be harming certain sectors of the population. Actually, I think that we will be harming several more of our older generation of the population, who are asset rich and cash poor. (**A Member:** Hear, hear.) Again, I talk about the people... I knocked on doors and
800 the state of some of the housing that I went around – they were in dire need of cash, but people just do not have the cash to improve them.

I think the other thing that we have got to say is that we will be creating an even wider divide between the private rented sector and those in social housing. I believe I am right and perhaps Deputy Jones might correct me if I am wrong, but I believe that social housing is currently exempt
805 from TRP. So the cost of the extra TRP will be passed on to those in the private rented sector; and as I said in the previous debate, I want to help those in the private rented sector.

I have got other arguments here but I do not think that there is any need for me to go on any further.

810 I would just ask you not to vote for this amendment. It is a very dangerous amendment. I believe we will be harming a lot of people out there. That is not what the public want to see – huge increases in TRP. And to replace document duty with TRP was... I think it is 1,000% in the report that we would need to increase by. That is not acceptable to the members of our community at the moment.

815 **The Deputy Bailiff:** Deputy David Jones, to be followed by Deputy Gollop.

Deputy David Jones: Thank you, Mr Deputy Bailiff.

820 Any reduction in the cost of transacting houses for people who wish to buy or move is very attractive to us; but the problem, as Deputy Le Clerc has just laid out, is the consequences of raising similar amounts of money through a fixed property TRP. They are immovable assets, but many people are stuck with them because they have inherited houses that are big. I know the argument against that will be that they could downsize if there was a reduction in stamp duty, but many of these are family homes, they are homes that people have inherited, and there are a lot of elderly people who are struggling now with their own homes and the TRPs at the rates they are.

825 It is a difficult one because it is very attractive to the Housing Department to have it easier for people to buy and certainly to move, but that is a one-off tax that they pay at that time. If TRP for everybody, as a result of that, is going to have to increase, quadruple – or 1,000%, I think Deputy Le Clerc has said – then that is going to hit a huge number of people in this Island who will be struggling at that point to find that sort of money, so on balance I think I want to... We have been
830 in talks with Treasury in the past, with Housing, certainly in Deputy Trott's time and Deputy Parkinson's time, on ways that we can improve life for those who want to get onto the property ladder, certainly with transaction taxes. But if the cure kills the patient then it is pointless doing it,

in my view, and I think that the alternative to it, as laid out in this amendment, is worse – although I have to say I am not opposed to the part of the amendment that says let's have a look at it and let's review it, because I think we should be doing that all the time when we are trying to make affordable housing available to all people.

Thank you.

The Deputy Bailiff: Deputy Gollop, to be followed by Deputy Gillson.

Deputy Gollop: Thank you.

Actually, this is a more shrewd amendment than at first it looks because it is actually conflating two issues. One of the issues is the structure of tax on real property, the rates of which it is assigned and the context in which it is set. The other is the continuation of document duty.

From my personal perspective, yesterday was a strange day because, as I understand it, we threw out for the foreseeable future GST, the widespread consumption tax, and we also for the foreseeable future, perhaps just as well, threw out progressive tax for higher earners. Both of them disappeared off the agenda.

We are therefore running out, a bit, of ways to ensure that we have a balanced budget both now and for the future, and this talks about abolishing a revenue stream, another tax, that is raising, as Deputy Langlois, Deputy Chief Minister, just said, in a good year, or not a good year even, £15 million – in a very good year, maybe over £20 million. We cannot afford to do that.

We have already heard some calculations by senior figures; let me come up with one or two of my own. Let's imagine that there are 30,000 properties in Guernsey and we need to raise £15 million from document duty under a TRP. That works out as an additional £500 per property. Of course, you could say 'John is wrong here' because I have forgotten to include the many business premises that pay TRP, but that means that we are going to have a tax on business. We already know from Alderney – I see my friend and colleague there – that Alderney has suffered adversely from TRP. This would accelerate their problems and would be transferring a charge generally paid in Guernsey to one paid in Alderney as well.

The reality is that we would be seeing revolutionary rises in tax on real property before we have even completed the agenda on extra care and those concerns. Our current system providing community care in old age is predicated on the belief that where possible, where it is affordable, we should enable people to inherit traditional family property. This encourages people to sell, because they cannot afford rapidly rising rates. It has got to be the wrong time to consider such a fundamental change in our social policy and I think we should throw this amendment out as soon as possible.

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

Deputy Gillson: I am supportive of this amendment. I disagree with Deputy Dorey on one point: I do not think it will, in the long term, really help first-time buyers because, as Deputy Langlois said and Deputy Conder in an earlier speech, the price of a house is the product of the ability to pay. So, if you remove the tax, you are more likely to see the medium and long-term house prices rise to fill that void, that gap.

But I think there is merit in the argument that document duty makes moving house more expensive, and that leads to a couple of problems. It leads to people upgrading their houses because it is more cost effective than moving, and the downside to that is that you then lose houses at the lower price band, which makes it more difficult for first-time buyers – and I think we can see that in lots of estates around Guernsey, where houses were built and designed as first-time buyers', but there are extensions, loft conversions and they move up the price. Maybe if we did not have document duty of the levels, people may find it more attractive to move. The other point where moving becomes more expensive is it affects people at the other end when people want to downsize. One of the issues which we have in Guernsey is under-occupancy of houses,

885 and people tend not to downsize. The document duty is effectively a tax on transactions, so it is a
tax on people downsizing. It makes it less attractive for people to downsize. So I think that
removing document duty could have an effect of freeing up the market in ways which would be
beneficial in terms of maybe making the supply of smaller, lower-market houses more stable,
because people do not upsize them so much.

890 I think that there are concerns with how this could happen if we remove it and put it on TRP,
the obvious one being that people who have already moved have paid their tax and then they
would be paying on TRP, so there is a double whammy. I think it would take a lot of care in how it
is actually implemented, how a change would be made. But I am not averse to higher rates of TRP,
maybe not a 1,000% increase, but land is our most scarce resource in Guernsey so it makes a lot
895 of sense for TRP to be applied and people to pay for the privilege of having and using large
amounts of land.

So I am not averse to TRP. I do have concerns about how it would be implemented but I think
on balance it is a work stream that I think is worth doing, so I am going to support this
amendment because I think that it is a workstream we should do and there is merit in
900 investigating this.

Thank you.

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

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

Members, I will keep this brief. It seems to me that what is being overlooked in this proposal is
the simple fact that £16 million-worth of document duty – £15 million or £16 million-worth of
document duty – paid by a few hundred property purchasers every year would have to be
replaced by literally thousands of existing property owners every year paying increased TRP rates,
910 something like fourfold, just to cover that £16 million. We could be talking, as Deputy Gollop said,
an extra £500 a year for every property owner in Guernsey to cover the lost revenue of a few
hundred people who choose to move home, either up or down.

Deputy Dorey: Point of correction.

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The Deputy Bailiff: Point of correction, Deputy Dorey.

Deputy Dorey: I am quoting from the Budget, and this is the tax which would be collected in
relation to document duty. The prediction for 2015 is £14½ million from document duty
conveyancing bonds. The amount of money that will be collected from TRP is £19.05 million.
920 These numbers are just completely inaccurate and people are misleading the Assembly.

Deputy St Pier: Sir, point of correction.

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

Deputy St Pier: Sir, the constant reference to £4 million of TRP is to *domestic* TRP. The figure
which Deputy Dorey is referring to is total TRP, which includes commercial. The challenge is that
the vast majority of document duty comes from the transaction of domestic properties, and
930 therefore the expectation would be that the burden would fall on domestic properties rather than
commercial properties.

The Deputy Bailiff: Deputy Spruce to continue.

935 **Deputy Spruce:** Thank you, Deputy St Pier. That just illustrates the point: £16 million from domestic property sales recovered through document duty; £4 million from TRP. So 30,000 homeowners will have to pay this £16 million over to make up the difference.

Earlier today we heard today from Deputy Brehaut that there are people who trade in property, and there are many people who trade in property, so this amendment could only aid property speculation, because it would become cheaper to actually buy and sell property.

940 Approving this amendment gains nothing for the States' revenue either. You just replace one revenue-raising measure with another revenue-raising measure, and at the same time you take out yet another tool in our toolbox of tools that we need to balance our economy.

945 Seriously, I think this is an absolutely ridiculous amendment, in my view, so I would please ask you to reject it.

The Deputy Bailiff: Deputy Laurie Queripel.

Deputy Laurie Queripel: Thank you, sir.

950 I rise just to make a quick contribution to actually support the tone of Deputy Gillson's speech, sir, and to try and do a Deputy Langlois and try and bring some balance and some reason to the debate.

There is no proposal in this amendment to abolish document duty and to quadruple TRP. The report might come back and just suggest a modest reduction in document duty and a modest increase in TRP. Once again – this has happened a number of times during this debate; not just this debate but other debates as well – there is certainly an over-egging or exaggeration in regard to the wording of an amendment. I suggest that perhaps Members should read the amendment properly before they make a contribution to the debate. *(Interjection)*

960 If you are looking at options and other suggestions in this area, might I just throw in the fact that I do not think we have actually considered yet a land value tax anywhere along the line, and also I notice in Jersey that at the moment they are looking at a tax on empty properties to try and encourage properties back into use. I might just, as I am on my feet, suggest perhaps a look at a couple of those things as well.

965 Please, Members, read the amendments. Keep the propositions within the amendment within proportion and please do not over-exaggerate or over-egg what the intentions of the amendments are. This is just directing that we have a look at this or include this option in the investigation, and it is not saying abolish document duty and quadruple TRP.

Thank you, sir.

970 **The Deputy Bailiff:** Deputy Perrot.

Deputy Perrot: I must say that I find this amendment somewhat beguiling, because I so hate what I call stamp duty – we have to call it document duty these days. It has always seemed to me to be an outrageous way for Government to collect money without doing anything at all for it. **(A Member:** Yes.) The trouble is, of course, you can say exactly the same thing *(Interjection by Deputy Luxon)* about tax on real property, *(Laughter)* and now that I have retired... I thank Deputy Jones for that helpful and amusing intervention.

980 **Deputy David Jones:** That wasn't me!

Deputy Perrot: Oh, Deputy Luxon – I think I would agree with him. *(Laughter)*

985 Before I was rudely interrupted by that unhelpful intervention, what I was saying was I think that they are both ways of getting money for jam, quite frankly. They are both as bad as one another. What I really *hated* about stamp duty was the fact that it raised such a high level because of the nationalisation of the old congé in the late 1970's when the States of Guernsey nationalised congé and pocketed the money themselves. That is why we have got stamp duty at such a high

rate, so therefore I would quite like to get rid of stamp duty altogether, but the fact is it is there. It is part of our system, we have to recognise that and we muck about with the system with perhaps unintended consequences.

990 I have to say, as a hated property developer, because that is what I do from time to time, I should be thanking the proposer and seconder of this amendment because invariably – or inevitably, I should say – property prices will eventually go up if this amendment is passed; but in my capacity as a Member of Treasury and as a Member of this Assembly, I think it would be wrong to do that.

995 Can I just speak for a moment about first-time buyers, because Deputy Fallaize said that one of the problems for first-time buyers was the level of prices and this was discouraging to first-time buyers? Actually, of course, there is a whole range of properties on the market and the market is where the market is. The market determines whether something is saleable or not.

1000 The real problem at the moment is banks, (**A Member:** Absolutely.) because banks are not lending the money to allow the property market to work, and one of the things that I would like to do in my remaining time in the States is to encourage my colleagues to speak to the banks about this to see if we can do something about it.

Stamp duty is levied at the rate of... Well, from last October I think I am right in saying that if the value of the property is above £250,000 but below £400,000 the rate is 3½%; other properties above that, the rate is 3%. That is a sockful of money, and if we have got to put all of that on tax on real property I fear that we are going to overload tax on real property. Given that we decided yesterday that we are not going to have GST it has to follow that tax on real property is going to go up. That will be alright for Deputy Gillson because he said he was not averse to higher rates of tax on real property. Well, watch this space, because as a result of removing GST, that is one of the very few areas now to which we can go. If we have got to add to that the equivalent in TRP of a removal... I know they are not talking about removal necessarily and completely, but if we have to add to that another 400% on existing TRP values, that is going to hurt people.

1010 I do not agree that we ought to be somehow trying to engineer people into downsizing from one property to another. If a person has bought a house, he or she will be attached, attracted to that house. Why on earth should we be putting in artificial constraints to make that person leave a beloved home?

Deputy Gillson: Thank you for giving way.

1020 I am not suggesting we put in procedures to force people to leave; I am just saying you do not want procedures and policies which *discourage* that happening.

Deputy Perrot: I am not sure that I was thinking that you said it in the first place! (*Laughter*) It was Deputy Dorey who I think was talking about downsizing.

1025 There is this problem. There are people who are asset rich; they are cash poor. They might not do up their properties as much as they would like but they love them. They want to stay there. They should not be made to move.

Whilst, as I said, for me, in other circumstances, it would have been a beguiling idea to support this, we have to accept the fact that stamp duty exists and I think it would be very dangerous now to interfere with that.

1030 One thing which has emerged from this debate – I wish I had personally done something about this before – is the fact that there are empty properties. Deputy Laurie Queripel referred to that. I personally, in respect of empty properties, where someone is not using it – for example, for a family or holiday home, or something like that – in principle would certainly be in favour of applying a penal rate of tax to that sort of property. (**Several Members:** Hear, hear.) It is something which we could potentially follow up at Treasury. I look at my beloved leader. He is frowning at me at the moment, so maybe that is not an opportunity! (*Laughter*) I certainly endorse what Deputy Queripel says and I personally will undertake to try to follow that up.

The Deputy Bailiff: Deputy Bebb, followed by Deputy Kuttelwascher.

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Deputy Bebb: Thank you, Monsieur le Député Bailli.

I was not particularly keen on this amendment when I first saw it. However, when I look at it in the context of the Proposition unamended, I do not see a great difference. I think that it was Deputy Gillson who reminded me of the desire that we have generally to see property transactions increase in two areas, or rather that we would like to facilitate it more.

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The first is obviously for first-time buyers. I think that generally we would like to assist first-time buyers. I think that there could be a need... I think that the liability that we have in relation to mortgage interest relief... I believe Deputy St Pier said it was in the region of £40 million per annum.

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Sorry. I give way.

Deputy St Pier: Sorry, point of correction.

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

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Deputy St Pier: The cost of mortgage interest relief is currently around £8 million. The £40 million was if interest rates rose to 15%.

Deputy Bebb: I thank Deputy St Pier. I believe what I was referring to was the liability, not the actual cost at the moment.

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Given the removal of that liability that will come with the eradication of mortgage interest relief, I think that there is scope for Treasury & Resources and the Social Security Department to give consideration as to discounting stamp duty on first-time-buyer homes. I recognise that it comes with complexity, but I think that there is the scope there.

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The other end of the market where we would like to see greater transactions is indeed, as Deputy Gillson stated, for those who would like to downsize. I was reminded of three individual people, whom I know, who were widowed and they felt that now they were on their own in their houses they would like to move. They would like to move to a smaller house or to somewhere that is a little bit more accessible. One person actually had very large steps at the front of her house. But the advice from the advocate she spoke to was unless you want to pay rather a large amount of tax, stay in your house as long as you can. So this is true, that some people feel that it is better to stay in their houses, as unsuitable as it may be for them, than it is to downsize or move to a more appropriate accommodation because of the large amount of tax that they will spend, and therefore, in this particular... I recognise this is anecdotal but I do not think it is unique. I think that there is a large number of people who feel that it is better to make amendments to their house to make it more suitable for their ageing difficulties than it is for them to move to a house that is perfectly acceptable for them, therefore freeing up a family home for a family rather than having a person who is a single person living in those family homes. I agree with Deputy Perrot – we would not want to try and engineer it, we would not want to try and force people in any way, but we should not put barriers in place of people who wish to undertake this action.

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Indeed, all the amendment does is it extends the scope of what is already going to be the consideration of document duty. I am a little unsure about reducing document duty for second-time, third-time, fourth-time buyers – the general market, which is not the largest. I am a little unsure if I would ever support such a move, but I think that there may be scope for a reduction, for targeting certain people we would like to encourage. As a result, despite my initial reluctance... Because I fully agree with the comments made by members of Treasury & Resources – a fourfold increase in TRP by its abolition and then also the increases that we may well see in TRP anyway could become quite a large increase and that would become very unpalatable; and I do recognise that having supported the amendment yesterday to remove GST, the number of tools available to them are reduced – but I think that there is scope in having the information available to us to

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1095 make decisions as to whether or not we would like to see a more nuanced approach towards
stamp duty, and this amendment allows for the specific information to come back. I would agree
with Deputy Laurie Queripel when he said that we should not imagine that by approving this
amendment we are voting in or to remove stamp duty. As I said, I could not possibly support that,
1100 but we are... Exactly as Members of Treasury & Resources were arguing yesterday, Proposition 38
was to direct Treasury & Resources Department to report to the States. Well, indeed, if they were
so minded that that is to report to the States, here as well we have an amended Proposition 37
that simply asks for a report back to the States, and I think that there is merit in having sufficient
information to look at the possibility of those nuances that I would approve of. I would like to
affirm that the general abolition of stamp duty I would not be minded to support, but I would like
to have that information to know as to whether I would like to see a more nuanced approach.

1105 Therefore, I am persuaded through this debate to support this amendment and I would ask
Members who are equally minded to support the first-time buyers now that we are removing
mortgage interest relief, and would like to support those people who have decided that they
would like to downsize – another section in the market that we would like to support in their
moving, should they choose to do so... that this is possibly a way of facilitating that. I would like it
because it may be targeted and I think that that could well be something that has merit.
Therefore, Members, please support this amendment so that we get the information to make an
informed decision about it.

1110 Thank you.

The Deputy Bailiff: Deputy Kuttelwascher.

1115 **Deputy Kuttelwascher:** Thank you, sir.

Just a couple of points on what Deputy Bebb has just said. In a very recent Budget we did
discount stamp duty at the lowest end of the property values and it had no effect and it was
discontinued. I cannot remember the exact figures or the bands, but it has already been tried but
with a negative result.

1120 The other thing is the actual Proposition 37 says to review the *structure* and no more, and that
is all about banding and rates of document duty, rather than trying to transfer it to something
else.

1125 But my main reason for standing is yesterday I mentioned the issue of share transfer and the
loophole that provides for avoiding document duty, and I mentioned that we in T&R had seen
some draft legislation on this recently. Well, after the debate I was informed that the legislation is
now with our staff. We may have seen it last Tuesday, but we were in here – but I would not be
surprised if we have it at a Board meeting next Tuesday. It is an interesting possibility because it
could vastly increase what we actually get from share transfers, and I would hate at this time to
think that we would actually mitigate that or reduce the amount that we could gain from it.

1130 I know it says in the amendment abolition or reduction but I have no wish at all at the present
time to try and lower a revenue stream which is such an efficient method of collection of tax, so I
oppose this amendment and suggest Members do the same.

Thank you.

1135 **The Deputy Bailiff:** Deputy Adam.

Deputy Adam: Thank you, sir.

1140 I look at this and it reminds me that several years ago we decided to do away with road tax
and we put that onto petrol, and that actually reduced the number of areas where the T&R Board
at that time could increase slightly petrol prices and increase slightly road tax, and the total
amount gained was increased. Here, as Deputy Spruce said, you are removing tools from the tool
box. You have one tax which is a one-off – and yes, you are quite right, Deputy Perrot, I did not

like it when I downsized, but it is a one-off – and you have got TRP. Therefore, that gives you a bit more flexibility in which to adjust taxation, which we lost yesterday with GST being rejected.

1145 As far as downsizing, I actually have downsized. You do not downsize for any one reason, but several reasons: you reduce your TRP payments, you reduce your heating bills, you reduce the amount of area you have to look after, you make it easier to look after that size of house. Therefore, overall in the next 10 years I would expect to have recouped the amount I paid out for the privilege of downsizing. Personally, I was not all that keen on it, but my wife wanted a smaller house without stairs etc., and long-term-wise it was a sensible thing to do. So people advising –
1150 advocates advising – people not to downsize because of document duty should look at it overall. If you have got 10-15 years to live, you will save that money.

To get rid of document duty is not a sensible thing to do from a tax point of view and from keeping the flexibility we require within the system when we are looking ahead to seeing where money can be raised for routine increases in budget requirements that may occur. Thus I suggest
1155 we reject this amendment.

Thank you, sir.

The Deputy Bailiff: Alderney Representative Jean, to be followed by Deputy Robert Jones.

1160 **Alderney Representative Jean:** Thank you, sir.

Members, it is interesting to hear talk about this, because in Alderney the situation is different. We still have congé, a tax which Guernsey got rid of some years ago. We also pay the Guernsey document duty. My concern about that is that in Alderney this is acting as a retardant to property sales, having two taxes to pay on the sales. It is quite a big sum. Yes, the market has collapsed; but
1165 yes, there are a lot of empty properties.

The other point I would like to bring in is that, on top of commercial TRP, domestic TRP would be a most unhelpful thing in Alderney.

Those are the points I wish to make. I think that some consideration should be given to document duty and congé in tandem, the way they are working in Alderney. Having two taxes to
1170 pay on property sales is wrong.

Thank you.

The Deputy Bailiff: Deputy Robert Jones, to be followed by Deputy Soulsby.

1175 **Deputy Robert Jones:** Thank you, sir.

I suppose one of the consequences of having to open a debate and give some sort of explanation as to the merits of why you want to bring such an amendment is that we have now almost gone into a full-blown debate on the abolition or reduction or replacement of document
1180 duty.

I think for me there are merits. If we want to have a comprehensive review on this structure of document duty, I do not see why we cannot just widen that scope to give us a better informed position when we do actually come to a full-blown debate. So I will probably support this amendment.

1185 **The Deputy Bailiff:** Deputy Soulsby.

Deputy Soulsby: Sir, I am attracted to this amendment, but I have one concern. That is in relation to commercial property. This is a personal tax and benefits review and that is where our focus is. The amendment makes no reference to whether commercial property would fall into such
1190 a review.

My concerns are TRP is already considerably higher in the commercial sector than the domestic sector and it would concern me if TRP rates here would rise significantly. I would like Deputy Dorey to clarify that point when he sums up.

1195 In terms of the domestic rental sector, perhaps this review may give the opportunity to look at
lower rates of TRP for rented properties. This is something that may sit alongside the penal rates
for unoccupied properties that Deputy Perrot mentioned and something that I have supported for
quite some time.

1200 So, subject to the clarification regarding the commercial sector, and because the amendment
does only seek a review, I am tempted to support this amendment.

The Deputy Bailiff: Deputy De Lisle.

1205 **Deputy De Lisle:** Sir, I just wanted to say that TRP, I think, is already quite onerous to many
and we will be doing exactly what Deputy Gillson was touting there with regard to properties
being sold. I would prefer, to be quite honest, for people to hold on to their properties, rather
than what Deputy Adam was talking about, rather than being forced, through escalating rates of
TRP, to sell their properties, particularly on retirement. That is happening to a number of people;
they just cannot continue paying these high levels of TRP. It is onerous to many people.

1210 The commercial rates have gone mad. You are absolutely right, the commercial rates are very
high and need to be looked at quite critically because they are having an effect also, particularly in
Town, in respect of escalating costs.

1215 One way of actually getting some sort of reduction, I think, in TRP, is to look at social
properties and make sure that they are also counted within the TRP network, because that would
drive Government to be a little more, perhaps, sensitive, before raising TRP rates as they did last
year – 16% on residential properties when the inflation rate was just 1.2%. That type of escalation
cannot go on.

1220 I would ask that people refuse this particular amendment and that the TRP rates are actually
reduced in the near future (*Laughter*) to stop the movement of people on retirement from their
properties.

The Deputy Bailiff: Deputy Harwood.

Deputy Harwood: Thank you, sir.

1225 Just in response to Deputy De Lisle's speech, I seem to recall... He may correct me if I am
wrong, but I think he actually voted against GST yesterday, and then today to be suggesting
actually he really wants a reduction of TRP as well just beggars belief! You cannot have it both
ways. Having rejected GST, the Island has to find finance from somewhere, (**A Member:** Hear,
hear.) so I think TRP is absolutely... As Deputy Perrot said, just watch this space.

1230 The reason I wanted to speak in opposition to this particular amendment is because I do not
agree the review of document duty to be inextricably linked, as this amendment suggests, with
the consideration of TRP. I think there are wider issues in relation to document duty and I agree
with a lot of people that it does need to be looked at, but I am happy with the Proposition as set out
in the Billet, which is to direct Treasury & Resources to review the structure of document duty as
part of the ongoing budgetary process. I think that is the appropriate way document duty needs
1235 to be looked at. As Deputy Kuttelwascher has already said, the question of document duty in
relation to share transfers is likely to be addressed in the near future.

1240 The other thing I would say to Deputy Bebb – and I know he has been persuaded to support
the amendment – is if he wishes... and this again goes back to... Perhaps some of the general
thrust that is coming through in the Billet is the importance of targeting matters, whether it is
targeting benefits or whatever.

1245 In relation to document duty, we used to have... and Deputy Perrot will remind me that he
knows far more about conveyancing than I have ever known in my life, but he will recall that there
used to be a period of time when there was a first-time buyer's grant which used to cover the
document duty costs. If we want to encourage first-time buyers and make life easier for first-time
buyers, let us do it in a targeted way, through the review through the budgetary process as to

whether or not a grant is appropriate. I would rather that than actually put more money into the pockets of Deputy Perrot as a property developer by doing a blanket reduction of document duty.

1250 So although the tone of the amendment is quite persuasive and is fairly innocuous, the inexorable link with TRP I think is wrong. I think we should have a review of document duty but do it as part of T&R's budgetary process.

Thank you, sir.

The Deputy Bailiff: I turn to the Minister of the Treasury & Resources Department, Deputy St Pier, to respond to the debate.

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Deputy St Pier: Thank you, sir.

Perhaps before I begin I could ask Members to turn in their appendices, about 95% of the way through (*Laughter*) to appendix A8g, which is headed 'Document duty', and there is a table in the middle of that page which is numbered A8.43. I will come back to that in a moment, but I will just give Members a chance to find that particular section of the report.

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I am actually inclined to agree with Deputies Dorey, Perrot and Gillson that actually document duty is not a particularly good tax. It is a frictional tax, which means it does impede or it risks impeding transactions because it is levied on a transaction and therefore there is a disincentive to the transaction, and that of course is the essence of the IMF advice. So, in that sense, it is flawed, and if you were designing a tax system from scratch you would not invent mortgage interest relief, if you were designing a tax system from scratch you would not invent, I would suggest, document duty. You would not design it into your system. It does produce a volatile source of income, exactly as Deputy Dorey has described.

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But... the 'but' is we are reliant on it as a significant source of income. We are over-reliant on Income Tax. We do need to diversify our sources of revenue. That has been accepted by the amendment laid by Deputy Conder yesterday, so to remove this tax would be bizarre in light of that decision. We will need to rely more on TRP, exactly as Deputy Perrot has said, and we cannot rely on TRP to diversify our tax base and then rely on TRP again to allow us to abolish or reduce document duty, as this amendment suggests. We cannot make TRP stretch and keep stretching and stretching further, and Deputies De Lisle and David Jones would certainly speak very heavily against that. They will struggle to cope with the TRP increases that will be required in any event, I would suggest, let alone pushing it even further, which is the inevitable consequence of the abolition or the reduction of document duty. We need to retain the flexibility in our overall tax system.

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Document duty does have avoidance issues, which TRP does not; I concede that to Deputy Fallaize. However, administratively it is simple; and as Deputy Kuttelwascher has said, the legislation to introduce anti-avoidance legislation will be before this Assembly this year and it is our intention that that shall be in effect from no later than 1st January 2016. We had hoped it would be from the beginning of this year and we were only thwarted in that because of the availability of the appropriately skilled resource to deal with the drafting and the other issues associated with it.

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In relation to Deputy Dave Jones's point about the review of document duty, I hope that he can be reassured by the current wording of Proposition 37, which is to allow us to review it. That gives me the opportunity to talk about table A8.43, because you will see there that our document duty system now is out of line, particularly with Jersey and the UK, and it does mean that we have higher transaction costs, particularly at the lower levels, so we must, I would suggest, address that issue.

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In relation to Deputy Bebb's point about looking at first-time buyers, and perhaps people at the other end of their lives when they are looking to downsize, I am certainly very happy to confirm that the Treasury & Resources Department will consider those issues as part of the review which is envisaged by Proposition 37 if it becomes a Resolution.

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1300 I would say to Deputy Bebb that we have considered it, in relation to the first-time buyers in particular, and there are very real issues with making that work in practice, in particular with the policing of it; whether somebody has owned a property elsewhere, in another jurisdiction; co-owners; if you have got one person who has owned a property and another person who has not. So there are some very real practical issues. But in particular, to address Deputy Gillson's point and Deputy Bebb's point, I think there may very well be merit in looking at it at the other end, as people are looking to downsize – whether there are any other structures that could be put in place that would help reduce the frictional disincentive for people who are looking to downsize; 1305 not forcing them to, but enabling them to do so, should they wish. But I think that can be done within Proposition 37. We should be under no illusions that the amendment before us is very clearly linked to the potential abolition of document duty, or the reduction of, and so I would strongly urge Deputy Bebb to reconsider. He said that he could not support abolition, but that word is very much central to the amendment which is proposed, and I think what he is looking for us to do can be undertaken within the Proposition and I am happy to confirm that we will do so. 1310

In relation to Alderney Representative Jean's point about TRP and Congé – a very valid point – I would say to the Alderney Representatives that we certainly understand the burden of TRP in Alderney and would again suggest that the inevitable consequence of the abolition or reduction of document duty could only be to put further pressure on TRP in Alderney, which would clearly be unhelpful. I think the issue which he raises about the double taxation on transactions in Alderney is best addressed through another amendment – which the Alderney Representatives are due to lay and which we are happy to support – that will allow us to consider those kind of challenges in due course. 1315

In relation to Deputy Soulsby's point about a commercial TRP, I absolutely agree and of course I am sure she will recognise that we acknowledged in the report that commercial TRP really has been, we believe, pushed as far as it can go in our tax system, and certainly by comparison to our competitors, and therefore we do not believe there is substantial room for further increases in commercial TRP in our tax system. Unfortunately – through you, sir, to Deputy Soulsby – we do not have the analysis easily to hand that allows us to split the allocation of document duty between commercial and residential or domestic. The view is that the largest part of document duty is received from domestic properties rather than commercial, so I am unable to give any kind of indication to her as to what the implications could be if we were looking to transfer the revenue received from commercial document duty transactions onto commercial TRP, save to say that there would clearly be some impact. 1320 1325

As to Deputy De Lisle's point, seeking a reduction in TRP, I think Deputy Harwood made the point very clearly, as did Deputy Perrot, that that is very unlikely; in fact it is, I would suggest, impossible. 1330

So, sir, I do urge Members to oppose this amendment. I suppose it is the Alice in Wonderland amendment, which I am pleased to see that Deputy Fallaize is associated with, having used that term a couple of times yesterday, and I do urge Members to reject this amendment. 1335

The Deputy Bailiff: Deputy Dorey to reply to the debate on the amendment.

Deputy Dorey: Thank you, Mr Deputy Bailiff, and thank you everybody who has spoken in support of the amendment. 1340

I must admit I am amazed at the comments about the fact that this is only to do with widening an existing review that is being carried out and to look at the effects on the property market. I really find it very difficult to understand a lot of the opposition, but I will go through the points made. 1345

Deputy Langlois started off by saying it was logical. Well, I thank you because yes, it is logical to carry out a full review. I think every part of Government, every tax, should be reviewed on a regular basis. I do not know when a comprehensive review of document duty has been done. What touched upon that was the 2002 report on the operation of the housing market by Mike

1350 Parr, which I mentioned in my opening speech, and his conclusions have been ignored since then.
The IMF has very clearly said that the policies that we are following are not good for the property
1355 market and they recommend us to change them. Deputy Langlois said it would result in
increasing property prices. Well, that is part of what the review is, to look at it, but when
somebody is being assessed for their mortgage – and this is done in incredible detail, as I
understand, in the current economic market – what they look at is the costs that a person or
1360 couple who take out a mortgage have. If there is a balance in the adjustment to TRV, that would
be reflected in the amount of money they have available. The conclusion from an economist who
looked at it was that it would not have an effect on the property market, on property prices,
because you are taking no more and no less money from the property market. He talked about
abolition and he talked about the cost of registration, and yes, I totally agree with him that you
would always have to have the cost of registration covered by the buyer and it would always
necessitate some charge on them.

As Deputy Fallaize said – thank you for seconding the amendment – it just broadens the
review. And as he so rightly says, inheritance is not covered. I think, as far as I can see in history,
1365 the house that I live in, which is over 200 years old, has probably never paid document duty,
because it has only been inherited down the line. Well, there are many other smaller houses which
have changed hands far more frequently, which have paid document duty many times. As he said,
it is inequitable and consideration should be given to transfer it to TRP – but only consideration.

Deputy Le Clerc talked about houses in dire need of cash. Well, yes, that is the situation and I
have known relations and people, just like Deputy Adam has said, who have benefited from
1370 downsizing. This is not there to take any more or any less money out of the property market, but
if it helps them to make that decision to downsize, by removing the cost of that transaction, I
think it would be beneficial to them and to the community. I have certainly seen relations who
have considerably benefited from having made that move.

The numbers have been mentioned a number of times. I will remind people, from the Budget,
1375 that document duty is predicted to raise, in 2015, £14½ million and Tax on Real Property
£19 million. I am pleased that Deputy St Pier said what he said at the end, because it seemed to
be different to what he said in the interruption. I specifically asked T&R for the breakdown of
document duty between residential and commercial, and the message I was given was that that
information is not available because it is not recorded. So there is no indication whatsoever as to
1380 the difference between document duty raised from residential or commercial, but what is
interesting is that the share transfer duty, which T&R are going to come back with, which has
been referred to... it specifically says that the share transfer duty regime in Guernsey, which taxes
sales of interest in entities that own either commercial or domestic property... It is going to apply
to it, so we are going to have, effectively, document duty on all commercial transactions if that
1385 goes ahead as it was listed in the Billet. I know there are commercial transactions which go
through on document duty. I can remember when I was in T&R and the document duty figures
were below estimates and there as a large commercial transaction that went through which
brought them back into line with what the prediction is, so there are commercial transactions. Not
everything goes through by share transfer.

1390 I think Deputy Jones asked me to make clear, in relation to what Deputy De Lisle was saying,
that if you did introduce TRP on social housing, because 90% of social housing tenants are on
rebated rents, effectively you would just be charging the States – and that is specifically why social
housing was not included in TRP, because there would be no point; it would just be one part of
the States charging another. I think I was on T&R with Deputy Trott and Deputy Le Tocq when we
1395 listened to the case and made that decision, and the States agreed with us.

There have been a lot of points made about abolishing. That is just an option. This is to do the
review, which can include abolition – it can include reduction, it might include no change. The
whole point is that if you are looking at the structure of document duty you should do a wider
review which includes those things and, most importantly, look at the effects on the property
1400 market, because that is what has been ignored in the past. That was a mistake that T&R made

when they reduced... They came back and said it did not have an effect. That was precisely what Mike Parr said when he did his review: that it had an effect on the property market and it had the opposite effect to what Advisory & Finance wanted to happen at that time.

1405 I thank Deputy Gillson for his support and I totally agree with the points he made about doing the wider review. The whole point of it is not to raise more or less money; it is just to see what is the best way of raising that amount of money from the property market and what effect does that have on the property market. You should know what effect you are having so that you can then make a proper decision. That is all this is about. I really struggle to understand why people, like Deputy Perrot, say it is mucking about with unintended consequences, because that is what it is not... It is looking at it so that we know what the consequences are. It is not dangerous to interfere; it is dangerous not to review a tax that you do, never to review it. You should review it and see what effect it has.

1415 Yes it can include empty properties, but I know that when I was on T&R and Housing... Empty houses have been looked at in the past. One of the problems is trying to identify them, because they can be temporarily empty and, in the end, the administration and the cost of actually doing that can be that it costs more than any return you would get. But if you did actually increase TRP on properties and reduced document duty, you would in fact make it less attractive to keep properties empty and more attractive to sell them and move them on.

1420 I think there has been a lot of repetition of points, but I agree with Alderney Representative Jean that property taxes do affect the property market, and he said if you include them – as they have done in Alderney, as they have got Congé *and* document duty – it affects the property market and the effects can be not what is beneficial to a community.

1425 Deputy Soulsby, yes, commercial property will be included. We do not know currently, with document duty, how much comes from commercial property or not, but the share transfer duty is due to include commercial property.

1430 I will finish up by saying the main advantage of property tax is that when you are drawing up the income side of the budget this is probably the most predictable item on the income side. Document duty varies enormously and cannot be predicted accurately, even three quarters of the way through the year, as it was last year. Even the IMF caution against property transaction charges due to high revenue volatility. Deputy St Pier has been very keen to quote IMF advice in the previous debate, but this IMF advice says that they should make the change. I am not saying make the change; I am saying review it and look at it. I think that is sensible. If they have asked the IMF, we should take their advice.

1435 Many people have speculated what effect it would have on the property market. Rather than speculating, we need the solid information. This amendment seeks only to incorporate a review into an existing review that T&R are already intending to do about the structure of document duty. Voting for this amendment does not mean you support abolishing or reducing document duty or increasing TRP; it means you would like to have the information before a decision can be made so we do not make a mistake, as has been done twice before. Please support this very reasonable amendment.

1440 Thank you.

1445 **The Deputy Bailiff:** Members of the States, we move to a recorded vote on the amendment proposed by Deputy Dorey, seconded by Deputy Fallaize, in relation to Proposition 37.

There was a recorded vote.

1450 **The Deputy Bailiff:** Members of the States, that appears to have been lost. I will declare the result formally in due course.

1450 We will turn to the next amendment, numbered 13. I invite Deputy Green to move that amendment.

Deputy Green: Sir, in respect of amendment 13, upon reflection I now no longer wish to lay this amendment.

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The Deputy Bailiff: Grateful.

On that basis, I will turn to Deputy Burford. This is amendment 14. Deputy Burford to move the amendment, if she wishes.

Amendment 14:

To insert the following proposition between Propositions 38 and 39:

'38A. To direct the Treasury and Resources Department, after consultation with the Environment Department, Social Security Department, Commerce and Employment Department and Policy Council as appropriate, to lay before the States no later than March 2016 proposals to diversify the tax base by introducing or increasing environmental taxes, and to agree that a comprehensive energy efficiency programme to assist in mitigating any possible regressive effects of such taxes on low income households should form an integral part of such diversification.'

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Deputy Burford: Thank you, sir.

One of the principal stated aims of this Personal Tax Review is the need to diversify taxation away from its reliance on personal Income Tax by the substitution of other forms of taxation. The list of such diversifying taxes is limited and therefore it is perhaps somewhat surprising that the review shies away so readily from any proper consideration of the role of environmental taxes in this task. In a moment I would like to examine the reasons given in the report for not proposing environmental taxes, but first it is worth looking at what is meant by the term. Environmental taxes are economic instruments to address environmental issues. They are designed to internalise environmental costs and provide economic incentives to promote environmentally sustainable activities.

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The point about internalising costs bears further examination. The price we pay for fossil fuels includes the cost of extraction, refining, shipping, delivery and profit, but does not include the cost of pollution, effects on human health, climate change, acid rain and more. Those costs are externalised. In other words, since the producers and purchasers do not pay for them, society as a whole has to pick up the tab. This pricing system masks the true cost of fossil fuels and results in damage to human health, the environment and the economy. Measures that promote and move away from carbon-intensive and polluting forms of energy go some way to addressing this market failure. The IMF says that energy prices in many countries are wrong because they are set at levels that do not reflect environmental damage, notably climate change, air pollution and various side effects of motor vehicle use, such as traffic accidents and congestion. The IMF goes on to say that energy tax reform does not need to be primarily about raising new revenues, but could focus on restructuring the tax system away from taxes such as Income Tax and towards carefully designed taxes on energy.

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Often, even in this Assembly sadly, environmental issues are dismissed as somehow unimportant or irrelevant to us in Guernsey. The word 'green' is used in a pejorative sense and those who voice environmental concerns are also negatively labelled, implicitly or even explicitly. There are plenty of reasons to explain this attitude – environmental problems are seen as too big and too long term for Guernsey to make a difference, for example – but what it generally boils down to is this: there are vested interests in maintaining the *status quo*, and so maintaining the *status quo* is often the easiest route to follow, regardless of the consequences. Guernsey is not, despite being small, immune to those consequences, and those consequences include significant social and economic impacts. This is why the States Strategic Plan stipulates that environmental considerations should be on a par with social and economic considerations. Guernsey cannot abdicate its global responsibility. We owe it to our children, to the next generation, not to stick our heads in the sand over environmental concerns, no matter how politically convenient it would be in the short term. The good news is that in tackling environmental concerns we often reap social and economic benefits. Encouraging a move to cleaner energy, for example, whilst at the

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same time diversifying the tax base and improving the thermal efficiency of the housing stock should be, to use the technical term, a no-brainer.

1500 So how does our existing strategic policy framework relate to environmental taxes? The 2008
Energy Policy Report was merely noted by the States and thus was largely ineffective. It made no
secret of its wish to move the Island progressively to a much greater dependence on low carbon
1505 electricity, with a corresponding reduction in the usage of fossil fuels. This policy goal was
perceived by some as an attack on their businesses and they ran a successful campaign to
discredit the policy. As a consequence of this, the Energy Resource Plan, which followed in 2012,
presented a more watered-down approach to the use of fossil fuels and was less specific about
how carbon targets should be achieved, whilst still acknowledging the need for a lower carbon
future. The destination was retained but the map had been torn up.

1510 Notwithstanding that, in adopting the Energy Resource Plan, the States have agreed to a
carbon emissions target to reduce Guernsey's carbon dioxide emissions by 30% on 1990 levels by
2020 and 80% on 1990 levels by 2050. A 30% reduction by 2020 is going to be challenging and
may not be deliverable by simply relying on the undersea cable to achieve it. The Energy Resource
Plan acknowledges that a form of carbon tax is likely to be necessary. Even if it were just about
1515 deliverable the journey does not stop there by any measure. The Plan also says that Guernsey may
need to consider fiscal approaches at initial purchase of vehicles, with taxes on ongoing running
costs. Finally, energy efficiency is a primary strategic object, in terms of using energy wisely and
efficiently and not wasting it.

1520 So let's move on to the PTR's take on environmental taxation. Environmental taxes fall into four
categories. Very loosely, there are transport taxes, excluding fuels, such as an annual motor tax;
there are energy taxes, which include fuel for transport and include CO₂ taxes; there are pollution
taxes; and there are resource taxes. It is the first two that would be feasible in Guernsey and those
are the two that are mentioned in the PTR, together with the reasons as to why they were
dismissed.

1525 On vehicle taxation, the PTR acknowledges that it could make a significant contribution to
redirecting taxation from direct to indirect taxes. It suggests that such taxes are likely to be
regressive, but as the fiscal affairs department of the IMF points out, such a regressive element
could be overcome by incorporating elements such as engine size and, by extension, vehicle
emissions into the calculations. It highlights that the strengthening of vehicle taxes to address
1530 environmental concerns is consistent with trends in other developed countries. Well, it is nice to
have support in high places. Many countries have both first registration duties and annual
circulation taxes, which are designed to internalise costs and drive a move to cleaner vehicles. It is
vital to say that this would not represent a war on the motorist; it would be a redistribution of the
tax base. And although there remain those who like to claim that there is a war on the motorist
when any attempt is made to address the impact that vehicles have on our society, the fact
1535 remains that many of the costs of vehicle use are externalised and are not even nearly covered by
the existing tax structure. This may be a deeply inconvenient fact, but regardless of its lack of
popularity, it remains just that, a fact.

1540 The second possibility is a broad-based carbon tax. A carbon tax is not complex in principle,
since it simply taxes the carbon content of various fuels. It is clear that any such intervention must
be carefully judged. For it to be successful it would require pre-conditions. A carbon tax can also
offset other taxes, but it would need to address other elements of the Energy Resource Plan,
principally energy efficiency. The argument, such as it is in the PTR, against a carbon tax on the
grounds that it could be mildly regressive, is somewhat odd. It seems there was no hesitation in
proposing a consumption tax with its regressive characteristics. If that regressive tax was at least
1545 in part to be dealt with by reducing Income Tax, then there is no reason that the same could not
be true of a carbon tax, particularly if the taxation is strongly linked to a programme to improve
energy efficiency for those at most risk.

Whilst improved energy efficiency is of value to all Islanders and Island businesses, it is particularly important to those at the lower end of the income scale. Data from the Household

1550 Expenditure Survey shows that households with an income of less than £26,000 annually spend
£1,700 on home energy requirements, or 6.5% of their total income. On energy taxes the PTR
states that, despite the aims of the States Strategic Plan to integrate fiscal, social and
1555 environmental policies and for them to be afforded equal status, the already large scope of the
project and the limited resources devoted to it has meant that this review has not given detailed
consideration to the use of any new such taxes, for example a carbon tax. I do not underestimate
the significant work that has been put into the review at all, but when a primary stated aim is tax
diversification, then putting all of one's eggs in the GST basket was always going to be a little
risky, and so it proved. That in itself perhaps should have been enough of an incentive to
investigate what is a common plight with many taxation strategies. As mentioned in the
1560 explanatory note to this amendment, the contribution of environmental taxes as a percentage of
our total tax and social contributions income is just under 3% in Guernsey, while the EU average is
over twice that. To put this into perspective, increasing environmental taxes to the EU average of
6.2% could decrease reliance on personal Income Tax by replacing some £15 million, even after
set-aside for energy efficiency improvements.

1565 You will have heard from the Chief Minister's statement on Tuesday that the Environmental
Policy Group has been working on the establishment of an energy efficiency and advice centre but
that this work has stalled because no source of funding can be found. While it is definitely
something that is needed, the scale to be proposed by the Environmental Policy Group is modest
in the extreme, and even that is unfunded. In order to make worthwhile inroads into improving
1570 the thermal efficiency of the housing stock, a more ambitious scheme will ultimately be needed.
Ideally a percentage of the money raised by the carbon tax would be used to fund such a
programme. It is also worth noting that Social Security pays out around £1 million a year in winter
fuel payments. Some recipients of this payment will live in energy-efficient homes; other recipients
will rely on open coal fires for their heating, where 90% of the heat goes straight up the chimney.
1575 Neither situation can be considered an ideal use of funds; therefore, the amendment includes
consultation with Social Security to examine how improvements can be made to increase the
effectiveness of these funds.

It may be helpful to briefly examine other experiences of environmental taxation in the form of
a carbon tax. In 2008, British Columbia in Canada implemented what they call a carbon shift tax.
1580 The evidence from British Columbia is that the policy has been an environmental and economic
success story. The tax, which is payable on all fossil fuels and fossil fuel-derived energy, started
out low and rose over a period of five years. The tax was designed to be revenue neutral and was
matched by corresponding decreases in other taxes, including personal Income Tax. It has been
very effective in tackling the root cause of carbon pollution, that is the burning of fossil fuels. A
1585 five-year review showed that fossil fuel consumption had dropped by 17% in British Columbia,
while in the rest of Canada consumption had risen marginally in the same period. The approach
that British Columbia took – that is giving notice that the tax would be introduced and starting it a
low level with gradual increases – was beneficial. It gave people and companies notice that the
price of carbon-intensive energy would be increasing and allowed time for efficiencies to be
1590 made. The *New York Times* called the carbon shift tax the most sensible tax of all and it has gained
support across the political divide from left to right.

As an object lesson how not to go about things it is hard to find a better example than
Australia. I do not intend to relate the whole sorry story, which centred around changing political
parties and complex arrangements with mining companies and power stations, but it is
1595 nevertheless instructive to note that in the two years the tax was in operation carbon emissions
fell and when the law was repealed they started to climb back up. This proves categorically that
the tax itself was effective.

As the majority of our electricity supply is low carbon, a carbon tax should incentivise a switch
from oil, gas and coal to electricity. With longer-term aims for macro-renewable generation, such
1600 a switch is beneficial in terms of energy security.

Of course, if a carbon tax is successful in its aim to reduce fossil fuel consumption, then the tax take will fall unless the rate is increased or the offset against other taxes is adjusted. However, there are gains to be had in other areas. For example, poorly insulated and heated homes are detrimental to health in many ways, including poor internal air quality and black mould. A comprehensive scheme to address these issues is vital and will reap benefits in terms of health expenditure. This is just one example of the many ways the impact of environmental taxes can benefit society in the bigger picture. Because good environmental policy focuses on sensible use of resources, there is almost always an economic pay-off to both individuals and governments in the long term, and sometimes the short term too.

In summary, there is no good reason not to investigate such taxes, especially in our current financial situation with our dependence on personal Income Tax. So I ask Members to support this amendment today, which directs T&R to return to this Assembly before the end of this term with proposals for environmental taxes in order to diversify our tax base, to improve the thermal performance of our housing stock and to benefit the wider environment.

Thank you.

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

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

Thank you.

Amendment 12, by Deputies Dorey and Fallaize:

Not carried – Pour 14, Contre 30, Ne vote pas 0, Absent 3

POUR

Deputy Gillson
Deputy Ogier
Deputy Fallaize
Deputy Laurie Queripel
Deputy Lowe
Deputy Le Lièvre
Deputy Collins
Deputy Green
Deputy Dorey
Deputy Brehaut
Deputy Robert Jones
Deputy Sherbourne
Deputy Conder
Deputy Bebb

CONTRE

Deputy St Pier
Deputy Stewart
Deputy Le Pelley
Deputy Trott
Deputy David Jones
Deputy Spruce
Deputy Duquemin
Deputy Paint
Deputy Adam
Deputy Perrot
Deputy Brouard
Deputy Wilkie
Deputy De Lisle
Deputy Burford
Deputy Inglis
Deputy Soulsby
Deputy Sillars
Deputy Luxon
Deputy O'Hara
Deputy Quin
Deputy Hadley
Alderney Rep. Jean
Alderney Rep. McKinley
Deputy Harwood
Deputy Kuttelwascher
Deputy Domaille
Deputy Langlois
Deputy Le Clerc
Deputy Gollop
Deputy Lester Queripel

NE VOTE PAS

None

ABSENT

Deputy Le Tocq
Deputy James
Deputy Storey

The Deputy Bailiff: Members of the States, the voting on the amendment to Proposition 37, proposed by Deputy Dorey, seconded by Deputy Fallaize, was as follows: Pour, 14; Contre, 30. Therefore, I declare that amendment lost.

1625 Deputy St Pier.

Deputy St Pier: Thank you, sir.

1630 I think, as the report makes clear, really because of the scope of the project and because of limited resources, we have not looked in great detail at environmental taxes. It was very much part of the initial consultation, but it was excluded from the final recommendations, not least, I would guess and say, and I think as Deputy Burford is aware, because of the ongoing debate at that time around the transport strategy.

1635 However, the decision yesterday on GST does, I think, mean that we do need to look again at all the options for diversifying our tax base, as indeed is acknowledged in the successful amendment from Deputy Conder, but I think we should certainly not be under any illusions. As Deputy Burford has said, if environmental taxes are effective in discouraging the taxed activity, then the revenues that they raise will, or should at least, fall over a period of time. Of course, we have seen that and experience that with fuel duty, which has been on a downward trajectory as engines have become more efficient. So it might be a very effective way of achieving an environmental objective, which is obviously an important part of the reason for moving the amendment, but it may not be the most sustainable source of revenue, which has obviously been a principal concern to Departments in putting these proposals together. But as I say, we do recognise that there is a need to perhaps look at this in greater depth.

1640 I think we should also recognise that environmental taxes can be, or typically are, quite regressive, because if you are applying them to heating, power and transport in particular then it will have an impact on those with lower household incomes. That would clearly need to be considered and factored into any proposals that were considered before this Assembly.

1645 The other final consideration is just to bear in mind that of course, as the report makes clear, our initial assessment is that environmental taxes would have an impact on business – and probably more than 50%, maybe closer to 60%, could be borne by businesses – and that would need to be a consideration as well.

1650 Having said all of that, the Joint Boards will be supporting this amendment and I hope that that guidance will also assist Members and perhaps shorten the debate on this amendment, sir. *(Interjections)*

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

Deputy Brouard: Thank you, sir.

1660 I was going to support this amendment, but I think the Ministers have, in their opening speeches, managed to convince me not to. *(Laughter)* With the return of the traffic debate and the comments from Deputy St Pier, I am minded now not to support this and I will listen to the rest of the debate.

1665 **The Deputy Bailiff:** Deputy Bebb.

Deputy Bebb: Thank you, Monsieur le Député Bailli.

1670 Members, I know that it has been a long four days – well, it is not really four days yet – but if I could ask all of you to cast your minds back to the beginning of the States of Deliberation debate, Members will remember that there was a statement made by Deputy Le Tocq that an amendment approved by this Assembly to introduce fuel efficiencies and allow people greater access to making their houses more fuel efficient... that Resolution has not been completed because of a lack of resources. Realistically, this amendment allows for the funding of exactly that. We all know

1675 that the reason that the proposals have not been brought here is because there is a lack of
funding. This is a means of bringing that funding about and I think that it is most appropriate to
do so, especially given that the structure that we need to put in place in order to allow this to
happen, as it becomes more successful there should be less call on it and therefore it would
correlate with the income that we would generate from green taxes, if we are to take it to its
logical conclusion.

1680 There is one other area that I would urge the Joint Boards to consider when considering this
amendment when approved, as I am sure it will be. Currently, we pay Winter Fuel Allowance, and
the only way that I can describe Winter Fuel Allowance is burning money. We pay large amounts
of money to keep people warm, which is perfectly acceptable; but a far better use of that money
would be for insulating houses properly in the first place, rather than to facilitate the burning of
1685 that fuel in order to keep them warm. Deputy Burford said in her opening speech that there are
houses in Guernsey – we know there are, a number of them – that still rely on open fires to heat
them. That is simply not economically viable: 90% of the heat goes up the chimney. We really
need to think about insulating and better means of heating these houses. I think this amendment
would provide some funding in order to actually achieve that and I think that it is to be welcomed.
1690 Members, I therefore urge you to support the amendment.

Thank you.

The Deputy Bailiff: Deputy Luxon.

1695 **Deputy Luxon:** Sir, I will be brief.

When Deputy Langlois asked if we would swap places, I did not realise I would be sat between
Deputies Burford and Ogier, who are proposing and seconding this, so I have had a few notes.

I will be supporting this amendment and I hope that... I do have a bucket here, so I will drop it
if Deputy Brouard needs some help just to change his mind and support it! *(Laughter)*

1700 Deputy St Pier, whom I have a great deal of respect for, made the point in his comments that,
because of resources, the team simply were not able to get into this area of environmental taxes.
The trouble is, of course, there are only 250 words in the entire documentation regarding the
potential for environmental taxes. I think it demonstrates why the whole area of the
Environmental Policy Group continues to be the bridesmaid within our States Strategic Plan. The
1705 States Strategic Plan was separated into three principal areas: fiscal and economic – big tick, we
are on it, we are doing it; social – big tick, we are on it, we are trying to do it; but Environmental
Policy Group – it has simply not progressed at all. I have sat on that steering group as a member
of the Policy Council and officers will know that at various times over the last three years I have
been grumpy, inquiring, challenging and provoking to try and see if we could develop some of
1710 the initiatives, and we have not been overly successful.

So I support this greatly. On the basis that we decided to dismiss the option of GST as part of
the option of packages that we had going forward, we have no choice other than to look at some
other innovative areas.

1715 I am not worried about businesses needing to take some of the burden. Obviously we do not
want to apply any more on cost to businesses and make us less competitive, but businesses –
through their corporate social responsibility tag in their annual reports, that is easy to write and
sometimes easy to not bother to comply with – have an obligation to contribute to how our
beautiful Island operates. They operate their businesses here, they generate economic wellbeing,
which is good for the Island, but at the same time they need to take their share of the
1720 responsibilities.

Finally, sir, we have looked at initiatives in Jersey, which have been incredibly effective in terms
of energy advisory centres and the like, and we need to get busy, both encouraging people to do
the right thing to minimise their energy and consumption costs, but also to help our carbon
emission targets.

1725 So, for a whole raft of reasons, I absolutely support this amendment and hope that as we go forward we actually give the environmental policy area and energy policy area as much focus as it deserves, or let's rewrite the States Strategic Plan.

Thank you, sir.

1730 **The Deputy Bailiff:** Deputy Soulsby, to be followed by Deputy Stewart.

Deputy Soulsby: Sir, I stand in support of this amendment. Indeed, this is something I put in my manifesto and I recall someone at the time saying that was a very brave thing to do. Being a fan of 'Yes Minister', I did wonder whether I had actually put my foot in it by having done so.

1735 I was very supportive of the emissions element of the width and emissions tax, though my issue with it in that context was that it was a one-off cost.

I agree with Deputy Luxon – I do not have the business concerns that it is considered that there might be out there, but then I run a business which considers the environment and has thoughts of the environment very much at the heart of what it does.

1740 We do precious little to support people to make energy-efficient means to improve their way of life, though I do believe the Environment Department planning section is far more accommodating to domestic applications for small-scale alternative energy installations. The truth is domestic alternative energy systems are now incredibly efficient, resulting in really low running costs, but the upfront costs, whilst falling, are still prohibitive for many households. (**A Member:** Hear, hear.) Support in this area could make a huge difference to many by reducing the cost of living, as well as improving the Island's carbon footprint. Our environmental taxes will make improvements in that area. They should be welcomed. Therefore, I am very happy to support this amendment.

1750 **The Deputy Bailiff:** Can I just get a feel for how many people want to speak in the debate on this amendment, other than Deputy Stewart?

We will adjourn until 2.30 p.m.

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

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

The Deputy Bailiff: Deputy Stewart.

Amendment 14:

To insert the following Proposition between Propositions 38 and 39:

'38A. To direct the Treasury & Resources Department, after consultation with the Environment Department, Social Security Department, Commerce & Employment Department and Policy Council as appropriate, to lay before the States no later than March 2016 proposals to diversify the tax base by introducing or increasing environmental taxes, and to agree that a comprehensive energy efficiency programme to assist in mitigating any possible regressive effects of such taxes on low income households should form an integral part of such diversification.'

Deputy Stewart: Thank you, sir.

1755 Mr Deputy Bailiff, fellow States Members, I think the Minister of Environment is going to be very pleasantly surprised, because I fully support a bit of this amendment, (*Laughter*) and the bit that I support is... I, like Deputy Luxon, have sat on the Energy Policy Group.

Deputy Luxon: I like you too! (*Laughter*)

1760 **Deputy Stewart:** I have sat on the Energy Policy Group for two and a half years and, to be
honest, it is a complete and utter waste of time, (**A Member:** Hear, hear.) because actually we
come up with some good ideas, we have good debate, good discussion – no resources. Not one
penny of resources. Actually, I think it is quite shameful that Guernsey has no mechanism for
1765 helping people and advising people or for helping them save money and fuel; and absolutely
right, the point that is being made, that we are giving out a fuel allowance and it is, frankly, just
money down the drain. So I fully support and, notwithstanding the success or not of this
amendment, I will seek out ways whereby we can introduce in Guernsey some sort of energy
efficient programme, make sure people get the right advice, make sure people who are perhaps
1770 on low pay can actually have some help in insulating their houses, because it does make an awful
lot of sense. The bit I do not like is everything else.

I have struggled over lunchtime to think, 'Well, what exactly are we going to tax?' So let's go
through the options of an energy tax and maybe the Minister can help me with this. We could tax
electricity and put a carbon tax on our electricity. Already, we confirmed that we think N-2 is the
1775 right policy for our electricity, and that comes with a cost. I think the days of just having cables is
not acceptable, because we might do something to upset France and who knows what – they
might cut off our power. You need an energy policy and I think the States made the right decision
in confirming N-2. So we could tax electricity, but it is not like British Columbia, it is not like France
and it is not like Germany. It is already a high price and we have to pay for that N-2, and we have
no choice of suppliers. We cannot shop around, we cannot switch like they can in the UK. So
1780 electricity I do not think could work.

Or maybe the gas? Well, there are two places in the world that have the same sort of gas as
ours – I think it was a butane-air mix; it is a propane-air mix now, I think – and that is us and
Jersey, and that is horrendously expensive. As I am going through my house, I am putting in
under-floor heating and taking out the radiators so I use less gas. So, already putting an extra
1785 charge on what already is an expensive commodity to me could not be wise. Then I suppose you
could put some on central heating oil; that price has dropped a bit. But do you know what? I kind
of feel it is wrong to tax people for keeping warm. It just does not sit well with me.

Then we are back to cars, and I thought we had the emissions debate a few months ago, so I
suppose fuel duty is an option and that, I suppose, could be a sort of a carbon tax.

1790 Then I start running out of what can we actually tax. It always amuses me when I get our
emissions report every year that actually the things that create a huge amount of atmospheric,
obnoxious stuff are our cows, but I do not exactly see Treasury running off to have a flatulence
tax. That would create a huge stink if we had one of those, I would imagine, (*Laughter*) as soon as
the public got a sniff of that!

1795 So, my view is 'What can we actually tax?' and I have run out of options. And then the problem
is if we do have a tax... because I absolutely think we should make people efficient, I absolutely
think we should try to find some money somewhere for that. I think we should do. I think we
would be very strange as a jurisdiction not to have that sort of help. But if you have a tax, it then
throws up a lot of complications. I think I remember reading last week that there are something
1800 like 5,000 rented properties, so do you wait for your landlord – so you are paying more for your
electricity, heating oil, whatever it is, until your landlord gets round to fixing your sash windows?
What if you have a listed building? We have, actually, a lot of very old buildings, which whatever
you do – you can put in some extra cladding in the roof and all the rest of these things that you
can do – I think people will struggle with this.

1805 So I cannot support this amendment, because I cannot see how we can actually have a tax
which is fair. As much as I do applaud the bit about having some sort of energy efficiency
programme, and I would absolutely support that, I cannot support this amendment for the
reasons I have stated.

Thank you, sir.

1810 **The Deputy Bailiff:** Deputy De Lisle, to be followed by Deputy Ogier.

Deputy De Lisle: Thank you, sir.

I agree with the Minister that very often environmental concerns have been shunted aside and have taken second place, and that environmental policy has to have equal weight to social and economic policy. I think that is very important in future that environmental issues are prioritised. However, I think that moving environmental policy forward, which is something that many people would like to see more activated, is not helped – in the public eye, that is – by environmental taxes and environmental taxation.

The reaction of the public on the North Beach and in the media to the plethora of environmental tax hikes and new taxes, the width and CO₂ emissions tax proposals, the introduction of parking proposals, the giving of free bus services and subsidies, has been strongly rebuked by the public through 'Enough is Enough' and received strong public negative reaction, and that does not help the environmental movement. So I feel that we have to be extremely cautious, because Environment has to take with it the people and that is not easy to do with environmental policy, and it is not succeeding through environmental taxation. In fact, it may be discouraging support for important environmental initiatives and ecological considerations in the future. So I think we have to be very cautious with that particular approach.

I have another issue too. While the Department of Commerce & Employment is taking off environmental taxes and adopting efficiency improvements to replace a subsidy in dairy farming, it would seem that another is wanting to put new environmental charges forward to almost replace that initiative. I am talking there of the dairy farm contract payment arrangements with respect to land managed for recognised environmental and wildlife purposes. That fund is being reduced by £1 million by 2019, over a five-year period, £200,000 a year, to be returned to Treasury each year, and promises have been made of a further review at the end of this period, in 2019, to assess the need and level of such support beyond that time. Efficiencies are to be made in the dairy industry to replace the subsidy arrangements and we are already seeing those efficiencies coming through in terms of the dairy farmers themselves not losing out this year, despite the £200,000 that is being taken off it and back to Treasury. My fear here is that one Department is doing one thing, given the economic circumstances that we face today, to reduce subsidy and cost to the exchequer and using the drive towards efficiency to replace that particular sum of money that is expended every year. That is admirable, but it does not make much sense then if another department comes along and starts charging all sorts of taxes and starts putting new costs in the system that another Department is trying to drive out.

If I can move on from there to another point, and that is that I would prefer to see Treasury and the Policy Council and the Environment Department moving forward with energy efficiency and solar initiatives in the near future. I was rather disappointed when I heard the Chief Minister making the point that there was a delay in the progress of the energy efficiency and micro-solar report and that would be delayed from what was to be the March announcement. The report was to recommend setting up an energy efficiency agency in 2016 and also recommend the introduction of net metering for domestic solar installations. It is the potential economic barriers to adopting solar... because I feel that solar is something that we should be much more heavily involved in in Guernsey. We have got an advantage over the UK already. Renewable resources in the UK have taken off to the extent that, of the renewables, already 7% is solar and the fact is that we have got better sunlight here than many parts of the UK and we have got that comparative advantage. We should be making use of it. So two Departments, certainly Treasury and the Environment Department, have to look at ways in which they can stimulate this activity rather than perhaps preventing it going forward. There are potential economic barriers –

The Deputy Bailiff: Deputy De Lisle, it seems to me that you are straying more into what might be done rather than whether or not this additional Proposition should be included in the set of Propositions. A fairly simple issue: should you include, or should not you include it?

Deputy De Lisle: Sir, I have a habit of not going on for too long. *(Laughter)* I do only have a couple more points to make.

1865 I would like to see that the standby tariff, for example, is dealt with, because at the moment many companies would get into energy efficiency by putting solar PV panels on their roofs, but unfortunately they are not doing it because an eight-year payback period is being extended to 16 years in that the standby tariff kicks in after 20-kilowatt generation systems. So it is a matter of perhaps Treasury working with Guernsey Electricity in order to deal with that particular blockage that is preventing us getting into commercial macro-solar for industrial buildings.

1870 Finally, I would like to just make one additional point, which is that I would like to urge at the current time that we avoid adding costs when the economy is so fragile and too many people are having difficulty making ends meet. Adding environmental costs at the current time – I do not think it is the time to be doing that. I will leave it at that.

Thank you, sir.

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The Deputy Bailiff: Thank you, Deputy De Lisle.
Deputy Ogier.

Deputy Ogier: Thank you, sir.

1880 I will not make this a long speech, in light of the support from Deputy St Pier and the Joint Boards.

1885 Among the stated aims in the States Strategic Plan 2013-17 was the integration of fiscal, economic, social and environmental policies and for them to be afforded equal status. In fact, it was our great environmentalist, Deputy De Lisle himself, who led the charge to insert these policies and I look to Deputy De Lisle to back up his environmental credentials by supporting policies like mass transit, free buses and environmental taxes. Sorry, that is the danger of writing something down before someone has spoken! *(Laughter)*

1890 For those not overly familiar with boardroom governance, best practice does suggest an integrated approach to business with economic, social and environmental performance being considered in an integrated way, rather than as three separate themes. In commerce it is called the triple bottom line and forms part of every company's corporate social responsibility under the UK's Corporate Governance Code. This Government has signed up to this trio of policies, and so the idea of environmental taxes forming part of our overall tax strategy is neither leftfield nor revolutionary; it is best practice and it is widespread. We have the opportunity here to do something to further a number of aims: we can diversify the tax base; we can also play our part in further protecting the environment in accordance with our own environmental policies.

1895 Over lunchtime, Deputy Stewart could not conceive of more than three environmental taxes and, due to that, will not be supporting the amendment, but this amendment actually sends a group away to think about these issues, who will have slightly more than a lunchtime over which to do it.

1900 In brief, therefore, environmental taxes form a greater part of most developed countries' revenues. Guernsey needs additional sources of revenue. The idea of environmental taxes is in line with our own environmental policies and the Joint Boards are happy to take this away and look at it. We do not need any long speeches today, there is a lot of business to get through and I think the future of this amendment is clearly laid out. I urge Members to move to the vote.

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

1910 **Deputy Gollop:** I rise to support the amendment, as I believe and have always believed that we need to broaden our tax base, we need to reward good behaviour and environmental taxes are part of our future.

Where I do agree with Deputy De Lisle... I do not agree that you can have environmental policies without a certain revenue stream, but there has been a failure of the States in recent years

1915 to communicate the green vision in a way that all the lobby groups and wider public can entirely agree with, and we do need to work on that.

What Deputy Stewart said earlier, about perhaps the meetings he has attended, some of them being a bit of a waste of time, is an indictment on our system of government and the way perhaps the Policy Council works. I am sure if that work had been targeted to a Department, especially the Environment Department, they would have produced quicker and more effective results. I also believe that budgetary resources could have been found, but that is going back to the past.

We should support this amendment today, to do the research and come back with evidence-based policies.

The Deputy Bailiff: Deputy David Jones.

1925

Deputy David Jones: Thank you.

My speech will be very short, Mr Deputy Bailiff, very sharp and very to the point.

Listen to us. There are, what, 35,000 taxpayers in Guernsey and we come here every month finding more and more creative ways of trying to relieve them of their money. It is incredible!

1930 I will take no lessons from anybody about leading the way on eco-friendly construction, because GHA and Housing have worked closely together over the last 12 or 13 years to do that. Environment could have given grants any time they wanted for help with loft insulation and all the rest of it, but they choose to spend their budget in the way that they do.

1935 The fact of the matter is here you are – you are saying people should be taxed on environmental issues, they should be insulating their homes, and in a minute you are going to quadruple TRP. Well, good luck with that! Where are they supposed to find the money to insulate their homes and all the rest of it while we are taking other chunks out of them in other ways? Eco-taxes, pollution taxes, environment taxes – call them what you like, but they are all a licence for governments to print money. Of course governments use them – it is a very neat way of bringing in extra revenue, sticking a label on it. It is wretched health and safety and all these other labels that governments stick on things, but it basically comes down to taking more and more money from the same group of people so that Government does not have to look more closely at itself, in my view. These are creative taxes and, in my view, the revenue raised will go towards yet more civil servants at Environment or somewhere. They certainly will not end up improving the Island.

1940 They have not done anywhere else. All the millions that are collected in environment and eco-taxes across the globe have done very little to improve the countries where they collect them. It is a complete and utter con and I will have no part of it. Also, I think parts of this are trying to reintroduce parts of the traffic strategy through the back door, in my view.

1945 But the real elephant in the room, which we keep avoiding in this debate, is the States' pay bill, because a lot of these taxes that we are talking about taking out of the same group of people, and charges like TRP, are all coming from a very small section of the community who also have to foot a massive pay bill of the States, a massive health bill and everything else that this Government levies on people for the services that they provide. And yet we come here thinking more and more creative ways of taking more and more money out of their budgets.

1955 I urge you to throw this amendment out and to allow Treasury at least to look at what might be done, but I certainly will not be backing any more taxes, or creative taxes, that put the burden on the same 35,000 taxpayers. We talk as if we live in some huge country where we have got millions of people paying into the Treasury coffers. We do not. We have a *very* small number of people who are trying to pay for every single service in this Island and it is all coming out of their pockets. I am amazed at some of the people who just think, 'Oh, yes, that sounds like a good idea, we will have environment taxes. Who will pay that? Oh, it will be the same people.' Some of the environment taxes will end up on fuel, so then we will have fuel taxes that will cover road fund licences, part of the fuel tax, then there will be the ordinary general fuel tax that we pay towards helping general revenue, then there will be a carbon tax – that will be added onto the fuel

1960 because that is fossil fuel – and so on and so forth, and all this will be paid by the same small

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group of people who are trying to keep this Island afloat with a Government that does not understand the way they live or the amount of money that they have to do it.

Thank you.

1970 **The Deputy Bailiff:** Deputy Paint.

Deputy Paint: Sir and Members of the Assembly, I have to ask if this proposal of green tax will actually go where it was intended to go, or be swallowed up in the States' coffers like the 1.2 pence a litre of fuel for the bus service in the last term. If satisfactory assurances are given on this, then I will consider voting for it, but I doubt that will be the case.

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I am sorry to say that over the last few years a lot of people expect to be able to walk around their homes in their shirtsleeves and turn up the central heating when there is two metres of snow on the ground outside, when all they have to do is put a jumper on. Sad times, aren't they? I have to wonder how the human race managed to survive when there was no central heating or insulation in their properties.

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Thank you, sir.

The Deputy Bailiff: Deputy Domaille.

1985 **Deputy Domaille:** Thank you, sir. I will be very brief.

I struggle with this a bit, to be honest, because I really do not see, given decisions we have made already, how we are actually moving towards diversifying our tax base. I do not see, unless we start going down a route like environmental taxes, that we will actually be doing anything following this three, four, five days of debate or whatever. So I am probably going to vote for it.

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I am particularly drawn to the advisory element of it; I totally support that. I cannot speak too highly of that. That is absolutely brilliant.

What does irk me on this is we have spent considerable time arguing against GST because it was a consumption tax. Most if not all of these environmental taxes will be consumption taxes, and I have just... I have probably used Deputy Queripel's calculator.

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Deputy Queripel: No, you didn't.

Deputy Domaille: I didn't? Oh, it might be right, then! *(Laughter)* I have done a quick calculation. I have gone through the Household Expenditure Survey, and actually the lowest paid – the households in the lowest quintile, as it calls it in the document – pay roughly, on my calculations, 8% of their income on fuel. By fuel I mean heating and petrol. Conversely, if you go to the other end, the most well off, the highest income only pay 4%. So if ever there is going to be a set of regressive taxes, this is them. So all the people who voted against GST and talked about the effect of taxes being regressive, please bear that in mind when you vote for this, and when you do vote for this, when it comes back and you see the regressive element of it, please just bear these figures in mind.

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Thank you, sir.

The Deputy Bailiff: I turn to Deputy Langlois, as the Minister of the Social Security Department, to respond to the debate.

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Deputy Langlois: Thank you, sir.

The response will indeed be brief.

I would like people to note Deputy Domaille's speech at the end, there. We have noted that there appear to be some variety of views around the Assembly about this proposal, but I will return to where Deputy St Pier started, saying 'you took away some of our tools yesterday, we need something in the toolbox', and I certainly would have no objection to this being added to

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2020 the mix, with the reservation that there are going to be an awful lot of objections to it when it comes back, and with what Deputy Domaille says we perhaps should remember that, if we go down this route. But we will be supporting.

The Deputy Bailiff: I turn to Deputy Burford, as the proposer of the amendment, to reply to the debate.

2025 **Deputy Burford:** Thank you, sir.

Starting with Deputy St Pier, first of all thank you to the Joint Boards for their support of this amendment.

2030 Just on the issue that has come up from several speakers about it being regressive, that is why it is actually being proposed hand in hand with the energy improvements, because that is something we need to do anyway but that also can blunt the regressive effect. It is also being proposed hand in hand with a reduction of other taxes, and that too can address the regressive effect. So I think it is important not to forget about that.

I thank Deputies Luxon and Soulsby for their comments on business. I think I agree with both of those.

2035 Deputy Stewart is very keen. He is on the Environmental Policy Group. He is very keen to have the energy efficiency centre. We have had several meetings on that and Deputy Stewart has always been very supportive, but let's be honest – that is the spending part of this equation. So Deputy Stewart is not even tax and spend; he is just spend, unless possibly he is taxing phone calls. *(Laughter)* He wondered about what we would tax – would we tax electricity? I thought I made all those things quite clear in my opening speech. Electricity is low carbon through the cables so the taxes would not be as high, gas is about half the carbon intensity of oil so that would be a slightly lower tax and the idea is, quite clearly and quite stated, to drive us away from higher carbon intensity fuels. That is the whole point of a carbon tax.

2045 Then, coming up to Deputy De Lisle's speech but also Deputy Jones as well, I think it is quite clear that this is about diversification, so with the exception of money spent on energy improvements, the whole idea – and it is made very clear in the amendment – is that money raised this way will be given back in other ways. This was the whole ethos of the personal tax review and this is a different way of doing it when compared with GST. So, although it may be taking money for different things, the intention of it, just like the example from British Columbia, is to give it back in personal tax allowances. It is not about taking more money – that is *not* the amendment that I am proposing – with the one exception of the energy efficiency aspects of it, so I really want to make that clear.

I agree with Deputy Paint about shirt sleeves, by the way. I always think it is a good idea to put an extra jumper on, so I agree with you on that!

2055 Thank you to Deputy Domaille for his support. I understand the caveats that he makes.

2060 In summary – and perhaps this is rather risky to say this, but here we go – I hope I have made it clear in my original speech what the likely outcome of this amendment will be if it is successful. It will be for proposals in this political term to come back with either a broad-based carbon tax or tax on vehicles, or possibly both, because those, really, within this Island are the only two areas of environmental taxation that actually make sense. We do not have mining operations or vast landfills or any other things where taxes might be charged in other jurisdictions. But these two measures will be offset by a significant and comprehensive energy-efficiency programme to mitigate the regressive effects, and also any vehicle taxes should be linked to emissions, again to mitigate the regressive effects.

2065 Too much time is spent sending Departments away to work up proposals and then the Assembly fails to support them when they return, **(A Member:** Hear, hear.) so what I am saying is please support this amendment now, with the intention in principle of supporting reasonable proposals when they return.

Thank you.

2070 **Two Members:** Hear, hear.

Deputy Stewart: Sir, can I ask the Minister just to clarify one point in her summing up please?

The Deputy Bailiff: No, you cannot, Deputy Stewart. *(Laughter)*.

2075 **Deputy Stewart:** Fair enough.

The Deputy Bailiff: Members of the States, we now move to the vote. We will have a recorded vote on this amendment. This is the amendment proposed by Deputy Burford and seconded by Deputy Ogier.

There was a recorded vote.

The Deputy Bailiff: Members of the States, while those votes are being tallied up it looks as though that one has carried.

The next amendment – amendment 15, which is proposed and seconded by the two Alderney Representatives – because of travel arrangements, if we can get through this debate in about an hour or hour and a quarter I will ask them to lay the amendment now. So can I get an indication of who is likely to want to speak on it?

In that case, Alderney Representative Jean, I invite you to place that amendment.

Amendment 15:

To insert a new Proposition between Propositions 39 and 40 as follows:

'39A. To direct the Policy Council to have particular regard, as appropriate, to linking the further research and actions arising from this report to the extant review of the financial relationship between Guernsey and Alderney, and to the outcomes of that review when it is considered by the States of Deliberation.'

Alderney Representative Jean: Thank you, sir.

2090 In laying the amendment, I would like to say that this would give Alderney flexibility to negotiate the situation there, which is different from Guernsey's.

One of our main concerns is the legacy we leave our young school leavers and working families of today with their children. Of course, my concerns also extend to here and in Alderney. Our concerns as a States here and in Alderney should tend to look in this direction more than any other, as they are our future. In Alderney, 400 people have left, with a question mark over another 50 and possibly more like 100. Those leaving Alderney tend in the main to be young – though some older people have left as well and I will come that in a while – young working families with children.

2100 The report on the airfield Requête came before this States in December. One of the statistics brought up by that report compared an average living wage in Alderney of £17,000 to an average wage of £30,000... those interesting figures revealed to us by those recommendations to help improve the financial situation in Alderney. It is clear that the Alderney economy has not coped well with all the cutbacks imposed upon it. Alongside this, just to add to the difficulties, is Zero-10, with the Alderney economy already so depleted and showing these constant signs of stress and failure to keep up with the Guernsey measures and the constant changes.

2105 Alderney was the first Island in the Bailiwick to show such signs of depopulation through a falling roll at St Anne's School as young working families began to leave Alderney. The demographic timebomb failed to materialise in quite the same way as it has done in Guernsey. Two years ago the Connaught Nursing Home was in difficulty, with not enough residents, showing that alongside the working families some of the older residents had left as well. The new manager
2110 at the Connaught Care Home dealt with this by advertising and making it known that the home

was available for respite care and qualified dementia care was sought. This, to a large extent, has remedied that situation.

2115 When we ask the question "why has this happened?", there are several reasons. I want to cut some of this out, but I will try not to be too repetitive. Household bills have risen way above those in Guernsey. Freight costs have risen. Electricity, oil and petrol are well above Guernsey.

2120 Families, old age pensioners, all in one way would be affected by the wide-ranging raft of measures in these reports, should they be adopted. One pensioner came to speak to me about having to pay his prescription charges. I have seen his receipts for his monthly charges. He requires 24 items a month. That would be an intolerable burden for him. Where would the assistance come from?

2125 On top of the already inflated costs in Alderney, the talk of raising the retirement age to 70 or removing Family Allowance: will these measures, if adopted, help to keep our young families with us as part of our community? I sincerely doubt it. And will this raft of measures, if adopted, affect the Guernsey family? Yes, I believe they will. The signs of change are already there to see. So far, if the figures are to be believed, it is possible migration from Guernsey's shores has started. The last two years' figures show this. The whole situation will be affected and, in my opinion, accelerated by these measures, with young working families with children particularly feeling the brunt of these changes.

2130 In Alderney, my belief is that all the insecurity, coupled with the fact that our options have and are still receding, has caused contraction and recession, with property values still dropping. Why has all this happened and how can Alderney afford to pay increased charges in the debilitated state it is in? The truth is Alderney probably cannot pay more.

2135 Our Island is becoming increasingly remote and inaccessible, too expensive to get in and out. This has to be recognised and acknowledged as correct. In part, the recession in Alderney may be Aurigny driven, as the airline Aurigny is our main passenger carrier. This is the first time I have ever said such a thing anywhere, but so acute is our situation, owing to the limited travel options to and from Alderney, that a month or so back the Scrutiny and Review Committee (Guernsey) came to Alderney to talk about security of air links. I made a submission to them on what I regard as a very successful and well-conducted meeting. I was questioned about my proposal for parity of air fares and how I felt this would add to the security of our air links, which at the moment are anything but secure with constant change to timings in our flight pattern making Alderney still more inaccessible.

2140 The penny has dropped in Alderney as regards what needs to be done and Alderney's Government is looking seriously at options. I am pleased that our Chairman of P&F in Alderney was supportive of my submission to the Scrutiny and Review Committee (Guernsey), and I congratulate the Scrutiny and Review Committee for coming to us and giving us their valuable time. I have some faith in their processing of the information and I do look forward to their report. It is this stage in time that the business development advertising programme in Alderney cannot work and I feel Alderney has, at this time, pushed enough money in this direction, with little or no success to show for the effort, which is a shame because we are not, as an Island, ready yet. To encourage the growth and reflation in Alderney we must work constantly with Guernsey to get Alderney connected again by both sea and air. Aurigny have already said if we had a ferry or sea link they may compete with the airline. I believe this is not so. Many would come by ferry and choose to go back by plane. I remember this happening frequently in the past. More people, more commerce, more trade for all businesses and our airline, Aurigny, as well.

2150 The amendment is important as it allows for the degree of flexibility to negotiate... that can take place over the difference between our two conjoined economies. This amendment not only recognises there is a difference if supported by this Assembly, but it also allows for the flexibility which needs to be built in at this stage so that work on our finances and what can be done can take place.

2160 I ask you all to support the amendment and I thank you for allowing me to speak, sir.

Amendment 14, by Deputies Burford and Ogier:

Carried – Pour 27, Contre 17, Ne vote pas 0, Not present 3

POUR

Deputy St Pier
Deputy Ogier
Deputy Fallaize
Deputy Laurie Queripel
Deputy Le Lievre
Deputy Duquemin
Deputy Green
Deputy Dorey
Deputy Adam
Deputy Perrot
Deputy Wilkie
Deputy Burford
Deputy Inglis
Deputy Soulsby
Deputy Luxon
Deputy Hadley
Deputy Harwood
Deputy Kuttelwascher
Deputy Brehaut
Deputy Domaille
Deputy Langlois
Deputy Robert Jones
Deputy Le Clerc
Deputy Gollop
Deputy Sherbourne
Deputy Conder
Deputy Bebb

CONTRE

Deputy Stewart
Deputy Gillson
Deputy Le Pelley
Deputy Trott
Deputy David Jones
Deputy Lowe
Deputy Spruce
Deputy Collins
Deputy Paint
Deputy Brouard
Deputy De Lisle
Deputy Sillars
Deputy O'Hara
Deputy Quin
Alderney Rep. Jean
Alderney Rep. McKinley
Deputy Lester Queripel

NE VOTE PAS

None

ABSENT

Deputy Le Tocq
Deputy James
Deputy Storey

2165 **The Deputy Bailiff:** Before moving on in relation to this amendment, let me announce the result of the vote on the amendment proposed by Deputy Burford and seconded by Deputy Ogier to insert a new Proposition 38A. There voted: Pour, 27; Contre, 17. I declare the amendment carried.

Alderney Representative McKinley, do you formally second the amendment?

2170 **Alderney Representative McKinley:** *[Inaudible]*

The Deputy Bailiff: And is it your wish to speak now?

Alderney Representative McKinley: Yes, please, sir, but I am not quite sure of the procedure.

2175 **The Deputy Bailiff:** Just a minute.

Members, this is Alderney Representative McKinley's maiden speech. In time-honoured fashion, no interruptions during it, please.

Alderney Representative McKinley.

2180 **Alderney Representative McKinley:** Mr Deputy Bailiff, Ministers and fellow Deputies, fellow States Members, I should start by saying how enormously grateful I am to those in Alderney who elected me to be a Member of the States of Alderney in November last year, and I am sure there are – I *hope* there are – some listening there on the radio.

2185 You will all know that following the election to the States of Alderney a plebiscite is conducted to select the two representatives of Alderney here in the States of Guernsey. Both Louis Jean and I were overwhelmed by the very high percentage who placed their trust in us, way in excess of 70%. To those of you in Alderney, I say thank you, we will do our absolute utmost to represent you and

your concerns here in the States of Guernsey, and I hope those concerns will coincide with the concerns of the States of Alderney.

2190 I have been following the debates of the last few meetings here and I have on occasion wanted to contribute, but instead I have chosen to make my maiden speech on a subject which is related directly to Alderney. As I embark on this, my maiden speech, I am not sure whether I should be the subject of commiseration or congratulation. After all, I had never really imagined that at the age of almost 70 I would ever have been described as a maiden! (*Laughter*) I have been described
2195 as a number of other things in the past, but never a maiden, so in that way I am quite flattered. Actually, I have four lovely children and six even lovelier grandchildren, so certainly in one sense I have lost my maidenhood, but perhaps I missed out on something.

All the same, it is slightly intimidating, especially so after observing and listening to some of the highly professional and well conducted debates in this much respected States of Deliberation.
2200 I am sure that some of you have doubts about the motives and interests of some of your fellow States Members, nothing unusual I am sure, and I have noted some of that during the course of the debates, but as the new boy on the block I have no doubt at all that everyone in this Assembly has at heart the interests of those who elected them: the people of these two very special and unique Islands of the Bailiwick, Guernsey and Alderney.

2205 A number of Deputies have asked me, in the margins of these debates, a little bit about my background, and since I do not come from Guernsey and you will not know me in that way as well as we all know each other in Alderney, I thought a couple of minutes just to explain how I came to be here and what I did in the past might be relevant and might dispel some of the rumours perhaps, though I have not heard too many of those recently.

2210 I come from a military background and my father and grandfather were both in the Royal Air Force. I left that line and joined the Army. Actually, my brother joined the Air Force and my other brother joined the Navy, although neither of them stayed in those quite as long as I did. I spent 29 years in the military, in a regiment called the Royal Green Jackets, and I have seen military action in really some quite dramatic and unpleasant places. I was attached to the Sultan of Oman's army
2215 for two years, where I had to learn Arabic and command 120-odd Arab and Baluchi soldiers in what was really quite a very unpleasant battle against Chinese-backed Yemen rebels. That was in the early 1970's. I have also seen military service in Northern Ireland, Iraq and Lebanon, as well as parts of South America. I was in the Falkland Islands, not actually during the campaign but immediately after it; and of course, as I have said, Northern Ireland and Cyprus.

2220 I left the Army slightly early because I was invited... Actually, my last job in the Army was defence attaché in West Africa, based in Ghana, covering seven countries, and I left the Army slightly early to run a mobile telephone company in Sierra Leone. We managed to set that up and a coup in 1997 saw me being evacuated from Sierra Leone by the Americans, and when we came back the opposition, in terms of the opposition of the mobile telephone company, had destroyed
2225 all of the sites that we had erected, so that was really the end of the mobile telephone company.

Then I joined the United Nations as a security adviser. I might say, in the United Nations I have travelled to some extraordinary countries, mostly afflicted in the same way as those in which I fought battles, but this time I had to go without a rifle: Sri Lanka, Nepal, Pakistan, the Far East, Middle East, Syria, Lebanon, Palestine and other countries, as well as 30 countries in Africa.

2230 Incidentally – this is not, of course, relevant to any of the debate, but it may be of interest (*Interjection*) – as a defence attaché in West Africa, responsible for seven countries, based in Ghana, I have seen *coups d'état* in three or four countries, I have seen military evacuations and actually helped to conduct evacuations of Commonwealth and European Union citizens from three countries, and I have seen some pretty awful things. I thought *coups d'état* were actually
2235 restricted to – you know exactly what I am going to say now, I am sure – African or less well-governed countries, but I think a *coup d'état* was witnessed in Alderney not too long ago and the only difference between that *coup d'état* is that actually nobody was strung up and shot on the beach. (*Laughter and interjection*)

2240 Anyway, as a security consultant one is not normally sent to holiday resorts and one normally
travels to countries where the most horrific acts of violence have occurred. Many are dead, many
are injured, many are homeless, many are hungry and *all* are very frightened. As an army officer I
have been in some really quite tricky situations, where a lengthy debate such as the debates we
have now would be totally irrelevant. If we had been debating for three hours on a particular
subject, we probably would not have been alive, (*Interjection and laughter*) but we did learn
2245 actually to conduct military appreciations in a slower sense and looking at the options – to go left
or to go right or to go back – and that was done when we were not actually under attack, but
when we were under attack we had to make immediate decisions.

I wanted the Lieutenant Governor to be here, actually, for the next comment I am about to
make, because he was a Royal Air Force officer. I was probably about as close to the Deputy Bailiff,
2250 or even closer, to the person who was shooting at me, while he was about 30,000 feet above me
in the air (*Laughter*) – having said which, I have enormous respect for the Royal Air Force and the
fighter jets from the Royal Air Force saved a number of lives in operations in which I was involved,
and certainly helicopters as well. Enough of that, probably. If it were not for the Royal Air Force,
we probably would not be here today either.

2255 So I have a strong belief in military leadership but I also have a strong belief in leadership in
general, not necessarily of the military style, and I think all of us here in this much-respected
Assembly are leaders.

I also have a strong belief in democracy and the will of the people. Some of the things I have
just said may not actually prove that I was actually trained as a diplomat once. (*Laughter*) A
2260 diplomat is actually how to be rude in a polite way. That was about 25 years ago and I may have
lost some of the relevant skills of diplomacy since then.

Anyway, to the main purpose of this proposed amendment – the relationship between
Guernsey and Alderney. I must say first that we in Alderney are sincerely and genuinely very, very
grateful for the support that we get from you here in Guernsey. I do not have to say that twice,
2265 because once... Really, I do sincerely believe that.

I understand that Guernsey is responsible for our airport, and I quite understand that and more
about that later.

You also took over from the Admiralty responsibility for the maintenance of our breakwater.
The last full underwater survey there took place in 1997. There are certain concerns at the
2270 moment that that breakwater may be deteriorating even further and we are about to ask you, I
am afraid, for permission and the finances with which to conduct a reasonably good survey to
bring it up to date.

So I am afraid that we may continue to ask of you and I am sure that there are many in this
distinguished Assembly who will nod their heads if I were to say that the amendment proposed
2275 actually is to propose a revision of the 1948 agreement, with a view to total independence of
Alderney from Guernsey, and I am sure that if I were to say that there would be no debate at all.

A Member: Don't be so sure.

2280 **Alderney Representative McKinley:** Well, I am delighted to hear that and I do actually... That
was meant to be half a joke, but I do want to stay with you and we all want to stay with you. For
Alderney, if we were discussing that option, actually there will be a lot of people in Alderney who
would also say that, and they have come to both Louis and me and said such things. Realistically it
just is not possible at the moment. The realities are that, although we have a separate
2285 Government, the two Islands are a fiscal union and as a result, the difficulties which face Alderney
also are difficulties which face you, and that has been very clear from all the debates that I have
witnessed and been present at in the last three sessions here.

The 2013 Alderney Census reported a decrease in the population of Alderney of around 17%
since 2001. That was over a 12-year period. That took the population down to 1,903. Like
2290 Guernsey, we are faced with an ageing population, but statistics in Alderney suggest that this is

much more significant in Alderney rather than here, and I think we have agreed that over the last few days. Despite a decrease in population there has been a 31% increase in the number of people between the ages of 60 and 69. Interestingly enough, if you took the figures, about 3% or 4% a year over the last few years, if you were to apply those here to Guernsey, we have already
2295 agreed you would be looking at about 2,000 a year. In the same period, the number of young working-age people has dropped by 47%. Over 59% of the population in Alderney is aged 55 and over. The average age is nearly 10 years older than the average age here in Guernsey.

The lack of employment opportunities has been identified as the major contribution to the declining population. We have become the home to some large... well, to the Alderney Gambling
2300 Association. That is one of our main... and I think, actually, unfortunately that has had to move here. Other employment sectors have suffered. Actually, the gambling has not suffered, although recent changes to the regulation in the UK I think could have an effect on the money or the income from the Gambling Commission. We have had two small but considerable financial organisations come to look at Alderney in the last couple of months and both of them have
2305 decided not to invest in Alderney because of the reasons that Louis has already mentioned, mainly the reliability, or unreliability, of transport links.

In percentage terms, economically active people in Alderney has hardly changed over the past 10 years. It has actually gone down about 1% only, but when you consider the number of people who have actually left and the size of the population now, the number of people on the ground
2310 earning money fell by 202.

Fortunately, for some out there, migration to our lovely Island is still appealing, due mainly to open market housing and low taxation, but most are retirement-age individuals from the UK. Seven hundred and fifty new residents migrated to Alderney between 2001 and 2013, but over the same period almost 1,150 former residents departed. Alderney's main challenge today is to
2315 increase its working population and we need to attract economically active individuals and small companies.

As a slight aside, some Deputies have mentioned to me over the last couple of days the possibility of introducing a lower tax rate for Alderney, perhaps bringing it down to 15%. As a matter of interest, in the year 2012, Income Tax received from Alderney was about £4.6 million,
2320 which according to a debate the day before yesterday, I think, is about the size of your deficit on your Health and Social Security budget. If you were to reduce, on those figures, from 20% to 15%, you would only be losing £230,000 over a year, but the positive effect might be that we would bring further residents into Alderney, higher-earning residents, so the end result actually might be that you would gain from it.

This Assembly has debated the cost-effectiveness of developing our airport to accommodate larger aircraft, and it was agreed to widen the runway but not to lengthen it. Work has yet to begin and we are looking forward to seeing that happen sometime, but we sincerely hope that
2325 when it has been completed we may get more aircraft and more potential investors.

Adding to our economic problems are the costs of sustaining services such as health and education in such a small Island and one that is separated from Guernsey by some fairly stormy
2330 seas. Those transferred services are expensive and my guess is that the cost per capita is considerably higher than the cost of these services in Guernsey.

With regard, incidentally, to Health and Social Security... I may have my facts wrong here and I apologise if I do, but I question whether it makes sense economically to enable new residents coming straight from the UK, let's say, after 40 years of paying National Insurance there – whether
2335 it is correct that they should qualify immediately for Social Security and medical health from the very moment that they make their first contribution. Perhaps there should be a period during which they pay either additional or they should be persuaded to take out private health insurance or something, but certainly some have regarded Alderney, and perhaps that extends to Guernsey also, almost as a sort of... not a health resort, but a place to go to get very good medical
2340 treatment. As I said, the medical treatments available here and in Alderney, compared to other parts of the United Kingdom – or Great Britain, should I say – are very, very good.

I think that some here have suggested that Alderney might be able to take control of their own TRP. We should also consider taking over our own duty perhaps from fuel, alcohol and cigarettes. Why not a duty-free Alderney, and then you can come to Alderney to shop for your alcohol. (Interjections) It is looking more attractive. Interestingly enough, actually, alcohol here is a lot cheaper than alcohol in Alderney, and I know a number of people who send it up by the container-load, or order it by the container-load from here; but then Alderney has been described as being an Island of 2,000 drunkards. It's only 1,500 drunkards now, I think! (Laughter)

So what are we seeking through this amendment? Basically, it is very simple. It is a review of the current financial relationship between the States of Alderney and the States of Guernsey. We do not want any decisions now; we just want permission to have that review, or agreement, to ensure that it enables the provision of fit-for-purpose services.

Sir, actually, one thing that I have not mentioned is that since I came on the States here... I was only 12 stone when I first came here, and lunches with people like Deputy Quin and others at the White Rock Café (Laughter) have led me to the second-hand shops down at the Bridge to buy a new suit – and excellent value for money: £4 for a new suit and it cost me £6 to have the trousers brought up! (Laughter)

May I end by saying how much I have enjoyed my first meeting? It is actually a great pleasure to come to Guernsey and to see in this Assembly people under the age of 50, and it is lovely to go on the streets and see a lot of very beautiful people under the age of even, dare I say, 30 or whatever – I have to be careful! The only months in which we see such lovely people in Alderney are during the months of July and August when the population almost doubles.

You have all been extremely kind, very generous and friendly to your new boy and I very much look forward to working with you all. (Applause)

The Deputy Bailiff: Deputy Perrot.

Deputy Perrot: I do not wish to speak about Alderney at all, (Laughter) but the one point which emerges from Alderney Representative Jean's speech, which does concern me... Incidentally, very hearty congratulations to both the Alderney Representatives for their speeches, which I thought were a credit to them and a credit to this Chamber. (A Member: Hear, hear.)

I was concerned when Alderney Representative Jean said that a pensioner was anxious about prescription charges and what have you. One has heard this anxiety on a number of occasions now. Perhaps our communications have not been good enough. Perhaps there has been some bad reporting on the part of the media. It is important to understand that what we are talking about here is a review over a 10-year period. I know that Deputy Langlois said that on a number of occasions, but it is hugely important to understand that the whole thing stands, in its shortest form, if you look at the programme under section 6, at 10 years; but if we are talking about people not being to take a pension until the age of 70, we are going into 2040 and it really is hugely important to understand that.

I think that when people are concerned about prescription charges, the subsidy for going to doctors in primary care, it is important to remember what Proposition 3 says in the Billet, and I wish to read that out:

'To direct the Treasury & Resources Department and Social Security Department to co-ordinate their actions and report annually to the States on the transitional measures required as a result of the approval of Propositions 4 to 41...'

– which are the substantive propositions –

'to ensure that any groups of people disadvantaged by the measures agreed are adequately protected throughout the transition period detailed in paragraphs 6.1.1 to 6.1.7 of that Report.'

So there is a form of safety net, in that there will have to be work in progress by both the Treasury and the Social Security Departments to make sure that those people are looked after. We

set up at the Budget a transition fund, and that fund, I am reminded today by the Treasury Minister, has £25 million in it. Important we bear it in mind.

The Deputy Bailiff: Deputy Langlois to respond to that point, the debate.

2395

Deputy Langlois: Respond to the debate. Sir, can I add my congratulations to the maiden in our midst and for the speeches about Alderney.

2400

It is very important that this particular amendment receives appropriate attention. It is a very important amendment as a reinforcement to a process that is now underway and which the two Islands are working on actively and jointly. The Alderney Liaison Group that I currently chair is meeting on a regular basis. I think there has been progress in that relationship over the last year, and that thought or that opinion is reinforced by Alderney Representatives and their colleagues in their States talking to me. The financial relationship project, which was referred to, is underway. The terms of reference I think now are nearing completion and nearing complete agreement between the two Islands and I know that it is high on the priority of Treasury & Resources to meet the deadline on that.

2405

So I would ask you, please, to fully support this amendment. The Joint Boards do that.

The Deputy Bailiff: Alderney Representative Jean, do you wish to reply to anything in the debate?

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Alderney Representative Jean: Just briefly, if I may, sir, to thank Deputy Perrot for his comments and his kind remarks and also the reassurance over the review and the reminder of the transition fund that has been set up. These are things that I will be able to relay back to that pensioner who spoke to me; and yes, you are probably right, it should have occurred to me, but I am grateful that you make those points to me.

2415

Also to Deputy Langlois for saying that this amendment deserves an appropriate level of support and that the ALG... yes, I am pleased at the moment and grateful that that does seem to be working well.

2420

Thank you very much, sir. Please, support the amendment,

The Deputy Bailiff: Members of the States, we move to the vote on this amendment, proposed by Alderney Representative Jean, seconded by Alderney Representative McKinley. Those in favour; those against.

2425

Members voted Pour.

The Deputy Bailiff: I declare the amendment duly carried.

Turning to the next amendment, listed 16, I invite Deputy Soulsby to place the amendment.

2430

Amendment 16:

To add to the end of Proposition 5:

'and ability to pay'.

Deputy Soulsby: Sir, I do not propose to say a lot now as I understand that this amendment will be supported by both the T&R and SSD boards, and given the number of amendments and the simplicity and straightforwardness of this one.

2435

I am proposing that when T&R and Social Security Department make recommendations for changes during the transitional period, aside from other considerations they consider people's ability to pay. As I said earlier in the debate on GST, I have a major issue with this report not considering people's ability to pay, either in the transition period or the long term, and this amendment merely is a natural follow-on to that amendment.

2440 **The Deputy Bailiff:** Deputy Brouard, do you formally second that amendment?

Deputy Brouard: I formally second, sir, and may I reserve my right?

2445 **The Deputy Bailiff:** Thank you.
Is there any debate on the amendment?
Deputy Brouard, then.

Deputy Brouard: I will be very quick, sir.
I wrote the speech so long ago I have forgotten what it actually says! *(Laughter)* The main thrust of it, and I take my lead from the proposer, is basically: you need to take ability to pay into account when we bring forward measures to this Assembly, sir. I am grateful for the support.

The Deputy Bailiff: Deputy Le Lièvre.

2455 **Deputy Le Lievre:** Just a quick question, sir. How do you judge ability to pay? What method are you going to use, or what method might the Joint Committees decide to use to judge ability to pay?

2460 **The Deputy Bailiff:** I turn to whichever Minister it is going to be... Deputy Langlois to respond to the debate.

Deputy Langlois: Only to say, sir, that we are accepting this amendment. To me, it was in many ways already implicit. If it will give the Assembly comfort that those extra words are in there, then we accept it and we will be taking that into account.

2465 **The Deputy Bailiff:** I invite Deputy Soulsby, if she so wishes, to reply to the debate.

2470 **Deputy Soulsby:** In response to Deputy Le Lièvre, I would say consider that those who are more able to pay during the transitional period would pay, but I would say we would see that information when it comes back to the States and judge for ourselves.

The Deputy Bailiff: Members of the States, we turn to the amendment proposed by Deputy Soulsby, seconded by Deputy Brouard, to insert the four words 'and ability to pay' at the end of Proposition 5. Those in favour; those against.

2475 *Members voted Pour.*

The Deputy Bailiff: I declare that amendment duly carried.
Amendment 17 is proposed by Deputy Dorey and I invite him to place the amendment.

Amendment 17:

To replace Proposition 4 as follows:

'4. To agree that:

a) at their May 2015 meeting and in accordance with Rule 18 of the Rules relating to the Constitution and Operation of States' Departments and Committees the States shall form the Population Policy Investigation Committee as a Special States' Committee;

b) the membership of that Committee shall comprise seven members of the States as follows:

i) a chairman elected by the States who shall not be a member of the Commerce & Employment, Social Security, Environment or Housing Departments;

ii) 1 member of the Commerce & Employment Department determined by that Department;

iii) 1 member of the Social Security Department determined by that Department;

- iv) 1 member of the Environment Department determined by that Department;
- v) 1 member of the Housing Department determined by that Department;
- vi) 2 other members elected by the States who shall not be a member of the Commerce and Employment, Social Security, Environment or Housing Departments;
- c) the mandate of that Committee shall be to review current population policy and a range of possible replacement population policies against the States' Strategic Plan statement of aims; and to report to the States with recommendations to either continue the current policy or with any changes which they consider necessary by no later than July 2018.
- d) during the course of its deliberations that Committee shall consult with all relevant States' Committees, States Members and the general public.

2480

Deputy Dorey: Thank you, Mr Deputy Bailiff, and I thank Deputy Queripel for seconding this amendment.

This amendment is to do with Proposition 4. I will read out Proposition 4, which is not really relevant – directly relevant, at least – to tax and benefits, but it is:

'To direct the Policy Council to review the impact of population policy on current and future economic growth in Guernsey and report back to the States of Deliberation with its findings no later than July 2018.'

2485

The amendment replaces that Proposition. I will not read every word of it. It is that at the May 2015 meeting the States should form a population policy investigation committee as a special States committee. The membership of that committee should comprise seven Members of the States: a chairman, elected by the States, who shall not be a member of Commerce & Employment, Social Security, Environment or Housing; one member of Commerce & Employment determined by that Department; one member of Social Security determined by that Department; one member of Environment determined by that Department; one member of the Housing Department determined by that Department; and two other members elected by the States, who shall not be a member of those Departments. The mandate of the committee shall be to review the current population policy against a range of possible replacement population policies against the States Strategic Plan statement of aims, and to report to the States with recommendations to either continue the current policy or with any changes which they consider necessary, by no later than July 2018. During the course of its deliberations, that committee shall consult with all relevant States Committees, States Members and the general public.

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Just to inform Members, the current population policy, which is in the explanatory note, is that States polices shall be consistent with maintain Guernsey's population at approximately its current level. That was a Resolution of the States in March 2007. The population at that time has grown. It has not maintained that level. It increased in March 2008 to 61,726, which is a 551 increase; in March 2009, 62,274, a 548 increase; in 2010, 62,431, a 157 increase; in 2011, 62,915, a 484 increase; in 2012, 63,085, a 170 increase; and in 2013, the last number which has been published is 62,732, a fall of 353 people. The population has grown by 1,557, over 2.5%, in that period from 31st March 2007 to 31st March 2013, so we have not been able to stick to a policy that was decided by the States in March 2007.

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2515

In my view, population policy is absolutely fundamental. It affects all our policies of the States, and we have heard it mentioned on many occasions already during this week. Population will determine the size of schools. When Education recently did their presentation about whether we need more schools and the size of schools, population was key to that. It is the size of the hospital. The number of houses – one of the drivers for the new Development Plan, which is out for a planning inquiry, is the number of houses that are needed in the Island and the development that is needed for the population. It affects electricity, water supply and economic activity. I could carry on. The list is almost endless.

Any policy of the States should be regularly reviewed, and particularly one as important as population policy. By the time it is debated by the States, the existing policy will be 11 years old. Therefore, I fully support having a review of population policy.

2520 Guernsey is a very densely populated Island compared to other countries in the world. In the list of sovereign states and dependent territories by population density, Guernsey is the 13th most dense population.

2525 Generally, for any review, setting the right criteria for that review at the start is very important. We cannot just review our population policy against current and future economic growth. As has already been said during this debate, having sufficient people of working age will help determine our economic success. Ultimately, the more employed people you have, the greater the economic growth. If you are solely interested in economic growth, there is no end to it, is there? We could finish up like Manhattan Island, which at 22.8 square miles is slightly smaller than Guernsey but has a population of 1.62 million people.

2530 There have to be other criteria that we review our population policy against if we are going to balance the various needs of the Island. The States have agreed the States Strategic Plan, and the stated aims in that plan say the Government of Guernsey aims to protect and improve the quality of life for Islanders, the Island's economic future, the Island's environment, unique cultural identity and rich heritage. These aims seem to me to be very valid points against which to review our population policy.

2535 The next point to consider is who should carry out that review. The proposal in the Billet is that it be done by the Policy Council. The problem with the Policy Council doing it is that it will not exist beyond the end of April 2016 when a new committee would then be needed to carry out the review after the Election and it would only be part way through the review, as the agreed functions of the new Policy & Resources Committee do not include carrying out such reviews. It seems a much better solution to use a committee that will exist pre and post the 2016 Election and be able to fulfil its mandate to report back by July 2018. The committee also needs to have within its membership States Members from the relevant Departments. Therefore, I propose a population policy investigation committee.

2545 Being a member of the States' Review Committee, which has worked very successfully with seven members, I propose a committee of seven members. I fully accept that you could put an argument forward for every Department to be represented on this population policy committee, as it does affect many States policies and aspects of life, but it is not practical to have every Department represented on the committee and to have an acceptable number of members. So we are proposing that it includes a member of Commerce & Employment, because of the economic aspects of the statement of aims; and a member of the Environment Department – it is important to consider the impact of an increased population, the balance between developed and undeveloped land and the type of development that a greater population would require in an island and its effect on our cultural identity and rich heritage. I also propose that a population policy committee would include a member of the Housing Department, because their current involvement in housing control is our only means of managing the population level; and finally, to include a member of Social Security Department, because of the effects on demographics and their involvement with the Government Actuary and, within their mandate, their responsibility for the wellbeing of migrant workers and their families.

2560 I thank the Minister of Treasury & Resources for recently sending us the operational plan for T&R for 2014-16. I was very pleased to note that in the plan the Department objective is to support the States aims. I quote from the operational plan:

'Sustainable economic growth and effective public services, without increasing population to the detriment of environment and our way of life.'

2565 So I do not understand how T&R and the joint authors of the Billet can pose a review of population policy which is not consistent with the States Strategic Plan and T&R's own operational plan. Quality of life and the environment are very important and should not be ignored in this review.

2570 This is a simple amendment to review our population policy against our statement of aims that we agreed to. The States has agreed to it and to ensure that it is carried out by a cross-Department committee that exists before and after the 2016 Election.
Thank you.

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

2575 **Deputy Laurie Queripel:** I do, thank you, sir, and reserve my right to speak.

The Deputy Bailiff: Thank you.
Deputy St Pier.

2580 **Deputy St Pier:** Could I move a motion under Rule 13(6)a that the amendment goes beyond the Proposition and that it be not debated and no vote taken now.

2585 **The Deputy Bailiff:** Yes, I am satisfied that this amendment goes further than the original Propositions because it proposes the creation of a new committee and it is quite clearly going further. Therefore, Deputy St Pier has invoked Rule 13(6)a. So I am going to put to you, Members, the motion that the amendment be not debated and no vote taken thereon. It requires a majority of Members to support it. Those in favour; those against.

Some Members voted Pour, some Members voted Contre.

2590 **The Deputy Bailiff:** We will go to an *appel nominal*, I think, on that one, please, Deputy Greffier.

Carried – Pour 28, Contre 15, Ne vote pas 0, Absent 4

2595

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

The Deputy Bailiff: Members of the States, my counting, such as it has been this week, shows that that motion was carried. I will just wait for the formal result.

2600 On the motion proposed by Deputy St Pier, pursuant to Rule 13(6)a, there voted: Pour, 28; Contre, 15. I declare the motion carried and therefore the amendment that was proposed by Deputy Dorey, seconded by Deputy Laurie Queripel will not be debated and there will be no vote on it. (**A Member:** Disgraceful!)

Deputy Dorey.

2605 **Deputy Dorey:** Sir, I have another amendment. Can we have a five-minute recess for it to be distributed, please?

2610 **The Deputy Bailiff:** Yes, we will adjourn in a moment for a short time. Subject to how long we taken on the next amendment, we will then have to think what we are going to do for the rest of today, so I just ask you to be thinking what we are going to do for the rest of today and remind you that I said, in relation to the amendment to replace the Propositions to Module 3, that there would be a distinct debate so that people could speak on Module 3. It is my estimation that that cannot be concluded today and therefore in any event I would be proposing to defer the debate on Module 3 to another occasion, whenever that might be, so the only option will be to go into general debate and try and take some votes on the things that have actually been dealt with over the last few days, possibly to do something from the other Billet to fill our time – because we would hate to waste some time, wouldn't we! (*Laughter*) Or possibly just to go home! (*Laughter*) (**Members:** Pour!)

2615 We will have a short adjournment for Deputy Dorey to circulate his other amendment. Five minutes.

*The Assembly adjourned at 4.05 p.m.
and resumed its sitting at 4.18 p.m.*

**Planning a Sustainable Future –
The Personal Tax, Pensions and Benefits Review –
Debate deferred to the next sitting**

The Deputy Bailiff: Members of the States, I hope you have all got a copy of an amendment, which we will mark 18, which is to be proposed by Deputy Dorey and seconded by Deputy Laurie Queripel.

I invite Deputy Dorey to move the amendment.

2625

Amendment 18:

In Proposition 4 to delete 'on current and future economic growth in Guernsey' and substitute 'on the States' Strategic Plan statement of aims'.

Deputy Dorey: Thank you, Mr Deputy Bailiff, and thank you for allowing the recess to happen.

2630 This is just taking out the point about what criteria are used for the review and removing setting up the population policy committee. I understand that it will not be opposed by the Joint Committees, so I will make a very short speech.

As I said in the previous amendment, it is unacceptable to look at population policy purely against future economic growth. I think it has to be looked at more broadly than that and the statement of aims which the States has agreed to I think is an acceptable criteria to review our population policy against.

2635 I encourage all Members to support this very simple amendment.

Thank you.

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

Deputy Laurie Queripel: I do, thank you, sir, and reserve my right to speak.

2640

The Deputy Bailiff: Thank you very much.
Chief Minister.

The Chief Minister (Deputy Le Tocq): Sir, yes, this actually seems very sensible to me, because if we are going to look at population policy we have to look at it in the light of the States Strategic Plan. That is the only way in which we can look at it, it balances everything together and that is exactly what the Policy Council wants to do. In fact, it is essential that this work is done sooner rather than later and we very much intend to be reporting back to this Assembly this side of the Election with proposals because, as Deputy Dorey I think made mention of in his previous speech, it does affect everything that we do. Now that we have the sort of data that is available on population it should be possible for us to make a decision that helps set other decisions, put them into the right light in terms of what we want and inform our decision-making in the future.

2650

So I am just giving notice, in a sense, to this Assembly that the Policy Council, in conjunction with the committees concerned, and indeed all of the Ministers and Committees around this Assembly, will be involved in helping to formulate that policy, and this Assembly will have an opportunity to do so.

2655

Thank you.

The Deputy Bailiff: Deputy David Jones.

2660

Deputy David Jones: I would support this, but I would say – and I have said this before at the Policy Council – that if we are going to be looking at the population, one of the early pieces of work to do is a cost benefit analysis of the money that is generated by those we bring in against what we spend to provide services for those people. I believe that since the loss of Corporation Tax we are actually running at a net loss, certainly on large families, who barely pay enough tax to cover the schooling of their children or many of the other services that we provide, and that is a real problem for us.

2665

It is all very well saying expand the economy and expand and bring more people in, but until you have done that vital piece of work you cannot even begin to plan the economy or the infrastructure for the future, because you do not know how many people you are planning for and you do not know whether bringing more people is actually going to benefit us or end up costing us.

2670

So we want good businesses with small footprints generating tax, and without the £100 million we used to get from Corporation Tax, although I agree with Deputy St Pier we have closed the hole on that substantially with other ways, we still need to do that piece of work first, in my view.

2675

The Deputy Bailiff: Deputy Laurie Queripel.

Deputy Laurie Queripel: Thank you, sir.

2680

I am pleased to be able to second this necessary amendment from Deputy Dorey.

It must be clear, when talking about population policy, you have to factor in and take under consideration all the other elements of a strategic, social, economic and environmental nature. Assessments and careful analysis of any potential impacts, consequences, benefits or otherwise need to be identified and studied. In addition, such a fundamental and all-encompassing issue requires wide political and public engagement, because decisions on population policy go to the very heart of a community's life and will, in some way or another, affect the lives of all Islanders.

2685

If we think it is as simple as taking a liberal, random, unmethodical approach to population growth, building high-rise to accommodate the numbers etc., then we are not thinking at all.

2690 Quick fixes do not last and they cause long-term problems. Simply adding numbers is not the
answer. There has to be an intelligent, rational thought given to the Island's ability to absorb,
provide for and sustain. It has to be for the benefit of the community, add value to the economy,
upskill the workforce but fill in the gaps that we cannot fill skills-wise, and the impact upon the
Island's existing population, infrastructure, services, housing, environment, culture and heritage
need to be found to be positive. Anything less would be irresponsible and a dereliction of duty.
2695 We have been elected first and foremost to look after the interests of the existing population.
That is why the States signed up to the States Strategic Plan and any thoughts on population
policy need to be tested and filtered through the objectives and aims of that plan.

I spoke about adding value to the economy, and the States Strategic Plan talks about
maintaining and increasing the number of high-value jobs available to Islanders. So population
2700 growth should be about added value, enhancing the quality of life for Islanders, and any growth
should not impact negatively upon the jobs, trades, businesses of Islanders or their value.

We have often, during the course of this term, bemoaned the lack of resources that have tied
our hands in regard to the States Strategic plan, not having the ability to begin to make its
objectives and progressive social policy aims a reality. So here, in the form of this amendment, we
2705 have a practical opportunity to activate, to apply, to bring into focus some of those aims and
objectives in a way that could provide a very real benefit to our community and the Islanders we
seek to serve. So I ask Members to vote in favour of this amendment and to bear in mind how
important it is that the States Strategic Plan is considered very carefully in regard to population
policy.

2710 Thank you, sir.

The Deputy Bailiff: I do not see anyone else standing, so I turn to the Minister of the Treasury
& Resources Department, Deputy St Pier, to respond on this amendment.

2715 **Deputy St Pier:** Sir, the history, or the background behind this draft Proposition as it was, was
precisely the point which Deputy David Jones made in his speech. We recognised through the
consultation phase of putting this report together that there were very mixed views about the
economic impacts of immigration into the Island and that there was a very strong view that
2720 population changes were either positive or detrimental to the Island and therefore had an impact
on the work we were doing. That is the background as to why the Proposition was drafted in the
way that it was.

In many ways I do think that actually the whole Proposition is probably superfluous and has
been superseded by events, because as the Chief Minister has said, the Policy Council has
recognised the imperative to present a population policy report to this Assembly as soon as
2725 possible, and that of course inevitably would have to be much broader than just the economic
considerations. So, with that in mind, I think Deputy Dorey is right to draw to our attention that
the population policy is broader than just that narrow focus, but I think it may be useful for
Deputy Dorey and others to understand how the Proposition was originally drafted. But, as I say,
given that things have moved on, we are happy to support the amendment.

2730 **The Deputy Bailiff:** Deputy Dorey, as the proposer of the amendment, to reply to the debate.

Deputy Dorey: Thank you, Mr Deputy Bailiff.

I welcome the comments from the Chief Minister. I was surprised it was going to take to July
2735 2018, as in the Proposition. I specifically asked and was told that that time was needed, but I
welcome his comments because I think it seemed an excessively long time.

I agree with Deputy Jones that when you are looking at the economic situation you should
look at the economic contribution that people make to the Island.

I thank Deputy Queripel for his support and his speech.

2740 I thank Deputy St Pier and Deputy Langlois for their support, and Deputy St Pier for his explanation.

I do not think I need to say any more. Thank you.

The Deputy Bailiff: Members of the States, we go to the vote on the amendment to Proposition 4 to substitute a few words, proposed by Deputy Dorey and seconded by Deputy Laurie Queripel. Those in favour; those against.

Members voted Pour.

2750 **The Deputy Bailiff:** I declare the amendment duly carried.

The Deputy Bailiff: Now, Members of the States, could I have an indication of how many Members wish to speak in general debate, *not* on Module 3? It is almost like the football matches that Deputy Lowe and I attend: when somebody stands up, a number of other people stand up as well. (*Laughter*) If Deputy Trott is going into trumpet playing now as well, we will be well away!

2755 On that basis, my estimation is that this debate on those other parts of these Propositions will not conclude by 5.30 for sure, and I doubt it would conclude by 6.30 either. So, in those circumstances, the motion that I am going to put to you is that the States defers debate on the remainder of this report, having concluded the amendments, until the next time it meets.

2760 Those in favour; those against.

Members voted Pour.

The Deputy Bailiff: I declare that duly carried.

2765 So we have dealt with the amendments – thank you for doing that in this sitting, and the remainder of that will be dealt with.

Billet d'État VI

Procedural – Variation of order of business to take Article V first

The Deputy Bailiff: Now, if I pick up my Billet VI, we have already dealt with the first two Articles, Members of the States. I might be wrong – it would be the first time, of course, like Deputy Trott, (*Laughter*) but I might be wrong – but it strikes me that Article V is probably going to be the briefest and therefore I would propose to vary the order of business to now deal with Article V of this Billet, unless there is any opposition. Those in favour of doing so; those against.

Members voted Pour.

2775

TREASURY & RESOURCES DEPARTMENT

**V. The Income Tax (Guernsey) (Employees Tax Instalment Scheme)
(Amendment) Regulations 2014 –
Proposition carried**

Article V.

The States are asked to decide:

Whether, after consideration of the Report dated 6th January, 2015, of the Treasury and Resources Department, they are of the opinion to approve, in pursuance of Section 81A(5) of the Income Tax (Guernsey) Law, 1975, as amended, The Income Tax (Guernsey) (Employees Tax Instalment Scheme) (Amendment) Regulations, 2014.

The Deputy Bailiff: Deputy Greffier.

The Deputy Greffier: Article V, Treasury & Resources Department, The Income Tax (Guernsey) (Employees Tax Instalment Scheme) (Amendment) Regulations 2014.

2780

The Deputy Bailiff: I invite the Minister of the Treasury & Resources Department (*Laughter*) – whom we have not heard from of late – to open the debate on this matter.

2785

Deputy St Pier: Sir, if Members turn to pages (*Laughter*) 536 and 537, it is a very short and easily read and understood (*Laughter*) report, which self-evidently requires no further explanation. (*Laughter*) The Regulations are equally brief on the following two pages, but I obviously will be happy to respond to the debate, sir.

2790

The Deputy Bailiff: I do not see anyone rising.
There is a single Proposition, Members of the States, on page 540. Those in favour; those against.

Members voted Pour.

2795

The Deputy Bailiff: I declare the Proposition duly carried.

**Procedural –
Variation of order of business to take Article IV**

2800

Deputy Gollop: Sir, can I ask you a point of order that you may be coming to anyway and that is that if we... We have voted to defer, haven't we, the main issues; but when will the deferred debate date be?

2805

The Deputy Bailiff: We will get there, Deputy Gollop. (*Laughter*) All good things come to those who are patient! (*Laughter*)

Members of the States, bearing in mind that your sitting hours are until 5.30, even though you did convene slightly earlier, again it is my estimation that Articles VI and VII are going to take more debate than an hour. Therefore, I was not proposing, unless anyone says that they are time critical – in particular the Minister, Deputy Stewart, or the Chairman of the Committee, Deputy Fallaize... those, as far as I am concerned, ought to be adjourned.

That leaves Articles III and IV, and of the two I would have thought that Article IV is shorter than Article III, but again I do not know. Can I have an indication as to how many Members are

2810 proposing to speak in the debate on Article IV, Treasury & Resources Department,
Superannuation Fund Actuarial Valuation?

Deputy Dorey: Sir, I am just concerned about the quality of debate and about the fact that I think we have all been working on the previous Billet, and I am really worried about us getting
2815 into debate on any of these issues which possibly we have not prepared for, and I certainly have not prepared for because I expected the debate to continue on the previous Billet. I am just worried about the democratic process of us debating anything more at this point in time.

The Deputy Bailiff: Is there anyone else who wishes to make a comment about whether we
2820 deal with any other business at the moment before I put to you a Proposition?

Deputy St Pier: Sir, I am certainly prepared to speak on the actuarial evaluation.

The Deputy Bailiff: Members of the States, it strikes me that I should at least put to you
2825 taking another item of business out of order, which is to bring forward Article IV on Billet d'État VI in advance of Article III, because otherwise we would just cause the business in the order that is in the Billet and we would be calling Article III and waiting to see whether anyone moves a motion to adjourn at this point. So I am going to put the motion that Article IV be taken before Article III. All those in favour; those against.

2830

Some Members voted Pour, one Member voted Contre.

TREASURY & RESOURCES DEPARTMENT

IV. Superannuation Fund: Actuarial Valuation – Proposition carried

Article IV.

The States are asked to decide:

Whether, after consideration of the Report dated 27th January, 2015, of the Treasury & Resources Department, they are of the opinion:-

- 1. To note the Actuarial Valuation of the States of Guernsey Superannuation Fund as at 31st December 2013.*
- 2. To agree that, except for Guernsey Electricity Limited and Guernsey Post Limited, the employer and additional employer contribution rates in respect of the States of Guernsey Superannuation Fund shall remain as set out in Appendix II of that Report.*
- 3. To agree that the employer contribution rate for Guernsey Electricity Limited be decreased from 14.6% to 11.5% with effect from 1st April 2015.*
- 4. To agree that the employer contribution rate for Guernsey Post Limited be increased to 15.0% with effect from 1st April 2015.*
- 5. To agree that the annual sum paid into the Superannuation Fund in respect of the States Members Pension Schemes from the revenue budget of the Treasury & Resources Department shall be increased to £149,000 with effect from 2015 and maintained in real terms.*

The Deputy Bailiff: Deputy Greffier, Article IV, please.

The Deputy Greffier: Article IV, Treasury & Resources Department, Superannuation Fund:
2835 Actuarial Variation.

The Deputy Bailiff: Again, I invite the Minister of the Department whose Report it is, Deputy St Pier, to open the debate on this matter.

2840 **Deputy St Pier:** Thank you, sir.

This States Report deals with the actuarial valuation of the Superannuation Fund as at 31st December 2013, which was prepared by the States' actuaries, BWCI Consulting Ltd.

2845 The actuarial evaluation, of course, relates solely to benefits which have already accrued to members and the figures are totally unaffected by the current proposals for pensions reforms, which are scheduled to be debated at the end of April.

The Superannuation Fund is, as Members will know, the long-term investment pool for paying the occupational pensions to public sector employees and an actuarial valuation is carried out to recommend the employer contribution rate that will ensure that sufficient money is or has been set aside within the fund to meet the liabilities of the scheme as and when they fall due.

2850 I would like to remind Members that the actuarial valuation is based on long-term assumptions for funding the long-term liabilities of the Public Sector Employees' Pension Scheme. The value of assets in the fund, of course, will fluctuate, often by several million pounds in a single day, as has happened on many occasions. However, these are short-term movements and my Department has put in place an investment strategy that aims to achieve real growth over the long term whilst reducing the risk – so far as it is feasible, anyway – of adverse short-term volatility. The Superannuation Fund comprises multiple investment managers with portfolios diversified into a range of different asset types and currencies.

2855 The findings of the actuarial valuation show that overall the scheme is 93.4% funded and the Treasury & Resources Department does not recommend any change to the employer's contribution rate for the combined pool, which comprises, of course, the majority of public sector employees, including teachers, nurses, civil servants, police officers and public service employees.

I would ask for Members' support for the Report and its recommendations.

The Deputy Bailiff: Deputy Gollop.

2865

Deputy Gollop: Sir, it is fascinating indeed to see that we are going down for Electricity but going up for Post, which reflects perhaps the different demographics of those sectors. But I would also point out that, as the second continuously longest-serving Member, I will almost certainly be delighted if Proposition 5 is approved –

2870

The Deputy Bailiff: Deputy Gollop, can I just stop you?

Deputy Gollop: I wanted to say: "do I have an interest to declare?"

2875 **The Deputy Bailiff:** No, can I just stop you a moment? This shows about preparedness. Proposition 5 is to pay money into the Superannuation Fund in respect of the States Members' pension schemes. I am aware that there are some Members here who are not members of it, but those who are, before they speak, can they please declare it? You are one of them, which is why I was just checking that. So do continue, Deputy Gollop, but –

2880

Deputy Gollop: Yes, I was declaring an interest that I am indeed a recipient of that, and therefore I am thinking I should abstain from the vote on Proposition 5.

The Deputy Bailiff: Does anyone else wish to speak in debate on this Article?

2885 Deputy Bebb.

Deputy Bebb: I must confess that I am a little ill-prepared for this debate. However, I have to say that from memory of the Billet – and I will happily be corrected by Deputy St Pier if I am

2890 incorrect but it seems to me that, as a result of the States Members' pension being removed, we
 have resulted in a position that has increased the liability and the cost of the fund, as opposed to
 keeping it open. I do believe that we are now in a position whereby, as States Members, we are
 very poorly served in relation to the States' pay package. I recognise that this will go to the debate
 that was held in I believe January 2012, when States Members' pay was discussed, but I think that
 overall we really need to consider whether Members are able to make sufficient provision or
 2895 whether it is good practice for us to have closed the scheme.

I go back to my memory of what happened in Westminster. Westminster had a scheme
 whereby all Members had to elect to join the pension scheme, and their take-up rate was
 appalling. I am happy to be corrected on these numbers – as I said, they are from memory – but I
 think that the take-up rate was somewhere in the region of 15% of Members of Parliament
 2900 electing to join the parliamentary scheme. It was recognised that a number of them were failing to
 make sufficient provision for their retirement and therefore they changed the scheme to one
 which required Members to elect to opt out, and that resulted in 98% of the Members of
 Parliament being part of the scheme. It was also recognised that, as a result, the likelihood of
 poverty of Members of Parliament in retirement was greatly reduced.

2905 I have frequently said that we need to create parity on many areas of expenditure between
 that of the Civil Service and the elected Members. The most ridiculous examples do come from
 Westminster, where this has obviously been an incredibly hot topic. I do not understand why my
 brother has to go out for an evening meal and he is only allowed £15, whereas his staff member is
 allowed £25 for the exact same meal. They have gone to the realms of the ridiculous and I think
 2910 that when we talk about costs and expenses there should be parity. Evidently, here in Guernsey we
 have a different system, and quite rightly so, but when it comes to the pension arrangements I
 also agree that maybe the Civil Service scheme would put us in a dreadful conflict that would be
 poor, for instance, for the debate that we know is upcoming at the end of April.

I do think that we do ourselves a disservice by having *no* arrangements in place. We are very
 2915 poorly supported as parliamentarians. I will refer to my brother; I am sure that my brother does
 not mind me talking about him. I looked at the list of those achievements he had over the past
 five years, because obviously he is seeking re-election at the moment and he likes to point out all
 the work that he has done. I was absolutely astonished and I could not understand how he had
 managed so much. I asked him, 'How on earth did you manage all of this?' and of course he said,
 2920 'Well, that's what you manage with your staff,' and I wondered, 'Well, how much do you get?'
 Apparently, Westminster Members receive £130,000 per annum to pay for resources. That is on
 top of all the parliamentary staff, of which I hear no complaints about shortage of resources within
 the government, and it is on top of an excellent library service and excellent support.

I am not asking for £130,000, (*Interjection*) but I think that it is self-evident that we continually
 2925 do ourselves a disservice by giving the impression that we are in receipt of an awful lot more than
 we are. We frequently rely on individual Members to deliver what we would rightly expect of a
 modern-day government, and yet we pay ourselves very little in relation to resources or anything.
 A lack of a pension, in my opinion, has been an error, and I do believe that it would therefore be
 my wish to ask the Policy Council that, when in January of next year we will be having this
 2930 discussion, consideration be given for such a move as to re-open a pension scheme – because,
 Members, what we are doing at the moment is simply inappropriate.

Thank you.

2935 **The Deputy Bailiff:** Deputy Langlois.

Deputy Langlois: Sir, one very brief intervention, in line with your previous comment –

The Deputy Bailiff: Deputy Langlois, do you need to make a declaration?

2940 **Deputy Langlois:** That is what I was doing. In line with your comment earlier, I have four years' service under the now defunct pension scheme and therefore I will not be voting on Proposition 5.

2945 Deputy Bebb's comments were pre-emptive of a debate, but he is actually thinking that he is pre-empting one debate and he is pre-empting a different debate, because there will be a debate some time before the Election, I understand, on the future of the States Members' pay; so the Policy Council has to make a recommendation on our future determination of that, unfortunately, and that will happen, but it will not happen in April. You made reference to the April debate. Deputy Bebb's comments and the relationship to the now defunct States Members' pension scheme has no relevance to the April debate at all, and I think it is very important to make that clear to everybody concerned at this stage.

Deputy Bebb: Sorry, point of correction.

The Deputy Bailiff: Point of correction, Deputy Bebb.

2955 **Deputy Bebb:** My reference was that I frequently call for the same arrangements for States Members as for civil servants, but I acknowledge that, in relation to the pension scheme, that would be inappropriate, especially as it would put us in a dreadful conflict of interest when it came to the April debate. I did not suggest that States Members become members of the Civil Service pension scheme. That was not my assertion.

The Deputy Bailiff: Deputy Lowe.

2965 **Deputy Lowe:** I just want to declare an interest, sir, as a member of the closed scheme of the States Members' pension scheme.

The Deputy Bailiff: Thank you.
Deputy Domaille.

2970 **Deputy Domaille:** As do I, sir.

The Deputy Bailiff: Thank you.
Deputy Le Pelley.

2975 **Deputy Le Pelley:** Just for clarification, sir. I think it might be useful for those people listening in, and also for those Members who do not know, could Deputy Bebb just explain who his brother is? *(Interjection)* Well, Mr Deputy Bailiff, I think it is important that people know that his brother is an MP in Westminster.

Thank you.

2980 **The Deputy Bailiff:** Thank you, Deputy Le Pelley.
Deputy Le Clerc.

Deputy Le Clerc: Thank you, sir.

2985 I would just like some clarification, because my knowledge on the States Members' pension scheme is scant and I would just like to say that I am not a member of the States pension scheme because I was elected this term.

2990 Did some of these pension liabilities accrue to Members before they had a salary remuneration, because it seems to me there is quite a large liability, because it has not been that many years that States Members have actually been paid, so it is just perhaps a little bit of background knowledge on that. I do not understand where all the liabilities accrued from.

Deputy Lowe: Can I help there, at all, sir?

2995 **The Deputy Bailiff:** Deputy Lowe, all you have done so far is declare your interest, so if you now wish to speak I will let you speak.

3000 **Deputy Lowe:** Okay. I have been in the States for many years and there has always been a States Members' pension scheme. It has changed at least twice, possibly three times, during my term of office, but it was closed to all States Members in 2012. There is no longer a States Members' scheme, so I wish the public to be fully aware of that, although it has been made public several times – the scheme closed to every States Member in 2012.

The Deputy Bailiff: Deputy Dorey.

3005 **Deputy Dorey:** Sir, I also declare an interest, having been a Member of the States during the period that the States Members' pension scheme was a contributory scheme.

3010 If Deputy Le Clerc has her copy of our gold book on rules, in the blue bit at the back it covers the States pensions for former States Members and it covers the period when it is non-contributory and when it is contributory, and there are different payments for years of service – so it is covered in there.

3015 I just wanted to ask Deputy St Pier a question in relation to the money, to make sure I have understood it correctly. As I understood it, the liabilities of the scheme remain and this fund is to cover the States' liabilities for paying out those pensions, and whether that money is transferred into the fund or not the liabilities on the States remain, and if it is not capable of being paid from the fund it would have to be paid from general revenue. So I think it is important that it is known that that amount of money does not affect the liabilities of paying former States pensions; it affects whether we put money aside to meet those liabilities.

3020 Overall, I think we, as an Island, should be extremely proud of our Superannuation Fund. There are many governments in the world which do not have such a scheme, and the fact that we put money aside to meet our liabilities – we are not quite 100% fully funded but we are near 100%, in the 90%*s* – I think is something we are very proud of, (**Two Members:** Hear, hear.) and we should thank our forefathers and current Members that we are committed to making sure we have that fund and do not have a liability on the future public of Guernsey.

3025 Thank you.

The Deputy Bailiff: Deputy Sillars.

Deputy Sillars: Sir, just to declare an interest, I did contribute for the last four years.

3030 Just to finish off what Deputy Lowe said, of course the pay was readjusted for 2012, partly to look at people who were being paid to go onto different committees but actually an uplift was also to help compensate for the lack of the pension.

The Deputy Bailiff: Deputy Brouard.

3035 **Deputy Brouard:** Just to declare, sir, and also for my family as well.

The Deputy Bailiff: Thank you.
Deputy David Jones.

3040 **Deputy David Jones:** Sir, I declare an interest. I just want to ask a question of the Treasury Minister. I only paid in for eight years, I think it was, before it was stopped, but I will abstain on the vote, clearly.

It is odd that when you become a pensioner, even though you have paid in you cannot draw it while you are still a serving Deputy, (**Severall Members:** Hear, hear.) and I wondered why that was.

3045

The Deputy Bailiff: Deputy Adam.

Deputy Adam: Sir, I should also declare that I have contributed and also been a member of the pension scheme before the contributory pension scheme came in.

3050

Thank you.

The Deputy Bailiff: Deputy Quin.

Deputy Quin: Sir, I contributed for the period that it was open.

3055

The Deputy Bailiff: Deputy De Lisle.

Deputy De Lisle: I have to declare also, sir, that I contributed during that period, two sessions.

3060

Deputy Hadley: Mr Deputy Bailiff, moi aussi.

The Deputy Bailiff: Chief Minister.

The Chief Minister: I was a member and I am no longer a member.

3065

The Deputy Bailiff: Of anything in particular, or...? (*Laughter*)
Deputy O'Hara.

Deputy O'Hara: Likewise.

3070

The Deputy Bailiff: I wish I hadn't suggested it now! (*Laughter*)

Deputy Brehaut : Sir, can the person who never has been please stand up? (*Laughter*)

3075

The Deputy Bailiff: You only have to declare an interest if you want to speak or you want to vote. You can simply keep quiet, (*Laughter*) unless we have an *appel nominal*, in which case you can walk out if you want to, rather than have to vote. (*Laughter*)
Deputy Paint.

3080

Deputy Paint: Four years, sir, and I would not like to vote.

The Deputy Bailiff: Deputy Trott.

3085

Deputy Trott: Sir, I rise to add something slightly different to the debate in the sense that I declare I am member. I was also responsible, as Minister of the Treasury & Resources Department, for bringing the proposals to the States to open the scheme; and as Chief Minister, sir, for bringing proposals to the States to close the scheme. (*Laughter and interjections*)

The Deputy Bailiff: Deputy Harwood.

3090

Deputy Harwood: Sir, just to focus actually on the topics... I have nothing to declare; I have no interest in anything at all, (*Laughter*) but I would welcome, in his summing up, the Minister of Treasury & Resources to comment on the funding arrangements, and particularly on the assumptions, because one of the critical issues for any actuarial review is the assumptions that are

3095 being used, and I draw his attention in particular to page 486 of the actuary's report, which makes the comment:

'Over the three years since the previous valuation, the rate of investment return achieved on the Fund was lower than expected.'

I notice that, going forward, I think the assumption is that there is a discount rate of 6.85%, I think is the figure, which looks optimistic but I would perhaps ask for his views on how realistic that discount rate is, because that does impact upon the valuation; but also to note there is a lot of confusion, I think, in the minds of the public particularly, as to the deficit of the Fund. We get the horrible situation of FRS17, when we get a figure of about £500 million deficit. Of course here, this actuarial valuation shows, I believe, what is the reality, which is the true deficit, which is about £82 million, and that assumes that you wanted to have a 100% funded scheme.

3105 So I think it is important that we do need to get the message across to the public that the deficit is *not* £500 million, in spite of the FRS17 and the stupidity of the accountancy profession to drive us down that particular route, and that we should pay attention to the actuarial valuation, which is far more realistic.

3110 I do raise the slight quite concern I have over the assumed discount rate and I would be grateful for his comments.

The Deputy Bailiff: I invite the Minister of the Treasury & Resources Department, Deputy St Pier, to reply to the debate.

3115 **Deputy St Pier:** Thank you, sir.

Well, that was a somewhat lengthier debate than I was expecting, and it is just as well I was fully prepared for the debate, but I will address the points which have been raised.

3120 Deputy Gollop briefly mentioned Post and Electricity, and it is just worth drawing Members' attention to the report on that at paragraph 3.10 on page 468. Under the rules of the scheme, the contribution rates are set by the States of Guernsey, although obviously they are payable by Guernsey Post and Guernsey Electricity Ltd, so in bringing the recommendations to you we have obviously consulted with those companies as to what they would like to do, and their responses are attached in the appendices to the report at appendix III and appendix IV.

3125 You will notice at paragraph 3.9 of the report there is a table, and that shows that the current contribution rate for Guernsey Electricity is 14.6% and the report, in the line above, suggests that actually, because they are over 100% funded – at the moment, 107.2% funded – the contribution rate could be reduced to 11.5%, and Guernsey Electricity's board have indeed accepted that recommendation and have sought that we put that to the Assembly for approval.

3130 In relation to Guernsey Post, interestingly, their current contribution rate is 14.2% and the current required contribution rate could be only 9.4%, as recommended by the actuaries, because their funding percentage is 115.9%, so they are well-funded. But they have recommended that actually their contribution rate be increased to 15%, and I suspect that that is partly a reflection of their own view – as they have said in their letter of comment – on the assumptions, which is the point that Deputy Harwood made, and I will return to that in a moment.

3135 Deputy Bebb made some interesting comments, albeit I do not think they were strictly related to the contents of the report.

3140 Deputy Dorey is absolutely right that the liabilities remain, irrespective of whether we choose to fund them or not. So overall the Fund is 93.4% funded, but obviously we have to meet 100% of the liabilities as and when they fall due. So it is a choice for us as to how quickly we choose to fund the Superannuation Fund, or not. But Deputy Dorey is also quite right to point out that our superannuation scheme for public service employees is very well funded compared to many similar schemes elsewhere and that leaves us in very good stead for managing those liabilities in due course.

3145 The other point I would make is, because of the number of declarations of interest that we
have heard, I think it would be very easy for those outside the Assembly to overestimate the level
of interest which some current States Members and some former States Members have in the
scheme. It is worth again drawing everyone's attention to paragraph 4.1 on page 469, that the
States Members' pension scheme, which is now closed – was closed in 2012 to any new members
– represents approximately 0.4% of the overall Superannuation Fund. I think it is worth
3150 emphasising that point.

Deputy Trott's point: it sounded to me very much as if we were almost having a second
admission of a mistake for having opened it in one capacity and then closing it in another, but I
am sure that was not the case – before Deputy Trott rises to his feet! (*Laughter*). (**A Member:** Two
mistakes.)

3155 **Deputy Trott:** The Treasury Minister is right, sir. I was under instruction from an independent
panel the first time and I was under instruction from an independent panel the second time.

Deputy St Pier: Deputy Dave Jones's question to me, sir, was why can current States Members
3160 who are in the scheme, who have reached pension age, not draw from the scheme at the same
time as sitting as Members and receiving remuneration as Members. That is quite simply down to
the rules of the scheme and the Treasury & Resources Department have no intention of bringing
any change to the rules for the approval of the Members, sir.

The Deputy Bailiff: Members of the States, there are five Propositions, which you will find on
3165 page 535 of Billet d'État VI. I am going to take them not quite individually, but in blocks.

I am going to put Proposition 1 to you first, which is simply to note the actuarial valuation as at
the end of 2013. Those in favour; those against.

3170 *Members voted Pour.*

The Deputy Bailiff: I declare Proposition 1 duly carried.

I am going to put Propositions 2, 3 and 4 to you together because they relate to contribution
rates. Those in favour; those against.

3175 *Members voted Pour.*

The Deputy Bailiff: I declare Propositions 2, 3 and 4 duly carried.

3180 Proposition 5. I have had a series of declarations. Before I put it, is there anyone else who
wishes to declare before voting?

In that case, I put it to you. Proposition 5. Those in favour; those against.

Members voted Pour.

3185 **The Deputy Bailiff:** I declare Proposition 5 duly carried.

**Procedural –
Adjournment of sitting to 8th April 2015**

The Deputy Bailiff: Members of the – I am not inviting anyone to speak at the moment,
Deputy Dorey or Deputy Fallaize. Members of the States, because it has been a long sitting this
week, I am not proposing to call Articles III, VI, or VII in Billet d'État VI.

3190 The question now is to when do the States adjourn. The rules – we like the rules – do not
necessarily help us, because we are on the fourth day of a meeting and they do not really deal
with a fourth day at the moment, but we will read the fourth day being a Friday as if it were the
3195 third day, and therefore Rule 3(3)c involves an adjournment to one week on Wednesday, at
9.30 a.m., which is Wednesday, 8th April. And then Rule 3(3)d says we go back as if it is the first
day of the meeting and there can then be sequential adjournments from the Wednesday to the
Thursday, the Thursday to the Friday, if needed. So that is the default position.

3200 Rule 3(4) says when an adjournment to a subsequent day is announced – and I announce, in
accordance with the rules, such as they are here – a Member may propose a different date or time
for the adjourned meeting. So let's use as much time as you need for some housekeeping. Is any
Member proposing that the States should come back at a time other than 9.30 on Wednesday,
8th April?

Deputy Fallaize.

Deputy Fallaize: Thank you, sir.

3205 I wish to propose that the States convene next on Wednesday, 29th April, rather than
Wednesday 8th April, so in other words the normal end of April meeting. Mid-April, or
Wednesday, 8th April is in the school holidays. I understand that there will be perhaps as many as
10 Members absent if we convene on Wednesday 8th April and it seems to me, given the nature
3210 of the business which the States will consider first – the Personal Tax, Pensions and Benefits
Review – and the importance of that business, that we should not convene to debate it when we
could have perhaps a quarter of the States missing. Also, sir, I think the other business is not
necessarily urgent and I am advised that the business for the May meeting is unlikely to be
particularly heavy. I know that there may be a debate on La Mare de Carteret, but I was advised by
the Policy Council that at the moment there is very little business for May. Of course, we could
3215 convene in mid-May, but it seems to me that we could deal with the remaining March business,
the April business and the May business between the end of April, the middle of May and the end
of May, rather than having to convene when so many Members may be absent in mid-April.

3220 I have spoken to the Treasury Minister and the Social Security Minister, because of course it is
their Article which we are in the middle of debating, and I understand that they would both be
content if we reconvened at the end of April, rather than on 8th April. So I would be grateful, sir, if
you would put that to the States.

Thank you.

The Deputy Bailiff: Deputy St Pier.

3225 **Deputy St Pier:** Sir, before that decision is taken I think the States also need to consider the
Pension Reform Report, which will also be debated at the end of April. That is time critical, in that
clearly, if the scheme is to be closed to new members on 1st May, that decision needs to be made
before the end of April. I envisage that is quite likely to be a controversial and fairly lengthy
debate.

3230 It might perhaps be wise to ask how many Members will be absent in mid-April, to refresh that
information before States Members make a decision, sir.

The Deputy Bailiff: Deputy Lowe.

3235 **Deputy Lowe:** Sir, I endorse and agree with Deputy Fallaize's proposal, but listening to Deputy
St Pier, I do believe that it would be possible to take that Report first, because it is time-critical,
and then we drop into continuing the debate once we have actually had that one first.

The Deputy Bailiff: Deputy O'Hara.

3240

Deputy O'Hara: Sir, I heard you right before, when you said you could choose any date. Would 15th April be...? That is Wednesday, 15th April.

Some Members: No.

3245

Deputy O'Hara: Okay.

3250

The Deputy Bailiff: I don't think I indicated that you could pick any date, (*Laughter*) so we are not going to have a decreasing approach to any day of the week. The Chamber is set aside for overflow dates already. It is available. This is a courtroom normally, and therefore you cannot pick and mix dates. We have got those dates set aside for 8th, 9th and 10th April, if necessary. We have got dates set aside for 29th April, obviously, because the convening notice has already been published for that sitting of the States of Deliberation.

3255

What I am trying to do is to get a feel first, and then I am going to work out what Propositions I will invite you to debate.

Does anyone else have a comment to make at the moment about when to convene?

Deputy Le Pelley.

3260

Deputy Le Pelley: Sir, I do not have a comment to make about when, but I think it would be useful if those who cannot be here on the 8th stood, so that you have an idea of how many will not be here.

The Deputy Bailiff: Yes, we will get there in a minute.

3265

So, at the moment the option is the default day. The only alternative that is being proposed is to miss the default day, so that is the only Proposition that I am going to be putting to you.

Before I do that, can I invite Members who cannot be here on 8th, 9th or 10th April, any of those days, to stand in their places, please.

Can I canvass something else with you, which would be that one could use the overspill days to conclude the business on Billet d'État VI, rather than Billet d'État IV.

3270

The first thing I am going to do is invite any comments on that proposal, which is that the business that gets adjourned to the overspill days of 8th April onwards is Billet d'État VI and that there is then further deferral of Billet d'État IV to April.

Deputy Bebb.

3275

Deputy Bebb: Thank you, Monsieur le Député Bailli.

I personally would like to speak at length on the spectrum charge. If the States are minded to convene on the 8th, of course I will make every arrangement possible to be here; however, it does feel that there are thing... for me personally it would be difficult, I think is what I am trying to say.

3280

The Deputy Bailiff: Deputy Fallaize.

3285

Deputy Fallaize: Just for information, sir, in respect of Article VII, based on the Members who stood when you asked them to stand I do not think there would be any member of the Committee available to present the Article. But that may be an advantage, I don't know! (*Laughter*)

3290

Deputy Trott: Sir, I wish to make a comment which may not be very popular with many in this Assembly, but I feel it needs to be made anyway. We have known for some time what the follow-on dates for this debate were and we have also known for some time that it was unlikely that this debate would conclude in the four days that we had allocated, bearing in mind that there is a substantial additional amount of March business. I think it reflects poorly on the Assembly that there is such a significant number of Members who are not available for the follow-on days,

making it very difficult for the States to adhere to its Rules of Procedure, and I think that needs to be said, sir.

3295 **The Deputy Bailiff:** Deputy Duquemin.

Deputy Duquemin: Sir, can I just counter the comments of Deputy Trott, there. I think it reflects very poorly on the States and its scheduling that the States will meet during the school holidays. I will make Members aware that the States has actually been meeting during quite a few
3300 of the half-terms recently as well. So, whilst the States would like to be perhaps more representative of the people of Guernsey, it would actually put many potential candidates off standing when they look at the timetable of the States. For me – I use the word flippantly – it would not be rocket science to look at the schedule of the schools and to actually coincide the meetings accordingly. (**Some Members:** Hear, hear.) For me, that would very much be common
3305 sense.

The Deputy Bailiff: Chief Minister, and then Deputy Dorey.

The Chief Minister: Sir, this is turning into a debate.

3310 I echo Deputy Duquemin's concerns and I think they have been raised before – by Deputy Dorey, actually, years ago – in terms of those who have school children. However, we have the Rules as they are set, and without wanting to speak about myself – I am sure it applies to many other Members here – some of us are being very busy and dealing with associations and individuals and politicians outside of this Island. We have to organise our diaries accordingly. If we
3315 then end up playing around with the dates that have been set, as Deputy Trott was saying, it does not look good. It is not good for our reputation and it does affect other things.

I would encourage Members to bear that in mind very carefully, and perhaps those comments that Deputy Duquemin has made could be taken into consideration by Deputy Fallaize and his Committee so that they could find a suitable way of dealing with this more appropriately in future.

3320

The Deputy Bailiff: Deputy Dorey.

Deputy Dorey: Thank you, Mr Deputy Bailiff.

3325 I think the States should be family friendly and be aware of school holidays, but I do have sympathy with the comments that Deputy Trott makes, that we have all know those dates and people have made a decision. But we are where we are and there are going to be sufficient numbers of Members away that I think the Items in Billet VI are sufficiently controversial that it would not be good to discuss them with so many absent. Reluctantly, I think that that should be carried over until the end of the month.

3330 Thank you.

The Deputy Bailiff: Deputy Paint.

Deputy Paint: Sir, I would just like to add to what Deputy Trott said. If we were all in a real job,
3335 would we be able to have time off when our children are off school?

The Deputy Bailiff: Deputy Gollop.

3340 **Deputy Gollop:** Sir, the school holiday point that has been made is a fair one, but it is surely up to SACC to do its job and canvass States Members for future years. The Rules are the Rules. I have got great sympathy with the Deputy Bailiff, the Deputy Presiding Officer's suggestion of dealing with Billet VI on the prescribed dates in April, because we will end up with a serious backlog of work otherwise, which could go on for several months.

3345 Another suggestion would be perhaps to consider meeting on the Tuesday prior to the Wednesday for the end of April, to give us more time.

The Deputy Bailiff: Deputy Lowe.

3350 **Deputy Lowe:** I just want to put some balance into it, really, sir. When candidates stand, or before they stand, they can access States dates. It is always States procedure, it is always the last Wednesday of the month, and equally there is always a fortnight later. So any candidate who stands knows exactly when the States meet.

3355 We have seen a bad practice in the last few months where we have actually added a Tuesday rather than use the rollover date, and that has meant, in some situations, that States Members have had to miss coming into the States because they have been out of the Island for good reasons, but basically because the States made up the rules as they went along, rather than use the rollover dates.

3360 I certainly agree with you, sir, the date is there. It is down to individual Members. I have previously flown back from holiday twice now and left my husband on holiday. That is down to a Member's choice. If they want to do that and come to the States, it is up to them – that is what I did; otherwise, you stay on holiday and enjoy your holiday.

A Member: Hear, hear.

3365 **The Deputy Bailiff:** Members of the States, it is for me to reply to this debate, I think, (*Laughter*) for once, as it is my motion.

3370 The motion that I am going to put to you is that the States of Deliberation vacate the sitting on 8th April – in other words it is just simply that you will not come back on 8th April. So if you do not want to come back on 8th April, you vote Pour, and then we will work out the next bit. But if you want to come back on 8th April, we will come back on 8th April and then we will work out what you are going to discuss on 8th April. So the motion is not to adjourn to 8th April, but to some other date. Those in favour –

3375 **Deputy Brouard :** Sir, can you just clarify which way we vote on this, sir?

3380 **The Deputy Bailiff:** Alright. I thought I had just done that, but at the risk of repetition, (*Laughter*) if you permit me that, the motion is not to sit on the 8th, so if you do not want to adjourn to the 8th you vote in favour of the motion, Pour. If you are happy to come back on the 8th, or you think that the States themselves ought to convene on the 8th, then you vote Contre to that, because that is effectively moving a motion to depart from the standard adjournment debate. Those in favour of the motion; those against.

Some Members voted Pour. Some Members voted Contre.

3385 **The Deputy Bailiff:** I think we are going to have to go for a count, just to be on the safe side, so we will have a quick *appel nominal* on that.

There was a recorded vote.

Not carried — Pour 18, Contre 25, Ne vote pas 0, Absent 4

POUR

Deputy Le Pelley
Deputy Ogier
Deputy Fallaize
Deputy David Jones

CONTRE

Deputy St Pier
Deputy Stewart
Deputy Gillson
Deputy Trott

NE VOTE PAS

None

ABSENT

Deputy James
Alderney Rep. Jean
Alderney Rep. McKinley
Deputy Storey

Deputy Laurie Queripel	Deputy Lowe
Deputy Le Lievre	Deputy Spruce
Deputy Duquemin	Deputy Collins
Deputy Green	Deputy Paint
Deputy Dorey	Deputy Le Tocq
Deputy Adam	Deputy Perrot
Deputy Wilkie	Deputy Brouard
Deputy Burford	Deputy De Lisle
Deputy O'Hara	Deputy Inglis
Deputy Brehaut	Deputy Soulsby
Deputy Robert Jones	Deputy Sillars
Deputy Sherbourne	Deputy Luxon
Deputy Conder	Deputy Quin
Deputy Bebb	Deputy Hadley
	Deputy Harwood
	Deputy Kuttelwascher
	Deputy Domaille
	Deputy Langlois
	Deputy Le Clerc
	Deputy Gollop
	Deputy Lester Queripel

3390 **The Deputy Bailiff:** Members of the States, the voting on the motion that I put to vacate the standard adjournment date of 8th April was that there in voted in favour of so vacating the debate 18; against, 25. Therefore, I declare that particular motion lost.

3395 That means that the States will reconvene at 9.30 a.m. on 8th April and I will put now to you the business that will be dealt with then. I am going to put to you that it should be Billet d'État VI, rather than Billet d'État IV. Those in favour of adjourning Billet d'État VI to be the first business dealt with on that date – those in favour; those against.

Some Members voted Pour, some Members voted Contre.

3400 **The Deputy Bailiff:** Deputy Fallaize.

Deputy Fallaize: Sorry, sir, but may I ask, if we are reconvening on the dates set out in the Rules as normal, why would we deal with Billet VI rather than just continue debate on Billet IV, which we have adjourned?

3405 **The Deputy Bailiff:** The reason I put Billet VI as the first business to deal with is that part of the adjourned debate on Billet IV is Module 3, and Module 3 is designed to elicit as many views as possible now that it has been turned into not quite a Rule 12(4) debate but as close as you will get on a set of noting Propositions. I estimated that that was something that more Members would wish to participate in.

3410 Deputy Langlois.

3415 **Deputy Langlois:** Sir, I appreciate what you are saying. However, I think that the completion of the other modules... We had already, in my mind, agreed that Module 3 is going to be a separate event, and therefore the completion of the other modules should follow on as soon as possible after today's debate, and then, if we happen to get to Billet VI so be it.

The splitting off of Module 3 can go on any day and any spare day and, frankly – I think I speak for the Treasury Minister as well – if the rumours of the lack of business in May are true, it could even be deferred to May without any damage.

3420 **The Deputy Bailiff:** Very well. The business of the States... I am not going to try and marshal what order it is going to be taken in. The meeting of Billets d'État IV and VI is simply adjourned to 9.30 a.m. on 8th April and it will be a matter for the Members on that day as to whether they

change the order of business at all in some shape or form – and you will be delighted to hear that it will be the Bailiff presiding. *(Laughter)*

3425 May I thank you all for the last few days and wish you all a happy Easter. We will now close the meeting.

3430 **Deputy Lowe:** Sir, before we close, can I, on behalf of the States Members, thank you for your patience and guidance in coping with us and 17 amendments – which has been pretty trying for all of us sitting here – and for your patience and the way you have treated us with respect, and I thank you for excellent chairing during the last four days?

Several Members: Hear, hear.

3435 **The Deputy Bailiff:** Thank you, Deputy Lowe. *(Applause)*

3440 **Deputy Luxon:** Mr Deputy Bailiff, I just thought you would want that it is Deputy Lester Queripel's birthday today and Deputy David De Lisle's birthday tomorrow. I just thought you would want to know that, sir, seeing as you are wishing a happy Easter.

The Deputy Bailiff: Well, happy birthday to anyone whose birthday falls around this time. *(Laughter)* We will now close the meeting.

The Assembly adjourned at 5.25 p.m.