



**OFFICIAL REPORT**

**OF THE**

**STATES OF DELIBERATION**

**OF THE**

**ISLAND OF GUERNSEY**

**HANSARD**

**Royal Court House, Guernsey, Thursday, 14th October 2021**

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N. R. Inder	S. P. J. Vermeulen
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Alderney Representatives S. Roberts and E. A. J. Snowdon

**The Clerk to the States of Deliberation**

C. Foster (H.M. Deputy Greffier)

**Absent at the Evocation**

Deputy Brouard (*relevé à 9h 33*); Deputy de Sausmarez (*relevé à 9h 53*);

Deputy Dyke (*indisposé*); Deputy Le Tocq (*relevé à 9h 53*);

Deputy Meerveld (*relevé à 9h 53*); Deputy Queripel (*relevé à 9h 53*);

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# States of Deliberation

*The States met at 9.30 a.m.*

[THE BAILIFF *in the Chair*]

## PRAYERS

*The Deputy Greffier*

## EVOCATION

# Billet d'État XX

## POLICY & RESOURCES COMMITTEE

### 3. The Tax Review –

### Debate concluded –

### Proposition carried as amended

**The Deputy Greffier:** Article 3, Policy & Resources Committee, the Tax Review, continuation of debate.

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**The Bailiff:** Before we press on – Deputy Brouard, you arrived almost in time, but not quite. Is it your wish to be *relevé*?

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**Deputy Brouard:** Yes, please, sir.

**The Bailiff:** Thank you very much. We will mark you as present.  
Deputy Gollop.

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**Deputy Gollop:** I could be the tail-end Charlie, the last speaker in this debate; I am not sure. Some of the press the other day referred to me, strangely enough, as the so-called Father of the House, which means that I have had the longest continuous service – although Deputies Ferbrache and Roffey pre-date me as the two Peters – so, I perhaps have seen quite a lot of budget and financial debates. Indeed, I was a member, in a way, of the Personal Tax and Benefits Review Group in the 2012-16 States, for example. Therefore, I perhaps have a different take on it than many people.

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I think the first thing I would like to say is that for a long time we have had a degree of ostrich politics on this matter because we have not been prepared to look at our tax strategy from a different perspective, and that has meant that it has been a can that has been kicked down the road, in a sense.

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I appreciated the speeches, a lot of them were excellent – Deputy Mahoney and Deputy Fairclough, and others – and I too have my shopping list of potential taxes. Like Deputy Inder, I can see the merits of reintroducing a car tax, possibly based on weight, although we would not want to disadvantage electric cars. I think when we got rid of the car tax I agreed with the late Deputy Bill Bell, who said getting rid of a tax is not always wise – although he was very much a fiscal

30 conservative – because you then reduce your options, and we have seen exactly the issue that, in going on fuel, it has not only concentrated resources on one tax but it has maybe weakened income, because of course if people change their behaviour and drive around less it reduces income from fuel. Deputy Inder, I know, mentioned a motor tax and although we had ‘enough is enough’ in the past and numerous cries of outrage, I think probably people would prefer motor taxes to sales taxes, given a choice.

35 I remember when Deputy Honeybill was the Deputy President of Treasury and Resources back in the day, he suggested, I think, a sugar tax – it might not help me too much, I might have to pay a bit more tax, but clearly a tax that is integrated with the health and wellness partnership of purpose wider aims would not necessarily be a bad idea.

40 I do think we need to look, a bit like Jersey, at some form of importation and sales tax – we see that in the Caribbean as well – and that might not only raise income but would perhaps act as an incentive for more people to shop locally.

45 We have not really looked at a purchase tax on luxury items. Clearly one of the main arguments against GST is that it is potentially regressive, especially if put on food, and I would argue, despite the cogent arguments Deputy Roffey and Deputy Helyar made about ensuring that a GST would not necessarily be regressive to the poorest in our community because of enhancements to welfare in other ways, there is always a cut-off and the lower-middle Guernsey that is just about managing, that is a little better off than people who are able to access Income Support, will disproportionately take a hit.

50 I know some people have suggested to me a turnover tax based upon business turnover. How that would work and whether it would adversely affect high-turnover but low-profit businesses, compared to more specialist consultancies and things, I do not know, but it could be looked at.

Again, we are one of the few societies that, across the Town and other places, effectively allows free car parking. Car parking will not solve our budgetary gaps, but it could raise a million or two easily.

55 Deputy Oliver hinted at a tax upon land in certain contexts, and I certainly think going beyond perhaps the less successful elements of GP11, which has not yet delivered many social or affordable houses, we perhaps do need to think about introducing or working with an idea that supports development on the Island, where appropriate, but is effectively a land windfall development tax. So, if an area gets permission for development, it could well be that we could benefit from a land development tax in certain circumstances.

60 VAT has not really been considered. We seem to go down the GST route – I am afraid, perhaps because Jersey do it – and of course GST comes with the baggage that it is put on food and other ... and we have not actually looked at the merits of VAT or the more American-style sales tax.

Corporate Tax has been flagged up.

65 We also need to look at tax breaks and see which are working and which are not. Indeed, somebody I worked with on Scrutiny a few years ago would like to see an analysis of which concessions are made in Income Tax terms, what allowances are made, and whether ... I know Guernsey’s Tax Code is a lot simpler than many other communities’ and does not run to thousands of pages, but which tax incentives are really working for our benefit and which perhaps are not?

70 That is my list on this, but I want to go a bit further. I agree with Deputy de Sausmarez that ideally there is a happy marriage between fiscal needs and environmental needs that bring about positive behavioural change in society. Indeed, we pretend that we are not interested in that kind of social engineering, but of course we are not consistent in that respect. We had, for a while, a dwellings profit tax, which was clearly to discourage speculation, and when it was repealed we may have seen undesirable effects of properties rapidly rising – who knows? But we are going to have a Budget debate very soon and yet again the drinkers of beer and alcohol, and especially our smokers, will be punished again because the rise on tobacco is going up faster than inflation. That is clearly a policy of the States we have had for 15 years, which is to discourage smoking through a fiscal mechanism, along with others, so clearly we do, in certain contexts, have consumption taxes, sales taxes and what amounts to social taxes.

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As I said at the beginning, I have been a Member of the States for a long time. I have seen, at each election, a bright and breezy crew of candidates stand, and the ones who are most successful in getting elected are usually those who preach the gospel of government restraint, reduction – where appropriate – in public spending, and looking after the pennies more carefully. And then you have a year or so of Members actively looking for financial transformation programmes, and the realisation sinks in, as Deputy Ferbrache hinted yesterday, that we are not that wasteful a government, that there are essential health and welfare needs.

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I am the first to say we should do things better, we should look at curbing costs, reorganising the Civil Service, outsourcing where appropriate, managing things better, commercialising where appropriate, ensuring that we do not have a logjam of too many people at the top with high salaries to hold us back. You can do all of that and still acknowledge that the dream of smaller government is more of a mirage. I sometimes feel like I am in a minority of one in the Assembly, because I can see areas in our society where actually more government intervention, bigger government, is not only practical but is inevitable given the ageing population in other areas, and we have to acknowledge that we need to raise more money and provide for the future.

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We are proud that we only spend 21% or 22% of our GDP out of the 24% that is allocated, but I can see the day when that will rise – because how are we so far behind other societies? Yes, we are obviously quite lean and mean and we do not have huge defence consequences – and of course we might end up with greater diplomacy costs if we came out of the Common Travel Area, as hinted at by Deputy Leadbeater yesterday, but that is a side issue. The reality is that we have an economy that has needs and a society that has needs.

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I would be one of the first to say that Deputy Trott has been one of the most significant political figures of the last quarter-century in Guernsey and that he was very much leading the team that sold and delivered Zero-10 – but at some cost, temporarily, to his popularity, it is fair to say. Zero-10 perhaps saved us from corporate decline, but behind that was a reality that we have not considered very often. How was it that the Isle of Man was able to go down the route of offering certain kinds of businesses a more competitive package nearly 15 years ago: because they were part of a strange relationship with the United Kingdom where they gained elements of VAT. They have Value Added Tax and it is more or less at 20%. When you look at their accounts, you can see they have an enormous income from that, which allows them to not only spend more in some areas – perhaps not always wisely, but it allows them to have very generous personal tax allowances, lower rates of Income Tax at 10%, actively going out and seeking new enterprises from films to spending money on tourism and so on.

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And that is another point. The arguments against GST ... I have had heartfelt rejection of GST from various people and they are often, of course, in the hospitality or retail sectors, but those sectors have, with the greatest of respect, been struggling for 20 years in many areas, and that is despite Guernsey not having a GST or a VAT, and so they have not been able to thrive in the current environment, whereas other industries that would be less affected by GST have.

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Where I would disagree, probably, with Deputy Trott is that he had many workshops with States' Members as well, back in the time when he was Treasury Minister and, later, Chief Minister, and I think I was the only one who went around meeting the then Treasury or States' accountants, who were putting stickers on the walls and so on, who said we should, like the late Sir Bruce Forsyth, go higher. I could tell that, despite the best intentions of the States' Members of that era, we were not going to reduce Government expenditure. Deputy Trott did succeed in significantly reducing the rapid growth of public expenditure, and that in itself I think was a good thing at the time, but we could not overcome the long-term structural issues, not just of demographic change and an ageing population but increased expenditure on health and social care – we have NICE drugs as well, now, of course, to consider – and diseconomies of scale and a society that is virtually a small country but is managing everything, from regulators to judiciary, on a population of just over 60,000.

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Of course, we have to be realistic. Where I get down when I see less than successful attempts at selling tax reform is I think we start from the wrong philosophical base. The message comes out – it came out from Deputy St Pier and Deputy Trott in the last States; it came out again with the

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135 release of the new document, albeit we think it is a lot smaller than suggested – that we have got  
this enormous black hole and we have to raise money in a hurry. I am not as pessimistic as that. I  
think that, as the Budget shows, it is not such a disastrous outlook as perhaps pessimists would  
conclude. I think if we had a degree of population increase of younger, active people, combined  
with economic growth – as Deputy Trott and Deputy Moakes, amongst others, have suggested –  
combined with a degree of governmental restraint, we actually would go along much more easily  
than many other societies, and if we borrowed and sold off some of our assets we would certainly  
140 have enough money for this term to carry on without creating an economic crisis.

But it does not necessarily mean that the problems go away, and the argument, to me, for tax  
reform – I have believed for 15 years ... I do not think I will now, but I could read to you, at length,  
my manifesto from 2020 and 2016, when I said clearly we need to look at consumption taxes and  
other things – is tax reform should not be about taxing the population significantly more, because  
145 that in itself is inequitable, although I do appreciate that we cannot necessarily tax the most affluent  
and the corporates and so inevitably any rise in tax does hit lower-middle Guernsey. The issue  
should be restructuring our tax so we offer more incentives. If we had a properly constructed VAT  
or GST, we not only could help welfare more, we could invest more in our infrastructure; we could  
support businesses; we could reduce Income Tax, especially for lower to middle earners; we could  
150 restructure the tax face so we do not get the Social Security cut-off, where suddenly there are almost  
disincentives to aspire or disincentives to work. We could make a much better tax package.

Why is it we think of ourselves as a conservative society but we seem to have followed social  
democratic leanings for the last 20 years? Look at the history of the Conservative Party in the United  
Kingdom. The Heath government, the Thatcher government, the Major government and the  
155 Cameron government, each one of them increased sales taxes and reduced taxes on business, taxes  
on enterprise and taxes on people, and sometimes taxes on transaction. We have not gone down  
that route and we have just raised taxes, many of which have hit business and business processes  
and people who are not in the wealthiest quartile of our society. No wonder there has been such a  
churn in the last few elections, because the public have felt that they are not necessarily doing as  
160 well as they should be. Deputy Trott is absolutely spot on when he says most taxpayers get a  
wonderful deal. The costs of healthcare and education, not to mention other things like public  
transport and university education and so on, are provided by the Government, and many people  
are really net debtors to the state because they are getting virtually European services – and, in  
some cases, better than many countries – at half the tax rate.

165 We admire perhaps a free-enterprise culture, but even in the United States of America there are  
higher taxes in some areas and sales taxes in most states, and we go on with the same revenue  
structure without giving it the consideration it needs to empower our society and really strengthen  
our economic base and actually compete with Jersey and the Isle of Man and other places. We have  
had shortages of money in some areas to take risks, to invest, precisely because we have been so  
170 reliant on Income Tax and, to a degree, Social Security. We have rather high Social Security rates  
because we have not looked at other alternatives, like consumption taxes, motor taxes and, of  
course, health taxes.

We have to look at everything from intergenerational fairness to supporting diversity in our  
economic base, and so, to me, an open-minded discussion with financial professionals and the  
175 community at large is the way to go, because if we fail to consider reforming the tax system and  
the whole economic basis of our society now, we will not only do ourselves a disservice but we will  
make life harder for the Island to thrive post COVID, and harder, perhaps, for the Assembly after  
this one.

Thank you.

180 **The Bailiff:** During the course of that speech, Deputy de Sausmarez, Deputy Meerveld, Deputy  
Queripel and Deputy Le Tocq, you have all arrived. Is it your wish that you are *relevé*?

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

**Deputy Meerveld:** Yes, please, sir.

**Deputy Queripel:** Sir, please. Thank you.

**The Bailiff:** I will mark the four of you as present.  
Deputy Cameron.

**Deputy Cameron:** Thank you, sir. Some great speeches. I particularly liked Deputy Leadbeater's three- or four-minute-long speech yesterday. *(Laughter)* I will try not to repeat anything that has been said, so I will keep it short.

We need a more efficient Government. We need to be looking into picking up morale within our Civil Service before we look at slimming it down. They got us through COVID. Our thanks to them is to threaten them with cuts. You cannot run a successful, efficient organisation in this manner.

The way the comms has gone out to the public on GST has been appalling. The excellent video created by our comms team has had just 145 views in three weeks. Many of those views are mine. *(Laughter)*

Deputy Helyar, whom I have a great deal of respect for, sir, has cast doubt that GST is a realistic option. If you break away from your Committee, you really need to be certain that you have a proposal better than the Committee's preferred option – more efficient, more economical, improves the environment, healthier, safer than the preferred option – but he has not offered an alternative. GST, with the correct mitigations to protect those on low incomes, that reassures local retailers with the right exemptions – healthy foods, electricity, school uniforms, bicycles and tampons to name a few ... We need to make sure the basic necessities required to exist are not taxed.

GST generates revenue from those living off capital and tourism. It is fairer than Income Tax. Jersey has had GST in place for 14 years. They have done the donkey work on this. They are looking at introducing further measures to collect tax from online retailers in 2023. We could efficiently outsource the administration of GST to Jersey.

We now face a difficult uphill struggle to convince the public on GST, but I am thankful for this amendment, thankful that it does not force me into a decision on GST and possibly run the risk of having my name immortalised on the side of a milk float. *(Laughter)* I hope that we can come up with something better than GST, but for now I prefer it remains on the table.

Thank you.

**The Bailiff:** Deputy Haskins.

**Deputy Haskins:** Thank you, sir.

I am very pleased that the Propositions have been amended, and I extend my thanks – through you, sir – to P&R for proving that we are indeed being listened to.

There is no question that we need to cut costs and raise revenue to pay for the much needed public services and the widening gap that we find ourselves in. I do understand the enormity of the issue. I agree with Deputy Trott and others perhaps why the public have not grasped the sheer scale of this issue. My overall summary to P&R – through you, sir – is as follows.

(1) I would like fiscal policy linked with our environmental or behavioural policies, a holistic and joined-up approach that Deputy Ferbrache mentioned yesterday. I am confident his Committee have already taken on this feedback.

(2) I have to express my opinion that the proposed solutions lacked creativity – perhaps even, dare I say it, comprehensiveness.

(3) There is not enough focus on fixing the root cause. It seems to me that we are addressing the symptom.

We have had many speeches, from almost every single Member, a testament to the importance of this debate. I was slightly disheartened to hear, though, that some Members are seeing this as a P&R issue. Make no mistake, Members, it is an issue for the entire Island, (**A Member:** Hear, hear.)

every single generation for many generations to come. It is all of our responsibilities. Our Island is expecting us to solve this problem, not to wait and pass it on because it is too difficult. It is difficult, it is uncomfortable.

Do you know something else, though? I believe Islanders like me want to do things differently. They want to – perhaps even need – us to be visionaries. We need to think outside of the box. We need to be more creative, and this includes within each and every Committee. Let's not just tell ourselves this, let's show the public our intention to be brave, pragmatic and different, and let's absolutely make sure our public sector staff know this is our intention. We should be tolerant of the prevailing attitude of 'but that's the way it's always been done'. We, as a group of politicians and an Island, are not looking for more of the same. As we see it, we cannot afford to tolerate more of the same. We have a huge opportunity staring right at us and many costly reasons to do things differently whilst, of course, maintaining our competitiveness. I would also like to take the opportunity to say that those of us on a Committee are responsible for cost cutting and the way in which we decide to spend taxpayers' money. We are all accountable.

Members, where is the drive to do things differently? Deputy Murray suggested that we move the Airport, and everyone laughed. I, too, thought, wow, that is going to be a struggle to convince me, but I will listen. I am open to any idea from anyone and I am reassured that P&R are in listening mode.

We have also heard from Alderney Representatives offering some suggestions on working together to sort out what I and many others see as an impending or already-here energy crisis. I look forward to discussions with them around locally generating renewables in the very near future.

Only in yesterday's paper I see Deputy Le Tocq stating that if we were more creative with the space we have in our Town, we could potentially have up to 5,000 more people in Town, instead of cramming more into the congested Vale.

I would like to state that I do not want tax to be too regressive or too progressive. I want tax to be fair. What I would like is for us to be more creative, to be braver, to be bolder and to think systematically about the long-term solutions, not just take a single-minded approach that seeks mainly to address the fiscal issue of raising revenue, and this absolutely involves our respective Committees. I would like to see more joined-up, collegiate thinking. I note the desire and I believe that P&R have seen that they may not have got this one right, at least from a collegiate aspect.

I would like an approach that celebrates our ageing population, for they are to be celebrated, an approach that makes more room in our lives to care and nurture young and old alike and to build a community where we are all productive and useful, no matter where we are on the demographic or social scale. I was asked, essentially, 'What is it that we have missed? What are your bright ideas?' I do not have that silver bullet that we are all hoping for; I do not think there is one. Nevertheless, I hope these comments will be useful.

Members, we need to understand that with an ageing population it does not just affect healthcare and social costs. Social and economic behaviour changes for each person throughout their lives: how often people leave the house; transport needs; the food they buy; the people they see; the goods they buy; the increased need for general services, like gardeners and builders; and, of course, the third sector, like Meals on Wheels, for example. We need to ask the questions: how will a population with a higher average age affect Guernsey; how will the more nuanced aspects of revenue collection be impacted with social behavioural changes; do we have the forecasted skills to cope; do we have the required future physical infrastructure; is our service sector fit for purpose; how can we help? I understand this is a very complicated social conundrum, but we have to try our best to forecast all the issues, not just forecast future lack of revenue.

Anyway, I shall just list some other angles that I think should be considered and that in the main have not already been mentioned. What about changing policies to encourage more of us to have more children, or to have children? We need more of a working population, after all.

What about free, comprehensive fertility checks, more access to information on different ways to conceive, reintroduce IVF with a threshold, perhaps? It is, of course, a fact that many of us are having children later on in life, or at least trying to – not that I am right now! *(Laughter)* This one

280 was covered to some degree and is already on our agenda, but I will say it anyway: we need to increase the focus on preventative healthcare policies and help increase the proportion of life spent in good health and in work, which will reduce healthcare costs, reduce sickness and improve productivity.

285 What about introducing and encouraging a four-day working week? There are many reports that productivity can be vastly increased. Microsoft trialled four-day weeks in its Japanese offices and found the shortened work week led to more efficient meetings and happier workers, and boosted productivity by a staggering 40%. There would be fewer sick days, better mental health. It allows for an easy route to provide constant upskilling and training, more volunteering opportunities, and even those wanting to start up their own company, which I suggest may add to our diversification, 290 and would, of course, make sense for those caring for family – children, parents or other relatives – relieving demand on healthcare and carers, enhance childcare for those going back into work, for instance, by subsidising afterschool care so that the working day is not necessarily cut short at 3.30 or three – an employee can put a full day in, if they would like to. These afterschool sessions could improve learning outcomes and the accompanying anxiety that stalks children with low literacy and numeracy skills. These are the impacts of COVID that need addressing urgently. We could also look 295 to help bolster the early years provision and the 15 free hours, again helping those wanting to get back to work.

Touching on something that Deputy Ferbrache alluded to, we need to analyse carefully what legal tax avoidance, or rather structuring, is being done and look at whether the laws are fit for 300 purpose.

Are we asking and forecasting what the effects of blockchain are? What will it mean for our future tax? We know it can provide more accurate information that can be shared and may allow earlier tax collection so the money in our coffers is working harder for our public services.

I really believe Rule 4(3) needs to be ironed out. When a policy letter or amendment comes to 305 the States, the real costs need to be provided, not hidden or glossed over. We need to understand just how much each decision is costing us. If it is an extra cost and does not result in a saving, then where are we getting that money from? Either reduce a different service, or increase tax. Perhaps the suggestions on where to get the money should also be included as part of Rule 4(3).

I think we heard this from Deputy Gollop earlier: what about elements of a windfall tax or a 310 version of local property-owning capital gains? Some people who have bought houses recently could sell them tomorrow for almost £100,000 more. This is way above inflation and way more than that person's salary. Purchasers certainly did not expect this rise, but we are now left trying to address all the issues of an inflated market with no means of doing so. We could set bands to help persuade people (a) to keep prices reasonable and (b) to make the market more accessible to more 315 people, so fairer. One could also introduce a time-adjusted tax, i.e. you pay more if you have bought within a year. This may help slow down the market. Either way, in whatever form it could take, I just want to add it to the list to be considered.

And what about systemic or at least some changes in TRP? I do understand this may very well be on the table already and perhaps it is already at its highest level, but what about a multiple 320 property owner multiplier, perhaps? As we heard from Deputy Gollop, any revenue-generating methods have the ability to affect consumer behaviour. A scaling multi-property tax taking into account whether occupied or not would probably dissuade against keeping multiple properties empty and help to keep prices reasonable, a more holistic approach to helping one aspect of our housing situation.

I know Deputy Soulsby would argue that any tax take such as this just would not be enough and I am sure she is correct, but these pounds all add up and it is my opinion that it is not just about 325 the revenue; it is about a suite of actions that all add up to an increase in revenue generation but also help to solve the root cause, the wider issues we are facing.

None of these speeches would be complete without a comment on GST. I, too, said in my 330 manifesto that I would not support GST, so a very difficult one to renege on. I simply do not see the justification for introducing it without first deep diving into every single other option and creative

335 solution. If GST is the only reasonable option, perhaps we should look at a scaling GST with different percentages for each quartile of earners. This, in my mind, could broaden the tax base and could be a fairer fit. This, and the way it is introduced, could help address some of Alderney's valid concerns by offering exemptions. We could increase the rate for certain items – sugar, luxury items and online items. It could be less regressive and help address the black economy.

340 The previous Propositions, in my view, highlighted one of the issues with GST itself: it leads to a lazy government, and lazy government is absolutely the opposite of what we need from the Government right now. (**A Member:** Hear, hear.) I look forward to being part of the ongoing discussions and being part of the solution going forward. I hope P&R and Members have found my contribution helpful.

**The Bailiff:** Deputy McKenna.

345 **Deputy McKenna:** Thank you, sir.

If I could just start off by saying I thoroughly enjoyed Deputy Trott, my friend, who has summed up, really, his life in the last 25 years in finance and in the States; and also the Chief Minister, who summed up what I think is the mood of the room, of all of us in the Assembly.

350 I think there is one thing about opinions: everyone has one. No to GST and no to higher taxes – this is coming from all sections of our hardworking Island. People are saying that increasing taxes and GST will discourage the working class, the taxpaying people of Guernsey. If the States keeps putting up taxes, they are saying they will stop working. They will throw the keys of our overpriced houses back to the banks and tell the States to look after us. I do not want this to happen; I do not think anybody does.

355 Could we cut taxes and stimulate economic growth, where everyone has more disposable income to pay for their gas, electric, petrol and high food costs? If we cut taxes, would it renew an incentive to work longer hours with more money in our pockets? The money belongs to us, the people of Guernsey. Accumulating money does not just magically happen; it has to be earned, it has to be worked for. Higher taxes discourage work and investment. Higher taxation drives a wedge between what the employer pays and what the employee receives. Therefore, some jobs are just not created. If we do not cut tax, the States will spend all our money anyway. Every group or association will be funded and the taxpaying people of Guernsey will pay for it. Would lowering tax maybe be a reality check to the size of the States and the Civil Service? If lower taxes and no GST, will it encourage us to work more, invest more, build more, hire more people in our local businesses?  
360 The higher the tax, the lower the production, the lower the earnings and the lower the Income Tax that will be reaped, the lower the tax that will be paid to the States.

365 It has been said to me by many in the community, including a former Father of the Assembly, that the States' Departments have to spend their budgets every year or lose the budget. A gentleman from States' Works tells me that two new road-sweeping vehicles at a cost of £250,000 have just been purchased – that now makes six vehicles with only two drivers – because they had to use up their budget. An ex-employee – I can see one of the Presidents shaking his head, 'It's not true.' I can only tell you what an employee who actually drives the road-sweeping vehicle just told me. Monsieur le Bailli, I have no intention of misleading the House. I can only tell you what I have been told by people who actually work in the sector. I am happy to give way. I am only telling what has been said to me is happening in the sector. Would you like me to give way, Deputy Roffey?  
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**Deputy Roffey:** I think it might be useful. Thank you very much.

380 I am not disputing what may or may not have been told to Deputy McKenna. Indeed, I did not say anything – I think I just looked quizzical. What I do know is there is no question of using up your budget. In fact, States' Works do not get a budget from this Assembly. All of their budget is generated out of their own trading activities, so the idea ... This myth that is often put forward in the Island that all of the States' Departments, even those that do get budgets from the States, are manically running round in December trying to spend it all to try and justify it, I think does a

385 disservice to this Assembly, because I do not believe ... all of us in our Committees do not behave like that, do we? At least I hope we do not, and it is absurd to suggest in relation to States' Works because they get no budget from this Assembly.

**Deputy McKenna:** I give way to Deputy de Sausmarez.

390 **Deputy de Sausmarez:** Thank you. Again, I have no specific knowledge of the incident that Deputy McKenna is referring to, but I think it might reassure Members to know that there is a very keen focus at the moment from Procurement looking at the States' fleet as a whole and actually working to not just drive out inefficiencies, if such inefficiencies exist, but actually considerably improve upon them. So, I would be very surprised, and obviously very disappointed, if that were to  
395 be the case, but certainly – if there is any truth to it – it will not last; it is an issue that is under the spotlight very much at the moment.

**Deputy McKenna:** Well, that is very encouraging, isn't it, because then it is easy to find out are there six road-sweeping vehicles with only two drivers. It would still be interesting to note.

400 An employee of Guernsey Water also tells me every Christmas they go and spend their budget on pumps that they do not even need. They said that they purchase ... I can only tell you ... Or maybe you do not want me to tell you. That really sums it up. I can only say what ...

Once more, I give way to Deputy Roffey.

405 **Deputy Roffey:** Just to say to Deputy McKenna I am very happy to look into all of these allegations but we are debating tax reform and Guernsey Water does not receive a single penny from the taxpayer or through this Assembly.

410 **Deputy McKenna:** I do not think in what I am saying I am pointing the blame at anybody in this Assembly, because actually it has nothing to do with us. We are just saying what the community are saying. Again, if I am overstepping the mark, I will stop.

The gentleman from Guernsey Water tells me they have just purchased, over the last year, six generators, in case, if they went anywhere in the upper parishes where there was no electric, they would have generators. Those generators have stayed in the box for the last year or so in the  
415 warehouse, along with other equipment that has never even been opened, where they have just used up their budget.

I also had a senior technician from Guernsey Electricity who said when PwC were involved they sacked 32 staff and then rehired 38, (*Laughter*) and the painter who was sacked on the Friday was re-employed on the Monday by AFM on more money and was being charged out at double the  
420 rate he was on when he worked for Guernsey Electricity.

As Deputy Roffey has said, it is unbelievable. The only reason I believe this is because some of these horror stories I am telling you today were told to me by a former Bailiff – on a Sunday, after lunch, at the golf club – and I certainly am happy to believe this wonderful gentleman who was knighted by Her Majesty, but we shall see.

425 I think we need to reward these States' Departments for saving money and being economical with their budget, and not punished for not using it. (**A Member:** Hear, hear.) We actually do not know what we are losing within these Departments at the moment. It will certainly be more tomorrow. We are already a very expensive Island to live in, and our children are staring at becoming a generation of rent. We risk chasing our future potential taxpayers off this Island, and you cannot  
430 tax a community that is not here.

Way back at the hustings at the Beaucamps, more than a year or 14 months ago, I sat with the Chief Minister, with Deputy Inder, Deputy Dudley-Owen and Deputy Prow, and Dave Beausire said to me, 'Mr McKenna, how would you stimulate the economy?' I said, 'A wind farm.' Everyone laughed, some still are. I know that the Chief Minister would like to put a wind turbine in front of

435 me and all the hot air coming from me would provide free electricity for Guernsey for the next four years, and I am sure that we all would agree.

When I was at Kent University doing my Master of Science degree, my mentor, Royal Navy Capt. Prof. Stephen Lambert-Humble would always ask me, 'Where is your evidence in debate? Where is your evidence?' Thirty per cent of UK electricity comes from windfarms, hydropower and tidal power. If you think of 30% of the UK, with Guernsey fitting into a little county, 30% of UK electricity comes from windfarms, hydropower and tidal power.

I believe a private and Government partnership with Alderney and with our brothers and sisters from Jersey would allow the taxpayer to pay nothing for the construction of any installation and we agree a percentage of the profits and nothing of the losses. There are 2,236 windfarms globally. They obviously see there is some merit in it. We can take up this joint venture. Alderney Representative Roberts said they would like to be in on the deal. Jersey will come along with this, because by 2026, 69,800 people will be employed in the UK in the windfarm industry, averaging 3,240 people per windfarm, 3,060 in hydro-tidal power installations. There will be, spent by the UK government, £60 billion of investment in offshore windfarms by the year 2026. That would be the creation in Guernsey of hydro-tidal power with Alderney and Jersey and, with a windfarm, 6,300 jobs potentially: civil and electrical engineers, project managers, software designers, component manufacturers, turbine technicians, welders, deep-sea divers, boat crews and helicopter pilots. What a future we can offer our children. What a future we can offer them and say, 'Look what you could be involved in.' It is not even the price of what the electricity or the hydro-tidal power would be. Look at the tax intake from over 6,000 people. Look at the job opportunities this would bring to the Island. Think of the other businesses that then would flourish and grow from the creation of 6,000-plus jobs.

I believe we should ignore the £100 million cable to France and become the masters of our own destiny. (**A Member:** Hear, hear.) We possess the second greatest tidal currents and 10 m tides in the world. Every six hours, for eternity, the tide changes. For solar power the sun will shine, and offshore winds will blow.

Deputy Inder – I am a big fan – in the harbour debate told us that Guernsey enjoyed its greatest success when we were traders, importing and exporting goods. It reminds me of a story where a Guernseyman had a son and a daughter. He said to his son, 'What's two plus two?' He said, 'Dad, it's four.' He said, 'Tremendous, go and work for the States of Guernsey as an accountant.' He said to his daughter, 'What's two plus two?' She said, 'Dad, are you buying or are you selling?' He said, 'You come and work for me.' (*Laughter*) That is what we need. We need to start buying and selling. We need to go back to doing great deals.

Chief Minister, you have said we should be aspirational, inspirational, we should be visionary and reach for the stars. So, I am asking you today to put the gun to my head. Give me the permission to sit with Deputy Helyar, Deputy Moakes from STSB and our brothers from Alderney – Snowdon and Roberts – and anybody else who will come on board, and put a deal together to come back to you in this Assembly with a windfarm, because I do not believe we are at two minutes to midnight. I think we are looking at a new dawn. I do not believe we are in crisis and we have not run out of runway. We have an opportunity for a voyage of discovery. (**A Member:** Hear, hear.) (*Applause*)

**The Bailiff:** Deputy Taylor.

**Deputy Taylor:** Thank you, sir – a bit disappointed that I have to follow that, Deputy Haskins and Deputy McKenna, but I will not keep you long, 30 seconds on Deputy Leadbeater's clock.

I think really I do want to give a quick thank you on the record to Deputy Mahoney, Deputy Roffey, Deputy Helyar and all the officers who have been in the background working on this. I confess in my manifesto I was against GST – I put it out there, well against GST – because I thought it would be bureaucratic and hit the lowest the hardest, but I am well and truly comforted if Deputy Roffey says this does not hit the poorest hardest; that comes with a lot of weight. So, just a quick thank you to those three and everyone involved.

I do want to mention a couple of bits on, especially, bloatedness and waste of money. I have only been in this seat for a year, or just over. I have not been here that long but I have witnessed waste. I have coined a term. We have non-executive directors but I have coined my own: an NSO, a non-speaking officer. It is the people who attend meetings – and we all must have seen them – and sit, and I find I digress in my head because I am just trying to think up what question I could ask that this person could answer, (*Laughter*) because often they are coming in ... These people are on, I am led to believe, very large salaries, and I am not necessarily saying that they should be sacked but it does not feel like they are being used very efficiently. We are not sweating them as an asset, so to speak. So, these NSOs could, I think, be put to work a little bit better.

A big one is property. People talk about selling the family silver not being a good idea, but most of all I do not think it is silver, it is the naff stuff that actually is not tarnished; it is not really worth keeping. But we seem to have this big Department that keeps it and we pay for the big Department. I was lucky enough to join Deputy Mahoney and Deputy Oliver in looking around some different States' properties, most of them empty, doing nothing. Well, I say empty – they were not empty, they were full of computers, with screens everywhere; everyone was working from home. You could not find anyone in half of these offices, and they are there, doing nothing. We asked a few questions on the spot about how we could move things around, but it was such a big issue to change things around. I just think we are missing a trick here.

And then on my radar has been one property project. I have had a little bit of oversight on it, not anywhere near enough, as I would like. I have a small amount of background in property and I just have to say some of the pricing that has been involved ... It has given me borderline depression, I think, to actually be involved in it and see it. I will not go into too many specifics but I will give this specific point: that the expression of interest that was published in February of this year gave an estimated main contract of works between £2.25 million and £2.75 million. We were then well behind schedule, not through any lockdown, because this was altogether after lockdown, this timescale. We have then come in with main contracts of works agreed at just under £3.9 million and there has been a bit of a pat on the back from everyone around because this is a global crisis and materials costs have gone up massively. So, based on the estimates from the property experts it has gone from a 40% increase at best, or 70%, near enough, at worst.

And then, drilling through some of those prices, there was £35,000 allocated for new chairs. How, as a States of Guernsey, with all these properties, with all these computers sitting around with no one on them, do we need to buy more chairs? When I raised it, I was stupid enough to put in my email that £35,000 on chairs ... I give way to Deputy Gabriel.

**Deputy Gabriel:** I thank Deputy Taylor for giving way. I would like to ask him if he is aware of how much an industrial injury claim might cost and that looking after the workforce is probably one of the best investments we can make. Chairs help our workforce.

**Deputy Taylor:** I do not know, but I do not think the same amount was spent on my chair here. (*Interjections*) We are talking about employees who are sitting on a chair at the moment. Today, they are sitting on a chair in an office. They move to another office and, all of a sudden, their chair is no longer worthy and we need to spend £35,000. When I said, 'Thirty five thousand pounds on chairs – Frossard House is full of chairs,' the response ... I should have been more specific. We have Greffier's lessons on asking questions and raising points. I should have been more specific and said 'States-wide' because the response came back: 'Frossard House is going to be full soon because we are shifting things around.' It fails to mention all the other chairs that will be left. It is just an obscene waste of money that is totally avoidable. It is on one project that I have looked at in one year of my term and it is massively overspent. It is just ridiculous.

I get annoyed there, but equally annoying is there is some confusion about who is actually doing the work, because we seem to have subcontractors and we have property services. So, we have our own property experts who are doing all the work, but we also have contracted experts who are doing the work and I do not know why – it seems ridiculous, but it is wasted money.

540 Another one I can give ... I did mention to Deputy Trott I have been on Dutch TV and I have been recognised by Dutch visitors as being someone who has been on their TVs for a travel programme. I did it completely free of charge. At that time, Visit Guernsey, at great cost to the taxpayer, were putting out marketing information, and I think one of their tag lines was 'Guernsey, go somewhere different.' (*Laughter*) How good is that? Go somewhere different. That, again, was coming at a great cost to the taxpayer.

545 So, there is bloatedness, but the bloatedness is quite specific. I believe it was Deputy Trott who said that actually the growth in the public sector has been predominantly in nursing or different areas and actually the core Civil Service has only grown by 30. I believe Deputy Helyar or someone else has said if we want to reduce the headcount enough to match – I think Deputy Dyke suggested it – we would need to get rid of one in four police officers or one in four nurses. But it is looking at  
550 it in the wrong way. If we were to work it out as how many tea bags we would need to save, it would be a ridiculous amount, but we would not do it by saving tea bags. We would not get rid of nurses. We would go for the big costs, the big-ticket items. I would challenge that getting rid of one employee with the word 'strategic' in their job role would make much better sense than getting rid of four nurses. I just want to put that out there.

555 What else have we got? There is a bit that has come up on ... I do not know what the wording was yesterday, but positive taxpayers. I know this is probably digressing, but I really do not like it being referred to in this way. I think Deputy Gollop's words this morning were 'those who were getting a good deal out of their tax payments'. In a sense, they put in less than they get out. I really do not think that is fair. I will have to share a video with Deputies, but I do not want to get in trouble  
560 for it. It is a comedy sketch by Mitchell and Webb that shows a politician sitting at his desk with two officers – I think it is through the financial crisis – saying, 'How can we get out of this recession?' The politician says, 'Have you run through the computer "Kill the poor?"', and the officer says, 'With respect, you can't ask this.' 'I am not saying we would do it; I am just wondering. They cost us a lot of money. They do not put in as much as they take out and it comes down at the end ...' 'We cannot  
565 get rid of them because they do the jobs that we do not want to do.'

When we mention that the cost of a knee replacement is several thousand pounds, or the cost of educating a child in school is several thousand pounds every term, it is slightly perverse that a teacher on a normal wage who is teaching our children is not paying enough tax to teach their own child, or similarly a nurse who works in a hospital, who would assist in a knee operation, or any other  
570 operation for that matter, does not earn enough money to pay enough tax to cover the cost of the operations they are helping out with. It just seems really wrong, and to highlight that, I think, is massively unfair because they are doing jobs that we absolutely need. So, to put it in that respect, absolutely, on paper, in averages, they do not contribute enough to be a part and get the benefits, but if we did not have them ... I will give way to Deputy Trott.

575 **Deputy Trott:** Thank you. I was going to jump up earlier and say, sir, that when I gave an interview to Chinese television, to an audience of 350 million people, I was standing up, rather than sitting down, but I thought that was a sort of juvenile thing.

580 What I will say, though, is I was by no means belittling the tax that is paid by our excellent public servants, or anyone else for that matter, on average earnings. What I was saying – I stand by it – is that they receive an excellent set of public services for the contribution they make, and it does not help when we do not persist with that narrative, because people like to know what value they are getting from their public services relative to the contribution they are making, so I stand by what I have said.

585 Thank you for giving way.

**Deputy Taylor:** And I stand by my remarks that those who make a positive contribution get an even better deal from those who are working in the areas that we really need. I stand by that, but I do appreciate you clarifying that.

590 The only final point I wanted to make was just about growth within the economy. I feel like I am going to be pouring cold water on it. I just do not really see where that growth will come from – I feel like that is a really pessimistic remark to make; I can see Deputy Vermeulen is putting his hands on his face – that will make positive contributions. I hate to be pessimistic, but when I look around at the cost of property on the Island, if we are going to attract people in to invest in our businesses,  
595 I just think, if we are going to do that, we are competing with everywhere in the world that wants to bring in high net worth individuals, wants to have entrepreneurs, wants to have people opening up businesses, and consequently more tax. We are not the only people looking for that.

I know, myself, I have looked at property for sale in the north of Scotland and I think for half the price of a one-bedroomed flat in Guernsey I can buy an entire house and land in the north of  
600 Scotland and not have to worry about what I am going to do. I do not even need to pay tax, because I own my own house. It would be much easier. If I was going to start up a digital business, or something like that, I could do it somewhere else, where they have equally good connectivity.

I was really interested to hear Deputy Haskins' speech, talking about thinking differently. If we cannot necessarily grow the economy, we need to think of better ways of keeping the money we have, circulating it around or looking at the cost of living and where our money goes. I did raise it in a very early tax debate and it got poo-pooed a little bit, and I raised it at a meeting that Deputy Ferbrache put on, which was very helpful, about understanding where our money goes, and if you can get it to go round and about one more time, or, for those pensioners who are only on £250 a week, if you can make their money go further in a different way without necessarily giving them  
610 more money it seems like a smart way of addressing it. I am not going to go into the details of how I might do that, but I will have that discussion if anyone is interested; I do not think it makes any difference to what we are voting on today.

On that note, I will return to my seat. Thank you, sir.

615 **The Bailiff:** I do not know why you are standing up, Deputy Inder, you spoke at the start of this debate. As no one else wishes to speak in debate, I will turn back to Deputy Helyar to reply to the debate on this matter.

**Deputy Helyar:** Thank you, sir. In true cliché style, I shall be brief.

620 This was potentially billed as a damp squib and I really do not think it has been. I was thinking about it. The same thing happened with the education debate. We had a half-time, a break in the middle of the debate, and I think that took a lot of the heat out of the debate because there was a break in the middle; there was an opportunity for people to talk. We have had a presentation from some officers about corporate tax. That has been raised legitimately as an issue that should be  
625 looked at. I am wondering if when we do have these big, momentous debates, we should have that as a standing item; we should have a half-time break to be able to sit and think about it, rather than allow the heat to get hold of us.

The brief for P&R with this is to listen, and I hope we have demonstrated to everybody that we have listened. Tax is a difficult and divisive issue, not least because we have all made promises we might not be able to keep, but because there are many members of the community who are deeply concerned about their businesses, about their standard of living, about what they are getting as a benefit for what they are paying in terms of their taxation. And so it has been a difficult debate for many people, but I think ... I really wish the media would reflect on some of the positive parts of it, because I thought the education debate was met ... And, in fact, sir, you mentioned this yourself. At  
635 the end of it, you commended everybody for the way in which they had conducted themselves. I think the same is true of this debate. I think everybody has been thoughtful and calm. They have made intelligent, creative comments, all of which will be taken on board and reflected in the report which is coming. I think that is to be commended. I think it is a good thing. I think if the Assembly can disagree strongly with one another but politely, and make a decision and move forward, it is a  
640 good thing for the Assembly and a very good thing for the Island because we have had many years of not being able to do that.

I am not going to go through everybody's comments, because we would be here for another few hours and we have many important things also on this agenda, but just to go through some themes, a clear theme – and it is a perfectly legitimate criticism – is communication. Deputy Trott raised it, Deputy St Pier raised it, and Deputy Cameron more recently. I completely take that on board. It is going to be a long and difficult challenge to raise the standard of knowledge of information amongst the public and amongst ourselves and for us to decide what should be the main priority going forwards.

There has been a lot of focus as well on process, and unfortunately the media has got itself into a bit of a tangle on this. Reading the newspaper, I could not possibly understand it. The headline says, 'Drop the dead tax plans'. It is actually the opposite. We have kept GST on the table by amending these Propositions because we need to make the right decision, and in order to do that we need to have all of the facts. We need to know what would be appropriate levels of businesses to be excluded. For example, our colleagues in Alderney have mentioned the cost of living there. That needs to be properly examined. So be it. If we come to July and Members say, 'No, this is the wrong thing to do,' fine, but we do need to have all the facts in front of us before we make that decision.

I was brought up to believe that admitting when you are wrong and putting your hand up and saying, 'Actually, I have made a mistake; I fully accept it and I apologise for it,' is a strength. It is a strength, not a weakness. It is being reported in the *Press* today that P&R are weak for doing it. It is quite the opposite: it shows strength to be able to say, 'Actually, I think you are right here. You have given us the feedback. We were wrong. This is the wrong direction. We are not here to tell you what to do; we are here to listen to what you want and to help you – all of us collectively – to deliver it.' I think that is the right thing to do.

Looking at what has come out of the debate, I think it is a three-cornered hat. No stone unturned – I think Deputy Falla mentioned that twice. Deputy Moakes certainly mentioned it as well, and several other people have said we need the public to trust us that we are going to focus on savings. I have been really heartened to hear so many people standing up and saying it is our responsibility, all of us – not me, not P&R – every individual.

We discussed this in the last Treasury meeting we had and Deputy Kazantseva-Miller has raised it in some of the presentations we have had: we really do need to look at zero-based budgeting going forward. I would like next year to be the first year where every Committee is able to do that. That is going to require some training, and so that is what we are going to start doing immediately. That can be done without a States' Resolution; it just means that we need to focus in a different way when we look at our budgets. Some Committees have already started doing that, and the reason they have started to do that is because they have Members with expertise in that type of budgeting process, and that is an amazing thing. So, savings very clear. If we are going to take the public on a journey towards additional taxation, this Assembly must be trusted to ensure we are providing value for money.

Deputy Trott raised an interesting point yesterday. He was going through, effectively, what I called the shopping list, which was in the original tax paper from last year. We can look at this a different way. The reason I mention this is because there are some truths in it – and Deputy Roffey said this himself when he was talking. Some of the stuff we come back with is not going to change. The profile of our demographics will not change. And here is one of the other facts – and this kind of chops up the facts that Deputy Trott was looking at yesterday in terms of value for money. If you exclude capital spending and you include Social Security, the average cost of public services per capita is £11,000. A working-age individual with only a personal allowance would need to be earning £50,000 a year to pay that much in tax and Social Security. Median earnings are just over £35,000 and the upper quartile – the top 25% of our earners – is at £52,000. Most people have some additional allowances, so this means that less than 25% of working people pay enough in tax to cover the average cost of public services. That is not going to change. Unless we can suddenly create a whole new wealth stream of jobs earning over £52,000 a year – and that is very commendable; if we can do a little bit of that it is great, because it all contributes – we are not going

695 to be able to move that dial entirely. So, that deals with growth. Growth is fantastic – I really, absolutely support that – but we are not going to achieve what we need to do. Even what is in this paper predicts a lot of saving and it does predict a certain amount of growth.

So, tax, then. There has been a lot of talk. I think probably when we were going through the process in the Committee we looked at what I would describe as behavioural taxes and we put them to one side, and there is a reason for that: it is because if they are successful they generate less income. If we put motor tax up to £1,600 a car – which is what we would need to do, to generate £80 million – if every one of those 50,000 vehicle owners was going to pay it, fewer people would have vehicles and therefore we would need to put the tax up further in order to get to the £80 million. This is not about driving behaviour; it is about raising revenue to pay for services. So, although those things are very important and they must, I think, form part of the answer, they are not exclusively the answer to it, but as a theme – a smorgasbord, if you like, of different types of proposal – they seem to be, to me, listening to everybody, what people would like us to look at.

I was very pleased to hear that there was a lot of support for reform of the Social Security structure, but as Deputy Roffey says, that cannot be done in isolation because it comes at a cost. So, unless you put up contributions at the same time, it would not pay for itself.

710 Two minutes to midnight – I think the *Press* picked up on this one as well. The reason I used that phrase is because everything seems to move so stultifyingly slowly. It is incredible. It is like swimming in a bath of treacle. The pension pot will run out in 17 years. Seventeen years from this date is no time at all in which to do anything. Deputy Blin asked when will this issue of pensioners come to an end – there must be a light at the end of the tunnel; we must get over the peak and then start to come down the other side. Well, the problem peaks next in 2041, it levels out then in 2080, and the projection is for the next 75 years there will never be fewer pensioners than there are today. Seventy five years this is a challenge for. This is not a short-term issue, this is a long haul, and that is why it is really important – and I think it has been really important for Members to accept our proposal in terms of the amendment – to keep all of the options in the basket until we can make, hopefully, a more definitive decision next July.

720 There has been a lot of talk about savings. I am a big fan of savings, too. I always have been and I have said the same and there will be a significant amount of pressure continuing to be placed in that area. But if we are really honest about savings, a great place to turn to is page 21 of the Facts and Figures book, because there are a number of blobs in there and they show the amount of what we spend, top to bottom, just like a business. I know Government is not a business and there are lots of people not fond of it being referred to in that way because it has social outcomes as well as financial ones. If you take over a business as a CFO and you want to save costs, you look at where the biggest spending is. The top one is health and community services. The second one is old age pensions. So, I will be really frank with Members: if we really want to save, we are going to have to get into some very difficult territory. I mentioned the fact that we ought to be means testing pensions, and Deputy Roffey quite rightly came out and said he was outraged: 'It's an outrage!' I do not think it is an outrage to ask the question. We must be willing to ask difficult questions. Fine, if it comes to the conclusion that Members of the Assembly say, 'This isn't fair, people have contributed all their lives, it is not right,' so be it, but I do not think it is fair for wealthy members of the community to sit with their feet up, possibly with very substantial pots that they are living off or substantial pensions from their working lives, and rely on those who are on the minimum wage to pay Social Security contributions so that they can receive £228 a week. I think that is wrong and I think we should look at it. The difference that it makes is that if you can take even a relatively small number of people now who are in their 50s, like me, and say to them, 'You are not going to get an old age pension,' you massively change the amount of money you need to put in the pot in order to pay for 20-odd years of £228 a week. I think we should look at that and I think we should look at other types of ... Prescriptions is another one that has been mentioned, for example. By all means, Members can say, 'No, let's not go there; people have contributed,' and that is fine. I am absolutely happy with that, but we need to be willing to ask difficult questions about savings because the reality is we are not going to be able to lay off people just to meet this gap we have.

750 Twenty four per cent of GDP – I completely accept it is an arbitrary figure. GDP goes up and  
down. It went up and down very significantly in the last 18 months. Deputy Gabriel raised this,  
actually, very early on in the debate and said, 'You hinted at the fact that this is not necessarily going  
to be the final limit.' I think that is probably a fair reflection – he is nodding, so I will accept that as  
a yes – and he is right, because the original paper which led to this report said that the estimate of  
costs going forwards, revenue costs on an annual basis, was £80 million to £130 million. It was not  
£80 million as we are looking at, at the moment. Twenty four per cent is going to be a difficult ask.  
We are all really going to have to put our shoulders to the wheel in order to hit the 24% limit. Be  
absolutely honest about that: it is going to be very difficult just to get to that target. The target  
755 could actually be 28%, and that is not just 8% of GST, it is 16%.

So, we still have a very difficult debate ahead of us and a lot of work, I think, in order to take  
people along. Some of these fundamental numbers are not going to change. People will still  
become pensioners, they will automatically become entitled to their pensions, and some of the cost  
that we see coming down the line ... And inflation is another worrying aspect of the financial issues  
760 going forwards. I think we are really going to have to make some very difficult decisions about this.

But we have met this debate in good spirit, I think. Everybody has made a positive contribution  
to it and I think the report, when it comes out, will be a very important document for how we move  
this forward. As I said earlier, I think it has been great that we have been able to disagree politely,  
even when there is some polarity in the views, but importantly we need to be able to demonstrate  
765 that our consensus on the issue is sufficient. Deputy St Pier referred to this and he is absolutely  
right. Our consensus is necessary in order to build public trust that this is the right thing to do,  
whatever its outcome might be, and also to take the public with us. Nobody wants to put taxes up.  
None of us do. I have not seen any single ... Well, perhaps Deputy Gollop might be an exception.  
Nobody wants to put tax up and everybody wants value for money. I think if we just agree with  
770 those two things we are halfway towards making a sensible decision about how to take this forward.

I am going to wind up there and say thank you to everybody for their contribution. It has been  
a very enjoyable and enlightening debate. Please accept the Propositions, and I look forward to  
working with you all to develop these proposals further.

Thank you.

775

**The Bailiff:** Deputy Helyar, at the outset you asked for a recorded vote on each of the  
Propositions. Do you still want a recorded vote on the single Proposition?

**Deputy Helyar:** I suspect that is probably no longer necessary, sir.

780

**The Bailiff:** In that case, Members of the States, there is a single Proposition. It arises from the  
amendment that was approved yesterday afternoon. Those in favour; those against.

*Members voted Pour.*

**The Bailiff:** I declare that Proposition duly carried. Thank you.

**COMMITTEE FOR ECONOMIC DEVELOPMENT**

**4. The Guernsey Competition Regulatory Authority:  
Accounts and Auditors' Report for the year ending 31st December, 2020 –  
Debate commenced**

Article 4.

*The States are asked:-*

*To decide whether, after consideration of the Policy Letter entitled 'The Guernsey Competition and Regulatory Authority: Accounts and Auditors' Report for the year ending 31st December 2020' dated 15th July 2021, they are of the opinion:-*

*1. To note the accounts of the Guernsey Competition and Regulatory Authority and auditors' report for the year ended 31st December 2020.*

785 **The Deputy Greffier:** Article 4, Committee for Economic Development – the Guernsey Competition and Regulatory Authority accounts and auditors' report for the year ending 31st December 2020.

**The Bailiff:** I invite the President of the Committee, Deputy Inder, to open the debate.

790

**Deputy Inder:** Thank you, Members.

Just briefly, sir, this is probably a very similar speech to Deputy Roffey. This is what we do on a regular basis; we submit the accounts for the Guernsey Competition and Regulatory Authority.

795 Briefly, just for the sake of *Hansard*, the GCRA is tasked with protecting economic interests and consumers in key sectors of the Guernsey economy and ensures fair competition between businesses. It also scrutinises and prevents mergers and acquisitions if they amount to consultations that risk economic harm to Islanders.

800 The Authority's total income for 2021 was £1.04 million, which equates to around £57 a year for each registered business in Guernsey. Anyone who knows me knows I am not an accountant. I am going to use the Deputy Roffey get-out: anything too technical, I will have to defer, to respond later. But, in short, sir, a very short policy letter asking Members to note the accounts.

Thank you.

805 **The Bailiff:** Deputy Brouard, there has been an amendment submitted. Is it your wish that that amendment be laid now?

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

**The Bailiff:** Will you circulate copies of the amendment then, please?

[Amendment](#)

*To insert the following Proposition immediately after Proposition 1:-*

*'2. To direct the Committee for Economic Development to report to the States before the end of 2022 with proposals (together with costings) for a review of the structure, role and relevance of the Guernsey Competition and Regulatory Authority or to proceed directly to a review sooner using existing budget if the Committee feels that is appropriate, together with such recommendations as are thought to be appropriate for the 'GCRAs' future role and structure and the review to include consideration of combining functions or incorporating the Authority into existing structures, with particular focus on achieving a more economic and proportionate model appropriate for the Island's needs, should that be found appropriate, and how that could be achieved.'*

810 **The Bailiff:** Does every Member have in front of them a copy of an amendment where the top box says 'P.2021/85 Amendment 1'? It is proposed by Deputy Brouard and it is to be seconded by Deputy St Pier. In that case, I will invite Deputy Brouard to lay the amendment. Do you wish to have it read, Deputy Brouard?

815 **Deputy Brouard:** I think, in the circumstances, that would be very helpful, sir. Thank you.

**The Bailiff:** Greffier, if you can read the amendment, please?

*The Deputy Greffier read out the amendment.*

**The Bailiff:** Deputy Brouard.

820 **Deputy Brouard:** Thank you very much, sir.

My apologies to the Assembly, and especially to Economic Development. I was away last week and I have literally just ... It has been on my mind for about 17 years to do this, but it is a bit like those jobs around the house – you never quite get round to doing it. I think it is about time we had a bit of a review of the Guernsey Competition Authority. It is not quite on the hoof. We have their  
825 accounts with us today. I do not know which other mechanism I could have used to bring about a review, and I think it is timely that we do have a review. It could be in the Budget or something of that sort, but I think this is probably the most appropriate place to do it. So, my apologies again to Members for springing it on them. It is nothing more than a review, and I will go through a little bit more about that as we go through.

830 It is one of those things where we know we need to do something but we know it might be a little bit tricky and we keep on putting it on the backburner and hope it goes away, but it is still there, we never quite lift that stone – and I think it is about time that we do just need to lift that stone. There has been quite a lot of anecdotal information coming to us, as Members, and also to me, that things are not quite right and we have perhaps not the right proportion with regard to our  
835 regulation.

I am not close enough to the Guernsey Competition and Regulatory Authority to know if they do a good job or not. The impression I get is that they are struggling with the job they have and it is causing us, as States' Members, some issues with regard to some of our utilities. I have never quite understood why we need someone at arm's length to manage a business that we wholly own,  
840 like Guernsey Electricity and like Guernsey Post. I just do not understand it. The whole *raison d'être* for having the Guernsey Competition Authority in the first place was when we decided that we were going to give away our telecoms company and therefore we needed somebody to replace the consumer in the market place, and hence this particular authority was born. Since then, it has grown up on its own and its master, ourselves, has not really got a strong enough grip, in my view, on what  
845 they are doing and how they are doing it.

The telecoms market is one in particular where they were sought to be the consumer, but it has not worked, has it? We have ended up with three different companies, which is fine, but with three lots of different infrastructure. How did that happen under regulation? I can remember very well Deputy de Lisle, when he was Minister of the Environment Department, pleading with them to try  
850 and sort out the issue of masts so that they could do mast sharing and things of that sort. We have ended up having to pay for three lots of infrastructure, one way or the other, in our bills, the way it has been done. I would have thought the regulator should have been, perhaps, more on top of this to make sure that we, as the consumers, benefit from the expanding telecoms market rather than the people who build more masts or put fibre or cables into the roads.

855 Electricity has struggled under regulation. It was almost brought to its knees. Its financial accounts ... You can see it for yourselves. It is not where it wants to be, and yet it is an entity that we own. I do not think it has helped post particularly, and I am not sure how it has benefited the

community. There is nothing in the accounts that gives me any information as to how it is actually really helping.

860 I sometimes feel some of the claims that are put through the GCRA almost feel weaponised, either by individuals or by companies, one against the other. I am not, also, sure whether we have the right level of regulation. It may be fine for a society of 63 million, but I am not sure it is appropriate for 63,000. We do sometimes need monopolies in a small area like ourselves; we just do not have the economies to have two lots of everything. I am not sure the court cases that the  
865 GCRA have brought over the years have been successful. I do not know how many they have won, I do not know how many they have lost; I think they have lost more. I cannot think of one that they have won. I do not know who paid for all that. Was it us, the consumers? One way or the other, we either pay for it through the services we buy, or we pay by supporting the GCRA in the first place.

My thoughts are this. It is an area which I think we need to review. Maybe the review comes back  
870 and tells us that they are doing a fantastic job, which is great, but I think there is an opportunity now. As the energy market is changing, I think we need to review how we regulate that market. I think we need to look at how we go forward with the telecoms market as well. Will that be changing with, now, Guernsey itself – us, as politicians – putting money into that particular marketplace with the spine that we are putting down the Island for fibre? I think also the change with the break away  
875 from Jersey from the Joint Channel Island Competition Authority in February last year ... I do not know why that happened, I do not know what the implications of it are, and I do not know what the finances look like because of it. Whether this goes through today as a review or not, I put a marker down that at some stage somebody will have to review this particular entity, which is our entity, and I think it will probably be sooner rather than later. If you look at the accounts, they show us that  
880 about £1 million is taken away from the Island, somehow. We pay. Somebody was paying, last year, £613,000 in licence fees. All that comes back to us on our phone bills. It does not come out of the company's profits *per se*. That is a cost to us. It is the same with the electricity licence fees and we also then put a grant in as well from our own funds, as a Government, to support them. There is £1 million worth of expenditure there.

885 I know he is not in the Assembly at the moment, but just picking up on something Deputy Taylor was saying this morning about costs and chairs – do they need to have separate offices? Is the operation now small enough that they can work from a combined office? Can we combine them with one of the other regulatory functions that we have, so that they use the same office space, so that we do not need to pay rent on another building or whatever?

890 Going to the actual wording of the amendment, it basically says it is for us, the Committee *for* Economic Development, to report back to the States by the end of 2022, which is next year, with proposals for a review. So, just the proposals. It is not asking for them to actually do the review, just to say what they would like to do for a review, what it would cost and whether or not we, as a States, want to do that. So, they could come back in a year's time and say, 'Actually, we do not want to  
895 review it. We are not going to do it because of this reason or that reason,' which is fine. We either accept that or not. Or the amendment also allows that if they do want to go ahead with a review before that, using their own budget – I appreciate they would have to stop doing something else – they can do so. But I do feel at some stage or other the Guernsey Competition and Regulatory Authority does need some sort of a review to be fit for purpose for the next 10 years, and what they  
900 actually will look like and what we, as a States, want them to achieve.

I have set out in the rest of the amendment some of the ideas – perhaps combining office space, perhaps looking to see if their structure could be smaller, do they need a full board; all those sorts of things I think need to be looked at to reflect what we, as a society, want. There is no point having them reviewing markets that we actually own. It does not make any sense to me.

905 Once again, my apologies. It was a little bit on the hoof, but it is purely asking for a review of this particular organisation. I thank my seconder, Deputy St Pier, for coming forward. Please, if you do not do it now, you will be doing it at some stage in the future. Thank you very much.

**The Bailiff:** Deputy St Pier, you formally second that amendment?

910 **Deputy St Pier:** Yes, sir.

**The Bailiff:** Thank you very much.  
Deputy Inder.

915 **Deputy Inder:** Sir, I am fairly sure this goes further than the initial Proposition, so I would like to see if the Assembly wants to debate this amendment.

**The Bailiff:** I am satisfied that this does go further than the original Proposition, so it is a motion under Rule 24(6) as to whether or not ... I take it you want the amendment not to be debated and no vote taken thereon. That is the motion, Members of the States. Those in favour; those against.

*Members voted Contre.*

**The Bailiff:** Therefore, that is lost.

**Deputy Dudley-Owen:** Sir, may we have a recorded vote on that, please?

925 **The Bailiff:** You can certainly request a recorded vote following that. It is within the Rules that if there is a vote *au voix*, any Member can request a recorded vote on that motion afterwards. The motion is that the amendment not be debated and no vote taken thereon. Greffier.

*There was a recorded vote.*

*Not carried – Pour 17, Contre 20, Ne vote pas 0, Absent 2*

<b>POUR</b>	<b>CONTRE</b>	<b>NE VOTE PAS</b>	<b>ABSENT</b>
Deputy Dudley-Owen	Deputy Cameron	None	Deputy Dyke
Deputy Fairclough	Deputy de Lisle		Alderney Rep. Roberts
Deputy Ferbrache	Deputy de Sausmarez		
Deputy Haskins	Deputy Falla		
Deputy Helyar	Deputy Gabriel		
Deputy Inder	Deputy Gollop		
Deputy Leadbeater	Deputy Kazantseva-Miller		
Deputy Mahoney	Deputy Le Tocq		
Deputy Matthews	Deputy Oliver		
Deputy McKenna	Deputy Parkinson		
Deputy Meerveld	Deputy Queripel		
Deputy Moakes	Deputy Roffey		
Deputy Murray	Alderney Rep. Snowdon		
Deputy Prow	Deputy St Pier		
Deputy Soulsby	Deputy Trott		
Deputy Taylor	Deputy Vermeulen		
Deputy Aldwell	Deputy Blin		
	Deputy Brouard		
	Deputy Burford		
	Deputy Bury		

**The Bailiff:** Members of the States, on the motion pursuant to Rule 24(6), proposed by Deputy Inder, there voted Pour 17, Contre 20, and therefore the motion is still lost but it is a bit closer than it was *au voix*. *(Laughter)*

930 I was just wondering whether we would deal with this amendment discreetly or whether we run it in general debate with the accounts. Do you have a view, Deputy Inder?

**Deputy Inder:** I'd like to deal with it now

935 **The Bailiff:** Okay, we will just deal with the amendment, so who wants to speak on the amendment? Deputy Inder I will call first.

**Deputy Inder:** I may as well go first. Members, the reason for the 24(6) is simply that I just do not like Committees being jumped on matters of noting and only given half a day's notice, not  
940 having spoken to anyone on my Committee at all. So, I can only really speak and respond to Deputy Brouard from personal experience, but I am going to pull it apart a bit.

Deputy Brouard said he does not know if GCRA does a good job or a bad job, after thinking about it for 17 years, but then he goes on politically to effectively say he wants to get rid of the GCRA. That is, in short, what he is effectively saying. That is quite clearly the subtext: for 17 years he  
945 has been trying to get rid of it, but he is not entirely sure whether it does a good job or a bad job.

I am going to come to some defence of the GCRA. There is an easy trope in this Island that effectively all regulation is bad, and I think I have even said myself that I would like to see Guernsey back to the trading days of ... possibly not quite Macau in the good old opium days, but something where we have a less regulated society. But when I have asked that question, to everyone who tells  
950 us the finance industry is too regulated, I say, 'That is fine. I know nothing about regulation of the finance industry. Please write me a letter.' Absolute silence. No one who has told me that regulation is bad has ever written to me and told me 'and these are the reasons why'. Absolutely no one, and these are fairly high-powered people who will tell you that all regulation is bad.

But the GCRA has another role, and this is a problem that you will find. Those who have the  
955 greatest access to Government in Guernsey are those with the greatest time, the greatest power and the greatest amount of money. The GCRA has a job beyond the MSG, beyond the Guernsey Electricity voice. It has a job for the consumer. Its fundamental job is to protect the consumer. That is what it was set up for. It was set up, effectively, as some form of competition supposedly against what are, in large, monopolistic industries that we have over Guernsey. So, I think when Deputy  
960 Brouard stands up and responds I would like to know who is sending him here, because I am fairly sure this has something to do with MSG.

Yesterday, in debate, Deputy Trott read out from a previous report the incredible amounts of costs in basically looking after our Island. He gave some quite incredible quotes on the cost of fixing hips and legs, and heart operations, all that kind of stuff – being of a certain age, it is a sad fact that  
965 members of the family start popping off, fall off their perches and get more ill, and I have seen some of those costs – but equally, what he did not ask was why they are so expensive. I do not think we have got the real competition that we need. I will not make a figure up, but I have seen hip operations that are fairly expensive. I can tell you now, anywhere in Eastern Europe they are about a quarter of the price. Dentistry in Guernsey can cost you £10,000 for a set of teeth. You can do it  
970 for €1,500 in ... So, that is a question we should be asking: whether the medical profession or the monopolistic industries should be allowed to be unfettered and charge the consumer anything they want.

I suspect that is where this is really going with that trope. It is the protection of the consumer first. That is the job of the GCRA. That is the fundamental position, and the consumer has no access  
975 to Government, whereas big business does. We have no consumer protection in this Island, we have no trade description in this Island, and here we are being asked to give a review which, from the proposer, is effectively saying we do not like regulation.

Of course, opportunities have been had. In the last 17 years, Deputy Brouard, you could have brought requêtes, you could have wheedled something into ... I think, in fact, he has been on ... Has  
980 he been on Economic Development – through you, sir – Deputy Brouard? I think Deputy Brouard has been on Economic Development at some point. He had an opportunity to do a review then. He chose not to. We have just been through the Government Work Plan, where he could have laid an amendment to ensure that we gave a review. He chose not to. Yet today, on a matter of noting, Deputy Brouard and Deputy St Pier have got in a corner and decided today is the day to pick the  
985 fight. Well, okay. I will remind Members that under the Government Work Plan there is something called Rule 4 that was changed, and if I remember correctly – and I do not remember, because I

wrote it down somewhere; unfortunately, I have lost my piece of paper – under Rule 4 ... I wrote it down ... Oh, yes. How does it contribute to the Work Plan – it does not – which we all signed up for? Everyone in this Assembly signed up for it, I suspect, apart from Deputy Trott – Deputy Trott is saying he did not sign up to the Government Work Plan – and we were supposed to work jointly together.

I got notification of this at 11 o'clock yesterday and I have had no real chance to look at it in any real depth with any of my Committee Members – as long as we still have a Committee system, I have a duty to run that Committee system and have some kind of consultation with my Committee Members – so, right now, I do not really know their thinking on it. And, of course, an estimate of costs. I absolutely have not got a clue what this review ... and the reason we do not have an estimate of the review is because there is not anything particularly sensible in this amendment. All it says is 'with particular focus on achieving a more economic and proportionate model appropriate for the Island's needs, should that be found appropriate, and how that could be achieved'. Can anyone actually tell me ...? I reckon if I gave out 38 pieces of paper now, gave you all a blank piece of paper, you would all come up with something different. That job is to direct our Committee. That is what it says. It says here, 'with particular focus on achieving a more economic and proportionate model'. What does 'proportionate' mean? Proportionate in favour of the consumer or in favour of the MSG? Is it more in favour of the GR or is it more in favour of the MSG?

I know what this is about. I know exactly what this is about, because basically policy issues have had access to bigger companies and they do not like regulation. Sir, Members of this Assembly, regulation is about the consumer. Its very first job is to protect the consumer. If you give them unfettered access, you will see electricity through the roof, Post Office prices through the roof and MSG even further through the roof. I would be very careful what you do today.

That is my response. I am going to, as usual, basically defend my Committee, defend our position. I will give you fair warning: we have not got any money at all for this. It has broken every single rule, it is fairly inconsiderate, and after 17 years of thinking about it, why today? I know why.

**The Bailiff:** Deputy Le Tocq.

1015

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

I am glad that Deputy Inder went first, because although I voted to debate this, I completely agree with him and I can understand his angst and concerns over this. It is not really, at all, the best way of dealing with things and I am probably going to vote against it; nevertheless, I think a shot should be fired across the bows and I think probably debating this does help us to do so.

I completely agree with Deputy Inder because I have been in the States long enough to know that when things go wrong with our monopolies and our utilities – and they are increasingly not monopolies anymore, but obviously they were at one time – the first we look to do is to try and regulate and find fairer ways for the little people rather than the big players that Deputy was speaking about. However, after a time, I am also of the opinion that regulation itself becomes a means to its own end and it can become expensive, and therefore it is good to review after a time.

I do not know whether Deputy Inder is right over his allegations on the motivation of Deputy Brouard for laying this. Nevertheless, I think such changes have occurred in recent years with regard to the markets that are regulated by the GCRA, and its various other forms when we were doing it jointly with Jersey. Those changes, in my mind, would indicate that it is wise to look at whether savings could be made, whether focus should still be on the same sorts of things.

I am very well aware that there is not resource, and obviously Deputy Inder's Committee has not had an opportunity to look at how it might achieve this, but I think it is right in this Assembly for those of us who feel similarly – and I am not sure how many feel similarly to me – to focus the attention on what could be done to make savings. We have just had a big debate that has involved savings and some of these institutions that are arm's-length bodies from Government need to hear the message as well, so that we are all working for the common good.

Thank you, sir.

**The Bailiff:** Deputy Queripel.

1040

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

I am somewhat perplexed because only a few weeks ago, in response to a question I asked of him, Deputy Brouard said, 'We're reviewed out, we've had too many reviews,' and here he is fronting an amendment calling for a review. So, what has changed? I would like an answer to that question when he responds, sir. It seems to me the phrase 'when it suits' springs to mind all too often in cases like this.

1045

On the amendment itself, I am going to vote in favour because I am all in favour of reviews, (*Laughter*) because the intention of a review is to find out exactly what is going on within Departments and organisations. As far as I am concerned, there are far too many unknowns in Government and also in organisations such as this, and the public have a right to know what is going on. There is far too much secrecy.

1050

In relation to the manner in which this amendment has been laid, I am reminded of the phrase a former Deputy, the late Graham Guille, used to say: it is not always about what it is supposed to be about, as inferred by Deputy Inder when he spoke.

1055

Why has it taken 17 years? That is a lot of thinking time.  
Thank you, sir.

**The Bailiff:** Deputy Prow.

1060

**Deputy Prow:** Thank you, sir – I can be brief – for your ruling that this amendment goes beyond the Proposition. Obviously, the Assembly has decided to debate it, and I have absolutely no problem with that, but I would – through you, sir – remind the Assembly that this goes beyond the Proposition.

1065

I am actually quite surprised. I have enormous respect for Deputy Brouard, but this ... We have heard talk about shots across the bow. This is an ambush. This is quite a wide-ranging amendment. I, like Deputy Inder, have great trouble trying to understand exactly what it means – you have two 'appropriates' in it – and I just do not feel I have had time, as a Member of this Assembly, to digest the implications of it. I came to the Assembly thinking, on this particular Proposition, we would be discussing the accounts and auditors' report.

1070

The one thing I have picked out, in the short time I have had to look at this, is that it is a copout, because it has copped out of the Rule 3 information. With a bracketed comment it is directing the Committee *for* Economic Development to report to the States before the end of 2022 with proposals, together with costings. Oh, right, okay, so let's look at Rule 4(3). The amendment is consistent with the initiative set out in the Government Work Plan 2021-25. That is rather misleading. It does not appear in the Government Work Plan. No amendment was made to the Government Work Plan. We all sat through a debate which said we have to prioritise what we are doing, look very carefully at our spending and so on and so forth, and this suggestion did not appear in it. No consultation. This is a piece of Rule 4(3) information. There has been no consultation with the Members of the Committee *for* Economic Development. That is really helpful. Then it says there are no immediate financial implications to the States. Well, there are not, because you have to ask the Committee *for* Economic Development to come back with proposals and costings.

1075

1080

Sir, this is not the Government, in my humble view, and I ask this Assembly to throw this out.  
Thank you, sir.

1085

**The Bailiff:** Deputy Trott.

**Deputy Trott:** Thank you, sir.

Can I start by making an observation which I suspect others, both within this Chamber and outside, have also made, and that is why is Deputy Inder always so angry and accusatory? I put it

1090 down, potentially, sir, to lacking in confidence and maybe not being absolutely in charge of his brief, because I see no reds under the bed –

**The Bailiff:** It is not terribly good, Deputy Trott, to make a reference about another Member in that context.

1095 **Deputy Trott:** You are quite right, sir. I will take that back. It is a personal opinion I should not have articulated in the Assembly in that way. You are quite right. Anyway, I do wish he would stop being that way.

1100 Deputy Brouard gave a brief history of the evolution of the Competition and Regulatory Authority. It was first called the Office of Utility Regulation and it came about, as he said, specifically to regulate the competition around the telecoms market, because once we had given up ownership of the telecoms company and were encouraging competition, it made complete sense to have that regulatory oversight. The very first holder of the office of Director General went on to great things, becoming, I think, one of the main regulators in the United Kingdom, a very able lady. It then  
1105 became the Channel Islands competition authority and the main evolution for that was because there were concerns around the behaviour of a particular monopoly, around the food market in particular and also around the fuel market. That relationship with Jersey did not last – there were a number of reasons why – and it is, today, the Guernsey Competition Regulatory Authority. So, it has been through several different incarnations.

1110 My main reason for rising was not to give a history lesson but rather to say that there is a fundamental principle in Government which is as relevant for the public sector as it is for the private sector, and that is that there should be regular reviews. We should regularly review our agencies. In fact, we should regularly review all of our component parts. All this amendment appears to be doing, to me, is saying that there should be focus on achieving a more economic and proportionate model  
1115 appropriate for the Island's needs, should that be found to be appropriate, and how that could be achieved. It is not in the least bit prescriptive. It basically just encourages the Economic Development Committee to carry out and review what it should be doing in any event. So, I have no problem with this amendment whatsoever and intend to support it.

Thank you.

1120 **The Bailiff:** Deputy Roffey.

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

1125 There has been a lot of talk about what people put in their manifestos the last couple of days. I am reminded of an early manifesto from the Raving Monster Loony Party, who demanded to know why there was only one Monopolies and Mergers Commission. *(Laughter)*

1130 I have a lot of sympathy with two things that Deputy Inder said: (a) that this does appear to have been laid on their Committee at the last minute without them being able to discuss it, and I think that is regrettable; and (b) I completely agree with him that we would not want to do away with regulation. I absolutely believe that there needs to be some system in Guernsey to avoid the abuse of market dominance. I think if we do away with that, the consumer will be the loser.

1135 However, I do agree with Deputy Brouard very much that we got off on the wrong foot with this many years ago, first of all with telecoms and then it got extended when we commercialised post and electricity. There were reports then that were telling us, 'Whatever system you bring in, do not ape the UK. You are in a totally different situation. You do not have lots of large, competing private sector utilities. Maybe in telecoms we have a bit, but, apart from that, we do not have the same sort of picture as in the UK. What did we do? We absolutely aped the UK and brought in a bureaucratic and expensive system of regulation, which has to be paid for, at the end of the day, by the consumer. Yes, they are there to protect the consumer, but there needs to be proportionality. I am not sure  
1140 that the consumer has actually benefited net from what they have had to pay through the fees that the various bodies pay in, compared with the actual end benefit they have got from protection from

1145 abuse of either monopoly or market dominance. I am absolutely convinced that we need to go for a more simple system, and indeed the States have almost accepted this because when they discussed the energy policy and they talked about the transition to the new form of energy market, they actually said there needs to be a new form of regulation and they highlighted that it needed to be proportionate, it needed a light touch, it needed to be appropriate to Guernsey's scale and not Germany, the UK, France or anywhere else.

1150 So, I am totally convinced that this sort of review needs to happen. Whether or not this amendment is the right route for it to happen is another matter, but I think experience has shown me that we do have a system of regulation that is not fit for purpose for a micro state like Guernsey, that is overly burdensome, overly complicated and overly bureaucratic.

I do not know how I am going to vote on the amendment. I have some sympathy with the argument that the Committee concerned is being ambushed, but I am absolutely sure that this needs to take place at some stage, and some stage soon.

1155 Just in closing, I actually like the Guernsey people's system of regulation, in that sometimes they do not actually need a regulator. As most people will know, I used to be involved in the Channel Islands Co-op. I remember some years ago when the late Mr Tom ... There were three main competitors at the time. There was Checkers, which was the old Le Riche that had become Checkers and there was Safeway – if you remember Safeway – which used to be the old Bessants basically. 1160 The owner of Checkers, the late Tom Scott, bought the Safeway stores, and good gracious, did we see trade boom at the Co-op. People did not like it. They thought people were playing monopoly and they decided to do something about it and vote with their feet. Sometimes, in a small community, that is the most effective way.

1165 Nevertheless, I do think there needs to be statutory regulation. I think there are sometimes cases where market dominance is abused, but it is, at the moment, too expensive. If Guernsey Electricity had been able to pay a fraction of the fees that they pay to the regulator in rolling out photovoltaic projects over the last 10 years, this Island would be in a far better place.

**The Bailiff:** Deputy Oliver.

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**Deputy Oliver:** Thank you.

1175 I think that if Deputy Brouard had started off his speech saying that after the last debate they currently pay £322,000 out from grant funding and we are looking to make sure we can save as much as we can for the taxpayer, I would have had a lot more sympathy with this amendment. He started off saying that he has been thinking about it for the last 17 years and it does make me wonder how many other things he has been thinking about that actually could save money.

1180 What I would like to hear from Deputy Inder is whether he thinks it needs a review. If he thinks it needs a review, firstly could his Committee actually just get on and do it? Or, secondly, will it require more funding? Although it says there are no immediate financial implications for the States, it will cost money for a review and I just want to know if Economic Development actually have that funding available for an additional review.

I will give way to Deputy Inder.

**Deputy Inder:** Thank you for not sitting down before you gave way.

1185 Just briefly, I do not need to take on Deputy Trott's point – he is probably right – that everything does ultimately need a review, but we do have a process which we subscribe to. Right now, Deputy Oliver, I am fairly sure Deputy Brouard is going to get up and say the first part will not cost us anything because it is something that civil servants can do. Well, I am afraid civil servants come at a cost. Nothing is free in this Island. Right now, I do not know, if we fast track it, if we would use existing consultants, I have no idea of the extent, and the fact remains that it is not entirely clear 1190 what the terms of reference of a review would be – because I am afraid this is a badly written amendment.

1195 **Deputy Oliver:** Thank you for that, Deputy Inder. My second question would be, then, when was it last reviewed – if he could answer that in his summing up. Thank you.

**The Bailiff:** Deputy Meerveld.

1200 **Deputy Meerveld:** Thank you, sir.

This is a classic example of bad governance. We are here to look at the audited accounts and yet we have a Proposition here to go away and look at reviewing the entire organisation behind the accounts.

1205 Deputy Brouard tells us he has been thinking about it for 17 years and Deputy Inder makes a very good point: why hasn't it come forward earlier? Why hasn't he approached the Committee to discuss it? Deputy Trott says all our external organisations and all these structures should be put under regular review. I absolutely agree they should be. And Deputy Oliver raises the point of whether the Committee has envisaged starting their review or is considering doing it. Fine. All of that is the proper process of how things should work. If people think something needs reviewing, as a Member of this Assembly they should approach the Committee responsible and say, 'I think this needs reviewing' for whatever reason. If the Committee says, 'We are not minded to do so,' or 'We do not agree with you,' then there are requêtes or other ways that this could be brought forward. It could even have been laid as an amendment against these accounts. It would go beyond the original Proposition but it could have been done a week or two ago and people would have been able to make something of an informed decision. In this amendment, where is the consultation with the Committee? There is not any. Where is the consultation with the stakeholders? This affects other people beyond the States of Guernsey. It is providing a service to the public. Has anybody asked them whether or not they are dissatisfied with the service and it needs reviewing? Have we worked out the cost of doing it? No. Have we worked out where the funds are coming from to pay for it to be done? No.

1220 Picking up on the points raised by Deputy Prow and Deputy Taylor, and referring to Rule 4(3), this has galvanised me to bring to the SAC Committee ... I will give Members notice in advance. We shall be looking at changing Rule 4(3). We shall be making sure that not only do people have to detail the costs ... Bearing in mind we have just finished a Tax Review debate where we are looking at having to foist on to the public of this Island, for one reason or another, considerably higher taxes ... That is going to be the conclusion here, to provide what we are providing today as a States and services. I, personally, would like to cut some of those services before raising taxes. I give way to Deputy Ferbrache.

1230 **Deputy Ferbrache:** Point of correction. I think the Government Work Plan changed Rule 4(3) to Rule 4(1).

**Deputy Meerveld:** No, I was thinking about clause 3 under Rule 4, but thank you for that interjection.

1235 We, as a States – I personally think – need to look at cutting services before raising taxes, but one way or another I think taxes are going up and I think everybody recognises that. And yet here we have something being thrown in at the last minute – with no consultation, not even time for Members to consider it in any detail in advance – with a suspension of the Rules. This smacks of some of the political games that went on in the last term with amendments written over lunch and inserted for a quick suspension of the Rules and shoved through without – (*Interjection*) Sorry, yes, I am getting [*inaudible*] This is the kind of thing that was done with suspensions of the Rules in the past. You could have an amendment written over lunch, presented at the last minute, suspend the Rules, come in and ... I think all of this needs to be looked at.

1245 Rule 4 – I think, going forward, there should be an obligation to approach the Principal Committee responsible and possibly go to P&R as well to get the proper costing. In addition, if you want to place an amendment directing a Committee to do something, I think you should also

1250 identify where the funding is going to come from – are you expecting the Committee to take that money from their budget and move it from somewhere else to fund it, are you expecting to raise taxes to pay for it, if it is a significant project, and where is it going to be funded from? – and also require some consultation, not just with the Committee but also with the stakeholders. How can we make informed decisions in this Assembly about issues impacting services and benefits that we provide to our Island without talking to the people who are the recipients of that or are directly impacted by it?

1255 I definitely will be rejecting this amendment and I will also, as I say, be bringing to SACC, as a priority, looking at Rule 4, because I think we need to tighten up on that and be more businesslike in the way we do things, because this is the way that money gets squandered and wasted. I do not disagree that the organisation needs reviewing, but it needs to be done as a proper process. This is not a businesslike way of doing things and this is a perfect example of bad governance.

**The Bailiff:** Deputy Haskins.

1260 **Deputy Haskins:** Thank you, sir.

1265 I am very glad to hear the comments from Deputy Meerveld, especially in light of what I was actually saying in the previous tax debate, that these Rule 4s do need to be ironed out. It is exactly what I am talking about. The real costs – if they are not included, how can we make an informed decision? I would like to suggest another one. How about if no consultation has been done with the relevant Committee, then the Rule 4 financial implications must say that the financial implications are unknown?

1270 I could welcome a review which would come back with potential benefits versus the cost, and then, when we have all of that, potentially we can decide to go ahead with it, but until then and until Rule 4 is further strengthened, I will personally not tolerate the deviation from the intention behind it and I shall not support this.

**The Bailiff:** Deputy Gollop.

1275 **Deputy Gollop:** Like Deputy Roffey, I have a lot of sympathy for Deputy Inder inasmuch as the Committee has been hijacked perhaps by a late amendment and they do not necessarily have the resources for it in their Government work programme or budget. Is it business as usual? Not entirely. I too agree with Deputy Inder's sentiment that the regulator, at its purest, is all about protecting the consumer.

1280 It does not mean to say, though, that I am not open to a review of the role, because, as Deputy Trott outlined, it has gone through many different manifestations over the last 20 years. I was actually there when it all burst into life. I sometimes think I should not take it personally, but I was one of those partly responsible, not just because I was on Roy Bisson's Consumer Group, later chaired by former Deputy Rhoderick Matthews, but also because I think I epitomised the changing pace of the States and why some people wanted reorganisation.

1285 Up until the late 1990s – the millennium – the Island was happy with five Deputies, or States Members, sitting on boards, running the boards in a businesslike fashion, with one eye on the electorate, possibly, and the consumer, but the other eye on keeping the business sound, and we all know in their day Guernsey Electricity, Water and Telecoms were generally well managed. And then the kind of Deputies getting in changed in some respects and it was thought that maybe the kind of people coming in were too maverick and not necessarily suited to being involved with businesses. I do not know. I quite like the maverick amendments, despite what Deputy Meerveld says, but that is a different debate.

1295 This model that we created for regulation was expensive. The good thing about Deputies on boards was that it was cheap – cheap dear, perhaps – but the Deputies were not getting huge board director fees and you did not have a regulatory structure to maintain, but of course we

commercialised and then privatised telecoms and we completely changed the relationship with electricity and post, although that is not covered at the moment.

1300 So, times move on and we actually need to look at this again, especially as we have had the peculiar news ... I still do not believe it is a real threat, but it has been publicised in the media, as Deputy Helyar knows, that maybe some political action in France could in some way reduce our connectivity via electricity. That is one issue. We also have many other issues. I really enjoyed Deputy McKenna's speech about looking constructively at energy. If we are going to do all those things, if we are going to have a great telecommunications debate later this meeting as well, we have to have a regulatory model that is sound and cost effective.

1305 I am going to speak again in general debate, but I actually do not like those kinds of debates where you comment on reports – because where do they go? You are not actually doing an action. Deputy Brouard and Deputy St Pier put forward, in a way, an action. When you look at the annual report, there are some things that make me think. The powers and duties of the Competition and Regulatory Authority are to promote value and choice for Guernsey consumers, to protect the interests of consumers who have no direct way of making their voices heard, to support development and delivery of Government policy and to keep the operation of markets and regulated companies under review. But what kind of consumers? Are we talking about the perennial Mrs Le Page in St Saviour's or people in care, or commercial consumers? I regret that we do not have a Guernsey Consumer Council, like Jersey. I do not think we have a robust representation of consumers. We need new consumer law. I entirely agree with what Deputy Inder said about the cost of dentistry and other facilities on the Island, but as yet the GCRA structure has not done much about that, so it is clearly not entirely working in its current form.

1310 I am sure Deputy Oliver was on the ball when she was asking the question 'do Economic Development, deep down, as individuals, want to see reforms in the structure.' I suspect they do, although it needs to be done properly. Again, when you look at the accountability of the board, although I am sure everybody who works for it does an excellent job within the framework, if you look at the financial statements you see the expenditure outperformed income, so they made a small loss of £9,000, but the income alone of GCRA, without the Jersey part, is well over £1 million – £1,040,000. The board members' fees and expenses, unlike perhaps some of us Deputies, were 1325 £58,300. The salaries and staff costs were over £400,000.

**Deputy Mahoney:** Point of order, sir.

1330 **Deputy Gollop:** The consultancy fees were £¼ million.

**The Bailiff:** Point of order, Deputy Mahoney. Which Rule is being broken?

1335 **Deputy Mahoney:** Sorry, I just wondered if we were straying into general debate here, talking about the financial affairs, when this is actually about the amendment.

**The Bailiff:** If Deputy Gollop has strayed into general debate – and I tend to agree that he has – then he might not be able to speak in general debate when we get to it. Thank you.

1340 **Deputy Gollop:** I entirely agree, that is one less speech, in a way, but on another level the reason I am mentioning general debate is I am saying why is it that this regulatory authority costs over £1 million? Why is it that it has over £120,000 of electricity licence and application fees, despite the debate we had a few weeks ago saying that there were huge issues in managing the regulation? Why is it that it has £¼ million of consultancy fees? Who is giving them the competition or grant – probably Economic Development – of £300,000? It is not that clear that we are getting value for money – we may well be – and that is actually coming back to Deputy Mahoney's root point. It is why I am prepared to support this amendment, because I think we need to move the argument on and go beyond the accounts, and ask more pertinent questions and get everything going.

**The Bailiff:** Deputy de Sausmarez.

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

I am slightly confused about the handwringing that has been going on over this amendment, because listening to some of the comments you could be forgiven for assuming that Deputy Brouard has already come up with the conclusion of the report. But actually, that is not the case at all. If people refer to the wording of the amendment, he is asking the Committee for Economic Development to report to the States before the end of 2022 with proposals for a review. So, Deputy Brouard is not proposing the terms of reference himself. He is certainly not –

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**Deputy Inder:** Point of order.

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**The Bailiff:** Point of order, Deputy Inder. What Rule is being broken, then, please?

**Deputy Inder:** Can I change my mind? Do you mind a give way? *(Laughter)*

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**The Bailiff:** Just a minute, Deputy Inder.

**Deputy Inder:** I apologise, there is no point of order. I will try a give way.

**The Bailiff:** No point of order. Deputy de Sausmarez to continue, then, please.

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

What this amendment is asking is for Economic Development to come back and say what that report should look like, asking them to propose the terms of reference, and that is exactly when all the relevant information that people are talking about in connection with Rule 4 would be engaged. It is at that point when the terms of reference and what is being proposed is well understood. We would also be able to make an informed decision about the resource implications. So, I really think some of the points have been slightly misdirected in that respect.

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I am just going to make one further comment, which is I think in some respects the timing could be quite good. We know that Economic Development is currently working on, for example, a new system of licensing, a new regulatory framework in respect of the energy/electricity sector, so actually I think this could be quite a good synergy and it could be a way of making that particular piece of work even more efficient and getting more bang for our buck.

Thank you.

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**The Bailiff:** Deputy Blin.

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**Deputy Blin:** Thank you, sir.

I would like, first, to refer to Deputy de Sausmarez's comments, because in effect she was saying that – and rightly so – this is to have consultation ... Sorry, I am just finding the part ... 'is appropriate, together with such recommendations as are thought to be appropriate for the GCRA's future role and structure and the review to include consideration of combining functions' etc. So, that is correct and that is what Deputy Brouard was asking for. However, the speech that Deputy Brouard made actually started off with giving various hints or aspersions, saying it is a lot of money, do we really need it, why do we have it, and regulation etc. So, from my perspective, although I would agree, technically, with a review of this, the way it is being delivered or the way it is being asked I do not agree with, because actually if we look at this, it is key in our society to have some sort of protection. Deputy Roffey has also confirmed having a regulator and, I believe, as Deputy Gollop read out, what are the keys of these regulators, and it is to protect interest and promote value etc.

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Deputy Brouard also mentioned that he was unsure about if it was effective with telecoms, but I have read recently, in a newspaper article talking about the success of the fibre-optic rollout, that

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1405 actually it was thanks to the independent regulators that they are now all working together. That is proof of how well it works. It brought in Airtel into it and everything else. Sadly – I say sadly, it is fairly – I read in the newspaper about the MSG case, which is now being concluded. I say sadly because it is going to cost us money – it will probably cost us in some form, or indirectly when the fees are paid to the case – but that was also identified by a regulator. Also, there is Guernsey Electricity. We went through this in the Assembly recently, where we were asking to remove the independent regulator for an interim whilst tariffs could be clarified etc.

1410 Clearly there is a feeling that the regulator is not performing in the best way, or not in our interest sometimes, but removing it or bringing in a discussion like this ... I would rather see that it is brought up by possibly the Economic Development Committee itself to look at costs and areas here, but not in this sort of form. What will happen instead? Will STSB look after it? Will HSC look after regulation for MSG? And what will happen to the Guernsey Financial Services Commission? Is that another regulator that we are going to look at? I just have this overall feeling that the principle is correct in having a review, but when it starts off where we refer to the accounts and the costs ... And I do also  
1415 remember, during the debate on GEL, that we talked about some of those costs of £120,000 – or £180,000; I cannot remember the exact figure – and they could not deliver on that, or did not have the resources etc. So, it is clear something needs to be changed, but it is possibly the manner we get to do it.

1420 Thank you, sir.

**The Bailiff:** Deputy Kazantseva-Miller.

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

1425 First, I wanted to start by saying that I hope we can be an Assembly where a Member, if they have a good idea or a good case for change to bring forward to this Assembly, actually we do have the rules and procedure and we embrace it and welcome it. So, I think I want to start by saying I think we should be that kind of Assembly.

1430 With this specific case – obviously I am on the Committee *for* Economic Development – I saw the email first at about 10 o'clock last night, so it really did not give us any chance to discuss this. I think where there is a big failure is I do not think ... Deputy Brouard mentioned that we know we need to do something, but I do not really see the business case for doing something right now, so clearly it is not really explained here. I think from Deputy Brouard's speech there were some anecdotal stories and evidence he had heard here and there, and so on, but I think we need to build a good case for change and why we need a review, and I just really have not seen that.

1435 In some of the things Deputy Brouard mentioned in his speech I think there was perhaps also either confusion or a level of misleading, because he mentioned why do we need a regulator when we have a monopoly. Well, the GCRA does not just regulate Guernsey Electricity, and the electricity market has three elements. We discussed it previously when we were talking about GEL a few weeks ago. There is supply, there is generation, there is convenience. All of those three different markets, different competitors can come in and are actually coming into it. We do not own Telcos, right? We  
1440 have three telco providers. Importantly, and as part of the Government Work Plan, we have some critical areas which need the assurance that there will be regulation. One of them is the electricity market. We obviously moved the tariff regulation back into STSB, but the remaining regulation for the generation and supply is still there. And very importantly, later today we are debating the fibre policy, and it is absolutely critical that the wholesale market within the fibre policy is regulated and protected. This really underpins the reason why we are confident to put money into that investment. So, those two are critical parts of delivering on the Government Work Plan and they need the assurance of some stability, that actually the regulation is still in place. I think the implications of potential reviews are actually really huge and wide-ranging because it will affect not just what the  
1445 shape and size of GCRA looks like and what office building they might occupy, but actually it affects competition regulation, utilities regulation, telecoms regulation, how we might be giving out licences of 5G if we get to that at some point. It has absolutely huge implications. Also, in the  
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absence of wider consumer protection regulation, which is something that, for example, the Citizen Advice Bureau has been asking us to do, really they do have a role to play.

1455 Clearly other Members also share that there may be concerns, but I just think it has to be shaped into a much better Proposition via a different method, instead of a requête, explaining what the evidence is for the problems and providing much more detail, and drawing that out through engagement with the community.

1460 I welcome that we have these kinds of ideas, but I am not really supportive of the way it has come forward.

**The Bailiff:** Deputy Matthews.

**Deputy Matthews:** Thank you, sir.

1465 I was not going to speak on this, but I did just want to respond to Deputy Inder, partly because in his speech he was saying the amendment would require the Committee to produce a review, but that is not really what the Proposition says. Reading it, it is saying that it is directing you to come back with proposals for the costings to do a review; so it is not actually doing the review, it is asking you about it. Notably, he said that the GCRA is there to help provide value for money and that this  
1470 amendment has an aim to close it down, which is not something that is in the Proposition. It is really just asking, as far as I can see, for a review and whether it is a good idea to have a review.

Listening to Deputy Queripel's point about whether we should be doing so many reviews and whether we should be reviewing things all the time, it does sometimes seem that we are either reviewing something or we are just not doing anything with it. I will give way.

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**Deputy Inder:** Thank you for giving way, Deputy Matthews.

The problem with these – through you – Deputy Matthews, is that without them being prescriptive, if this gets through the Assembly we have to guess our way through it. I have five  
1480 Members. You know from my speech that I am keen to remind everyone that the consumer is key in this. Other Members may not. They may have a similar view – I just do not know – that all regulation is bad and we have to get rid of it. The problem with this is there is no clear direction on what it is asking us to do. It just says go away, have a review, come back with costings and have another debate on the review. If you had had 17 years thinking about it, I would have bullet points, line by line, telling us what the problem is, what the evidence is and what we are actually going to  
1485 review. The problem is it is fairly subjective and, as Deputy Kazantseva-Miller said, wide-ranging. It is mentally wide-ranging because right now I do not know what the direction is.

**Deputy Matthews:** Thank you, Deputy Inder.

I appreciate that that is not very clearly stated in the Proposition. I think, though, I can guess  
1490 what the direction would be and I would imagine that it is along the lines of something that has been a general thought about how regulation operates in Guernsey, which is that we have brought in a very UK-centric version of regulation. I worked at the Post Office many years ago and the thought there – it was the OUR at the time – was that the company bore the same sorts of costs as the Royal Mail would bear, but, because it is a thousandth of the size, you are not necessarily getting  
1495 the same benefit. I think that is what this line at the bottom, which is 'appropriate for the Island's needs', is driving at in that Proposition.

I think the fact that there has been some discussion about the cost of providing a review does highlight the constraints on resources that Committees are operating under. There clearly is a benefit to reviewing the operation and, like I said, I think it is something that should be under  
1500 constant review. Whether the Proposition succeeds or not, I think it is a good idea to keep these things under review and whether or not the regulatory body is appropriate for the size and scale of the Island.

Thank you, sir.

1505 **The Bailiff:** Deputy Moakes.

**Deputy Moakes:** Thank you, sir.

At this point in time – I emphasise that: at *this* point in time – this is a distraction. I agree that a review is required, but why now? If this was so important, why was it not part of the GWP, which we all recently approved? Was it even suggested at that time? Given that Deputy Brouard has been holding fire for 17 years, I suspect he can probably wait a bit longer.

If approved, this amendment sets a dangerous precedent. How many further amendments might then follow, slowing Committees down and moving resources from important GWP activities? (**Two Members:** Hear, hear.) If that happens, the Government Work Plan itself will be undermined and we collectively will achieve nothing. So, sir, I ask Deputies to vote against this amendment so that the Committee can follow up and focus on the things that we collectively agreed to prioritise only a very short time ago.

Thank you.

1520 **The Bailiff:** Deputy St Pier.

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

Deputy Inder spoke immediately after Deputy Brouard. We had his usual brand of hyperbolic righteous indignation on this, but I do have sympathy with him in relation to the issue of late amendments such as this to a report which is merely to note. I did indeed express those concerns to Deputy Brouard when he asked me to second this – and of course, as I do with all Members who ask me to get involved with any such amendments, I counsel them that they would be well advised to seek somebody other than me to second anything in this Assembly. Nonetheless, he asked me to do so and I was pleased to do so.

Deputy Inder, with his passion – or righteous indignation, take your pick – said that he knew where this was coming from. Well, as ever, he does not always know where things are coming from. He said this was all about the MSG. Well, actually Deputy Brouard and I have a different perspective in relation to the MSG case. I actually think that the Authority played a relevant role in protecting the consumer and the restricted covenants that they challenged in the work they did was appropriate. Deputy Brouard happens to have a different view, so I am afraid Deputy Inder does not know what the drivers are for this.

Having worked with Deputy Brouard for a while, I do know that he has had concerns in relation to the Authority. My reason, really, for being willing to second this and recognise the need for looking at this is in relation to telecoms. As we are aware, the Authority began work in 2020 in relation to some investigations in the telecoms and mobile sector. That was begun in both Guernsey and Jersey and it has been dropped in Jersey. I was in the rooms – not all of the rooms, but I was in a number of the rooms – when Government and the regulator effectively asked the two telecoms companies to come together to produce the MoU that would enable them to look at some of these issues around the mobile sector to avoid the duplication of networks and all the rest of it, which subsequently led to the telecoms strategy that we debated, and indeed approved the infrastructure expenditure for Sure as and when that comes for debate. But we have the absurd position that, with the Government and the regulator having been at the table, those telecoms companies are now subject to investigation. It is bizarre and I think that that is an issue which does warrant further consideration.

Deputy Inder said what about the dentists and a whole range of other people. Well, of course, again, if his Committee believes that that is an area that the Authority should be concentrating on, then this is an ideal opportunity to steer the work of the Authority towards those kinds of issues.

One of the other complications of bringing amendments such as this at the last minute is, of course, people have not read them, and neither Deputy Inder nor Deputy Meerveld, or a number of others, have read them, and perhaps that is understandable – they have not had the opportunity to read them. But Deputy de Sausmarez absolutely nailed it. This is not directing that there is a review,

1560 it is directing the Committee to come back with proposals for a review, including the costings, which was Deputy Haskins' concern – rightly so; what are the costs going to be? – or, if the Committee wants to do so, they can get on and do it, but that is entirely a matter for them. If they do not want to do it – because Deputy Moakes has said it is a distraction – that is fine. All they need to do is come back with proposals, by the end of next year, for what a review would look like and what it would cost, in order that the States can make a decision at that point.

1565 Again, a lot of focus on what are the terms of reference for the Committee, and 'We will need to guess our way through it,' said Deputy Inder. No, you will not. This is for you to determine. It is for you to determine what the terms of reference are that you think are appropriate and to bring those recommendations to the States.

1570 As Deputy de Sausmarez said, there seems to be a lot of handwringing over this, but the key phrase in this amendment is 'to report to the States before the end of 2022 with proposals (together with costings) for a review'. It is not to do the review, it is not directing the review; it is merely to prepare proposals for this Assembly to consider. That seems entirely appropriate. Indeed, when Deputy Brouard consulted with Committee officers, the Strategic Lead for Place Policy wrote:

Your amendment effectively sets out a piece of work that Economic Development has in its plans to do. On that basis, I think the draft as set out below is a helpful one that will give some helpful context to that piece of work to be undertaken and some justification for accelerating it.

On that basis, I suggest it does deserve this Assembly's support.

**The Bailiff:** Deputy Soulsby.

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**Deputy Soulsby:** Thank you, sir.

1580 I have a lot of sympathy for the comments of Deputy Brouard in relation to the Competition Authority and especially the comments that Deputy St Pier has made. I have, for a long time, been very concerned about what value we get from the Competition Authority and it is not just in our Island either. I think in the UK, the whole idea ... one example being watching football on satellite. Originally, there was one satellite provider and you could watch all your premier league football through that. Then the competition regulator gets in and says, 'Well, that is not fair, that is a monopoly, so we are going to spread it around all these other providers.' How did that affect members of the public when they then had to get another subscription? They had one subscription already, which was extortionate, and they then had to get another one. It they just bar people from the market, so it does not make any sense.

1585 So, I do have issues over the need for the Authority we have, which I have had for some time, and indeed when Deputy Brouard and I were on Governance and Employment Department – a very long time ago now, it feels – I did raise those points and I know Deputy Brouard and I were of a similar view at that point in time. We were questioning the costs, I believe, and we found out about the costs being spread in terms of directors' fees.

1590 But I do think the amendment is taking a bit of a liberty and I am disappointed that it is coming from two experienced and senior Members of the States, because it is trying to get round all the rules and regulations and it is not how things should be done. For a start, we have at least four 'appropriates' and one 'proportionate' within Rule 2 and I think that might reflect both Members' time on the CCA, making sure everything is appropriate and proportionate. I am just trying to understand why. Very rarely do you see a Committee being asked to prepare the terms of reference for a review which then comes back. I think that is because they are trying to get over the fact that asking the Committee to do a review absolutely blows all that we did in July out of the water. We agreed what we would be doing this year in Government. That is set out in the Government Work Plan, and so where again I think it is taking a liberty is where it says, in 'Rule 4(3) Information' ...

1600 Well, it is not. That is old now. It should be 'Rule 4 Information', but anyway, in a) it says:

The amendment is consistent with the initiative set out in the Government Work Plan ...

1605 – really carefully crafted to try and get around the fact that this has not been approved in the  
Government Work Plan for the coming year. It does not mean to say that this should not come back  
next year when we are discussing what we want for the future programme for next year, and then  
they could actually say, ‘Right, we do not just want the Committee to go away and decide whether  
it wants to do a review and then have a review; no, we *do* want a review.’ I just think that was a bit  
1610 funny.

And then we have no consultation with all Members of the Committee *for* Economic  
Development, so that makes a mockery of Rule 4. So, I am glad Deputy Meerveld is going to have  
his Committee look at that.

And then, because it is not a review and it is just asking the Committee to think about what it  
wants to put in a review, it says there are no immediate financial implications to the States. But it is  
1615 a bit of a Trojan Horse, isn’t it, because you can say, ‘We are not asking for a review,’ but then if it  
comes back to the States you can say, ‘Look, we have done all this work, this is what we think we  
need to review,’ and it comes on. So, there will be some time required to do this and we have  
allocated staff resources. Unless Economic Development have a lot of people idly twiddling their  
1620 fingers at the moment, which I do not think they have, it is going to mean something else will have  
to give, and that something else has to give when we have only just agreed, in July, what we are  
expecting Committees to do.

So, although I have absolute sympathy for this and I would like to see this work done, I think it  
has been done in completely the wrong way and I think those Members should think about that for  
1625 the future. I do remember in the last term it was Deputy Parkinson who said after the splitting away  
of Jersey and Guernsey his Committee were thinking about looking at doing a review. I do not know  
if that actually ever did happen, but then it is for the Committee *for* Economic Development to  
decide if it wants to do that at any time and it needs to think when that might be more appropriate,  
or whether the States think that will be through the Government Work Plan. I cannot support the  
1630 amendment, but I do have sympathy for the content.

**The Bailiff:** Deputy Ferbrache.

**Deputy Ferbrache:** Sir, I have worked closely with Deputy Brouard over the last year at the Civil  
1635 Contingency Authority and I know what an intelligent and perceptive person he is; he makes great  
contributions to that Authority. But I am disappointed with this amendment. I cannot complain  
about the timing, having seconded an amendment at two minutes to 12 yesterday on the Tax  
Review, so it would be tongue in cheek, but what I can say is it is not the timing but it is the content  
of it. It is not only Deputy St Pier and Deputy Sausmarez who have read this amendment; I have  
1640 read it, too, and I am sure most other people have. For Deputy St Pier to say it is down to Economic  
Development to come up with the terms of review of this particular topic does not make any sense  
at all because it is he and Deputy Brouard who are bringing the amendment saying there should be  
a review. I would have expected one or both of them – and, in fact, neither of them – to come up  
and say, ‘These are the terms of the review. This is what we would like.’ It is a matter, ultimately, for  
1645 Economic Development to say, ‘These are the things we would like to consider.’ There was total  
silence on that aspect because they did not do so.

Let me say that regulation first reared its – in my view, ugly – head when I was President of the  
Board of Industry back in 1972-2000. I said, ‘It won’t come around on my watch,’ I think at the end  
of April 2000. Some years later, the then Deputy Stuart Falla asked if I would be a non-States’  
1650 member of Commerce & Employment, and I was for a period of time, and competition and  
regulation came up then. I believe Deputy Brouard was in the States at that time, because it was  
post 2004. If I do the arithmetic, we are in 2021 and he has been looking at this for 17 years, or  
thinking about it for 17 years – that takes us back to 2004. Regulation came through and Deputy  
Roffey said we have a model that really is not fit for purpose – it is a UK model – but the States  
1655 brought it in at that time.

Deputy Soulsby's point was that we have just had a Government Work Plan. The idea of the Government Work Plan was twofold: firstly, to set out the stuff we are going to look at, both now and for the foreseeable future; but secondly, to have a periodic review. She touched upon that, in fact centred on it, in her speech. So, this should be the time that that is looked at.

1660 We have also had Deputy Trott telling us we should have regular reviews etc. I agree with that. What I did not like particularly was him bringing personality into the debate. The Bailiff mentioned that point about Deputy Inder being always angry. Deputy Inder is often angry. Deputy Trott always tells us – I cannot think of any speeches where he has not told us – about how rich, successful, clever and experienced he is. It almost always happens.

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**Deputy Trott:** Sir?

**Deputy Ferbrache:** I am not giving way.

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**Deputy Trott:** I am not asking you to. It is a point of correction.

**The Bailiff:** Point of correction, Deputy Trott.

1675 **Deputy Trott:** Sir, we all know that is utter nonsense. It is becoming almost as tedious as hearing about his outside toilet, like we did in the last Assembly. I ask him to refrain from doing that again.

**The Bailiff:** Deputy Ferbrache, I think the point of correction is that it is not every speech that Deputy Trott mentions all of those things. It is not nearly every speech, Deputy Ferbrache, that he mentions all of those things; they do come up from time to time. *(Laughter)*

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Can I just encourage all States Members to try and remove individual comments about individual Members, **(Several Members:** Hear, hear.) because they do not actually make the debate better and they do lead to that type of intervention. I would simply encourage all Members to avoid that in future.

Deputy Ferbrache to continue.

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**Deputy Ferbrache:** Thank you very much, sir. I certainly always refrain from that and I am sure Deputy Trott will in the future.

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In relation to such matters, though, we are looking at a position whereby this would detract from the considerable workload. Deputy Kazantseva-Miller has mentioned it and Deputy Inder has mentioned it. Economic Development has a vast mandate which I am confident that all the political and non-political members of that Committee are doing their absolute best to discharge. One of the topics we will discuss shortly in this Assembly – hopefully shortly – will be the digital framework etc., which I know Deputy Kazantseva-Miller has been actively involved in and Deputy Inder has been involved in, and which is such an important topic. That is what they should be spending their efforts on. The proposed amendment says, in relation to that, 'the Committee for Economic Development to report to the States before the end of 2022 with proposals (together with costings) for a review of the structure, role and relevance' – again without any guidance, without any terms of reference being suggested to them – 'of the Guernsey Competition and Regulatory Authority or to proceed directly to a review sooner using existing budget if the Committee feels that is appropriate ...' What the Committee for Economic Development did, which every other Committee did, was come and sit down with P&R over a period of time and say, 'Our budget is this for this year – can we talk about it?' and we had that private discussion. So, unless Deputy Inder or any other Member of his Committee stands up and tells me otherwise, their budget is pretty tight. In fact, they actually came down ... I will give way to Deputy Inder.

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**Deputy Inder:** It is, sir. It is very tight. In fact, we are returning a surplus, as you know, as are a number of other Deputies. But it might be worth asking, in this speech, sir, whether when we do get

1710 to the budget, if we do price this maybe it can come from Health's budget, because they have a substantial budget, which we do not have. He might want to ask Deputy Brouard that when he is summing up. I will do it if he goes for it.

**Deputy Ferbrache:** Well, actually, I do not, because I think Health have managed their budget pretty well. But that is not the purpose of this debate. In relation to this, we are looking at something that should, in due course, be addressed, and what I suggest happens is that Deputy Brouard and  
1715 Deputy St Pier talk to Economic Development over the next months in relation to the Regulatory Authority and say, 'We think this issue should be raised,' and perhaps it could then be raised as part of the Government Work Plan when we review it next June. That would seem to be, to me, the most significant.

I am talking generally, sir, so I will not make a second speech, but in relation to the financial  
1720 report, somebody would have touched upon it ... If we look at page 28, we can see that the income has gone up from £744,000 to £1,040,000 in one year, and the reason for that, largely ... Well, there are two. The electricity licence application fees went up from £10,500 to £120,500 and a competition law grant went up from £140,000 – it slightly more than doubled – to £286,000. So, those are the figures that ... It does not seem to do much else, and I do not mean that as a criticism, because  
1725 Deputy Gollop said, 'Well, look, there's £423,000 worth of salaries and staff cuts,' which I accept, because that is the figure that is in the document, but actually, that is not a lot for the tasks it has to cover. I do not regard that as vast or excessive. Again, recycling of that money spent in Guernsey ... probably about £500,000 or £600,000 of the £1 million will be spent in Guernsey, albeit I do note – and I am sure it goes up and down, depending on what they are doing – that consultancy  
1730 fees were £88,000 in 2019 and £251,000, a multiple of nearly three, the next year. A quarter of a million pounds, I assume ... I do not know if they were local consultants or off-Island consultants, but some of that money probably went off Island and probably was absolutely necessary because they have a limited staff. If they are being asked to investigate and regulate a particular type of activity, they do not often have that particular expertise and, perfectly reasonably so, they have to  
1735 seek guidance and assistance from a relevant consultant.

Somebody used the phrase 'It's a poor amendment' and it is a poor amendment because it does not give the terms of reference, it has not had any consultation at all with any members of the Economic Development Committee and it really is Deputy Brouard having a bit of a moan – if I can respectfully say so; he knows I respect him, we have worked very closely together – about do we  
1740 really need this type of regulation. We may not need this type of regulation. We may not need any kind of regulation, but that should be an issue that is carefully considered, not on the back of a hastily brought amendment.

**The Bailiff:** Deputy Parkinson.

1745 **Deputy Parkinson:** Thank you, sir.

I am brought to my feet by comments made by Deputy Soulsby and I think it is worth just going back over the history of competition regulation in Guernsey, or at least the recent history.

Yes, we learnt in April 2020 that Jersey was withdrawing from the SICRA arrangement – I think  
1750 they actually made the decision the previous month – and that we would be going it alone with the Guernsey Competition Regulatory Authority. First of all, there was an effort to rebuild the capabilities of the Guernsey Competition Regulatory Authority, because effectively a lot of this work had been done in Jersey, and the new body had to be stood up and it had to be staffed and so on before it could reasonably be doing anything. That all happened in the background when there was  
1755 a series of policy initiatives going on in Guernsey anyway with a new energy policy in the process and a new telecoms strategy, all of which was going to change the landscape against which a new style of regulation would need to be developed. Deputy Soulsby is quite right to say that I spoke in this Assembly and advised Members that the GCRA would need a new mandate which reflected its responsibilities under those Government policies that were emerging.

1760 That was all back in the summer of 2020, and of course Deputy Soulsby asked what happened next. Well, the answer is a General Election happened next, so I am no longer on the Committee for Economic Development. Had I been on the new Committee, I would have been arguing strenuously from the beginning that updating the Island's regulatory landscape was a high priority and something that needed to be dealt with sooner rather than later.

1765 So, we come to this amendment, which clearly has been brought in, let's say, less than ideal circumstances but nevertheless reflects something which I hold as a priority, that actually the GCRA mandate urgently needs to be reflected. In a way, my inclination to support the amendment is strengthened by the comments made by Deputy Inder which seem to imply that that is not a priority of the new Economic Development Committee and that they do not have the resources to do it, or  
1770 whatever. I think it is really very important that this work should be done. Whether or not that is in the Government Work Plan or what other prioritisation has taken place around that, I personally think it is actually very important that we do this.

I give way to Deputy Inder.

1775 **Deputy Inder:** I do not want to labour the point – through you, sir – Deputy Parkinson, but if it was such a high priority, if it was so important, any of these people who have suddenly wanted it for 17 years ... It would have been a priority for Deputy Parkinson. And Deputy St Pier thinks it is really important. Why today? Why not in the Government Work Plan, the place to do it?

1780 **A Member:** Hear, hear.

**Deputy Parkinson:** Well, I think I have tried to explain that. The SICRA was broken up by Jersey in April 2020 and we had to stand up the GCRA to give it the capacity to do anything because a whole new organisation effectively had to be created – I think a new Chairman of GCRA was  
1785 appointed, if I remember correctly – and so the organisation had to be stood up, but then the work on redefining its mandate needed to start, and it came about that in that period of time Government itself was laying out new policies in relation to energy policy, in relation to telecoms strategy and so on, which completely redefined the role of the GCRA. And so these things have to be done in a certain order and the work to get towards a new mandate for the GCRA was being done, but then  
1790 we had a General Election.

And so where I am on this is that yes, this has come before the Assembly in less than perfect circumstances – it has come on an amendment on a report to note – and this is far from ideal governance, but nevertheless I get back to the point that we absolutely need to redefine what it is the GCRA should be doing. Actually, without that definition and without that infrastructure it is very  
1795 hard for organisations like Guernsey Electricity Ltd to make investment decisions. So much hangs off this regulatory piece that ... I know from my role now on the States' Trading Supervisory Board that the absence of appropriate regulation is hampering the development of the States' Trading Assets which we all own, so this is work that should be a priority for the Economic Development Committee. Had I been still on the Economic Development Committee, it would be a priority for  
1800 the Economic Development Committee.

And so, reluctantly as I come to this because it has been presented to the Assembly in far from an ideal process, I think I have to support the amendment because we do need to signal to Economic Development and to Policy & Resources Committee that this should be a priority piece of work, and if Economic Development have not got it high on their priority list then they should have it  
1805 there. I cannot think of any other way, given the fact that we are having to make a decision here, to get that across, to make that point to Economic Development and Policy & Resources. This is a key piece of our Island Infrastructure and it needs to be sorted out.

**The Bailiff:** We will now adjourn until 2.30 this afternoon, Members of the States.

*The Assembly adjourned at 12.36 p.m.  
and resumed its sitting at 2.30 p.m.*

**COMMITTEE FOR ECONOMIC DEVELOPMENT**

**The Guernsey Competition Regulatory Authority:  
Accounts and Auditors' Report for the year ending 31st December, 2020 –  
Debate concluded –  
Proposition carried**

1810 **The Bailiff:** Does any other Member wish to speak on this amendment?  
In that case, I will turn to the proposer of the amendment, Deputy Brouard, to reply to the debate on it.

**Deputy Brouard:** Thank you, sir.  
1815 Unfortunately, I cannot put the clock back, as we have not got time machines here, but I think there was quite a bit of, well, my colleague next to me said handwringing and protesting at this amendment. I think even if it was done differently there would be complaints the wrong font colour was used, the wrong size this or the wrong size that. But I do not think shooting the messenger or the delivery of this message or how it came to the States will make it any better. We still need to  
1820 review, at some stage, the regulatory authority and I think it is just a matter of time. But again, I also thank Members for their indulgence by allowing the debate to actually happen.

I will not go through all the speeches from everyone, just pick up a few. I had hoped that Deputy Inder would be all on board and welcoming it, but yes, that was not quite the case.

1825 Deputy Queripel asked a question: why do we want a review now when it suits? I think Deputy Parkinson made the case far better than I did as to why we need to have a review of the regulator. It is really that we have got substantial changes –

**Deputy Queripel:** Point of correction, sir.

1830 **The Bailiff:** Point of correction, Deputy Queripel.

**Deputy Queripel:** Sir, I did not say 'Why now?' for a review of the regulator. I asked why had Deputy Brouard changed his mind about reviews.

1835 **The Bailiff:** Deputy Brouard to continue.

**Deputy Brouard:** Thank you.  
My answer is when it is appropriate.

1840 **Deputy Queripel:** It's when it suits!

**Deputy Brouard:** When it needs to be done, but that is what life and politics is about.  
(Interjection)

1845 I thank Deputy Trott for his support. We should be doing the review anyway and I think a lot of people have played on the fact that I mentioned it was 17 years, since I think we should have a review, what have I done about it. Well, we did come quite close in the days of Commerce & Employment with Deputy Stewart and myself, and I think then Deputy St Pier was on Treasury. We almost got to the point of being able to make some substantial changes which were just about to be made and then somehow they got put back for some reason and somebody else came in and

1850 did something differently, so it did not happen again. So we have always known that there were going to be reviews and, I think it was Deputy Parkinson that said, especially after the changes that have happened with Jersey pulling out of the joint review.

I thank Deputy Roffey for his support that we need a more simple system.

1855 Deputy Oliver made an interesting point, and it is part of the conundrum I am with, which was almost does it need a review? Well, that is almost the catch-22 that I am in. I do not fully know whether it needs a review, that is why we want to have a review and we should be reviewing our arm's-length bodies every now and then.

1860 I think Deputy Meerveld again probably made a few mountains out of quite a mole hill. I did not hear all the protest for the amendment that we had in late in the day on a major Tax Review that came in from left field at the beginning of the morning. His protests had died away on that particular issue.

I will give way.

**Deputy Meerveld:** Thank you, Deputy Brouard.

1865 I think there is a big difference between a Committee placing an amendment to their own policy letter, which they as a Committee have written and obviously given due consideration, to an amendment that is laid at the last minute, literally the night before, against a policy letter of another Committee that has not been consulted. (**A Member:** Hear, hear.)

I thank Deputy Brouard for giving way.

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**Deputy Brouard:** Yes, and part of that is well made. I could have quite happily gone on with the debate, nothing would have happened, we would have all nodded through, noted the accounts, and I would have said, 'I think we should have a review', a few people would say, 'Yes, we should have a review', and nothing would happen. So I thought that was not being fair to myself or to Members. If I think a review should happen, I should also come up with the means of making it happen, which I have done. Whether it is going to be successful or not, I do not know, but a review will happen at some stage, I am of fairly clear mind.

1875 I think Deputy Gollop also made a very good point. There are two doors in this amendment. The first door is finding out what a review would look like. I could come here and say I want you to review, this, this, this and this, this is the terms of reference, and then find out that Economic Development does not want that or it wants to do a different thing. This way is giving the people who are their contact with the States the opportunity to come up with the proposals that they would wish to review anyway in their normal course of business. It was giving them the power, almost giving them power to their elbow to go ahead and do that.

1885 The second door is in there which says, actually, if you really think it is really important to do it anyway and you have got the ability to do it now, go ahead and do it, just as any Committee can do whatever they need to do within their mandate anyway.

1890 Deputy Kazantseva-Miller: a very good point. She said there could be huge implications of doing the review, and I think that is probably why it has not been done: because it is one of those that you just look at and think, 'Oh, that's going to be complicated.' That is going to have lots of implications, that might need law changes, that might need changing boards, that might mean changing premises. I just think it is one of those things, it is almost like at home: there are things I need to do at home, I know that I have needed to do them for 20 or 30 years, but they still need to be done and at some time they actually will be, or I will be dead – one of the two.

1895 I thank Deputy St Pier, at very late notice, for his support. I did ask him if he would kindly second this because of my involvement with him back five or six years ago when we were looking then at the regulation of the utilities.

I think I have covered Deputy Ferbrache's point: it was a catch-22. I am wrong if I tell you what to do and I am wrong if I ask you please come up with your own proposals.

1900 Deputy Parkinson I think made an extremely good point about why we actually need to have the review, because it is holding back our utilities from how they are going to manage going forward.

So thank you for your indulgence, Members, and I would encourage you to at least give a tentative vote to the proposal.

Thank you.

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**The Bailiff:** Well, Members of the States, we come to the vote on this amendment proposed by Deputy Brouard, seconded by Deputy St Pier.

There is a request for a recorded vote, is there, Deputy Queripel?

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**Deputy Queripel:** Yes, please, sir.

**The Bailiff:** We will have a recorded vote on this amendment, please, Greffier.

*There was a recorded vote.*

*Lost – Pour 11, Contre 25, Ne vote pas 1, Absent 2*

**POUR**

Deputy de Lisle  
Deputy de Sausmarez  
Deputy Gollop  
Deputy Matthews  
Deputy Parkinson  
Deputy Queripel  
Deputy Roffey  
Deputy St Pier  
Deputy Trott  
Deputy Brouard  
Deputy Bury

**CONTRE**

Deputy Cameron  
Deputy Dudley-Owen  
Deputy Fairclough  
Deputy Falla  
Deputy Ferbrache  
Deputy Gabriel  
Deputy Haskins  
Deputy Helyar  
Deputy Inder  
Deputy Kazantseva-Miller  
Deputy Leadbeater  
Deputy Mahoney  
Deputy McKenna  
Deputy Meerveld  
Deputy Moakes  
Deputy Murray  
Deputy Oliver  
Deputy Prow  
Alderney Rep. Roberts  
Alderney Rep. Snowdon  
Deputy Soulsby  
Deputy Taylor  
Deputy Vermeulen  
Deputy Aldwell  
Deputy Blin

**NE VOTE PAS**

Deputy Burford

**ABSENT**

Deputy Dyke  
Deputy Le Tocq

**The Bailiff:** Well, Members of the States, I will declare the result but it is going to be that the amendment was lost, and therefore who wants to speak in general debate?

1915

Deputy de Lisle.

**Deputy de Lisle:** Sir, as a former political Member of the Economic Development Department, there were concerns in how the withdrawal of Jersey from the pan-island SICRA would work out, as we went out on our own, under the GCRA, as an independent authority with its own board. But it is to the credit, sir, of the new Chairman, Chris Bolt, the Chief Executive and the staff, and also John Curran, his work in transitioning from one to another, that everything has gone fairly smoothly and effectively. In fact, they made it clear right from the start that they would review the approach that they would take and the priorities that they would consider, and they were clear that the focus would be working to promote the value and choice for Guernsey consumers to the benefit of the Guernsey economy, taking account of the distinctive features of the Bailiwick. They noted that the

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work of a competition and regulatory authority is an enabling one, a means to achieving the end of better outcomes for consumers and not an end in itself.

1930 That seemed to be a good start, sir, and I note the change in accounting also, policy fees are no longer deferred in the reserve, or to the reserve, of £½ million, and wondered whether that was to be retained, the reserve to be retained. So perhaps that is a question that I could ask and get some clarification on because if the fees are no longer deferred, are they still to be retained in the excess to be retained in the reserve or does this go back to the States?

1935 Some have mentioned why bother with regulation, given the fact that the utilities are owned by the States. I think I was disappointed, personally, that we did not support the regulator with regard to the electricity debate that we had just recently, because I do not think the States are set up to put together the specialised personnel that are required to do the tasks of regulation to the extent that is necessary. And, of course, there is a conflict of interest there as well: that the States are regulating their own body, which does not make real sense.

1940 So I think having the regulator is very important. I think it is extremely important, particularly with the regulation of telecoms, where you have got three companies, and also the energy market now, because the energy market has changed. New licences have been given to I think two or three different companies and as a result of that it is no longer just a matter of regulation of the Government body. It is other bodies as well. So having a regulator I think is extremely important.

1945 With regard to that amendment that we have just looked at, there was an indication that there would not be financial implications to the States, but in fact any review requires very specialist consultants to handle that, particularly the structure, role and relevance of the Guernsey competition and regulatory body. It takes a very specialised group, which means a lot of money, actually. I think we had to be cognisant of that.

1950 So my point here is that *already* people who were arguing for a review can rest with some confidence that already, before the new GCRA set about its work, it did conduct a review of approach and priorities and made it very clear as to what their focus would be. True, we have moved on and many would like a broader review of competition as a whole currently. So perhaps that is for the future, but I would like to just say that I think that that transition took place commendably and I just felt that I was quite pleased with the direction that they had gone in.

1955 Thank you, sir.

**The Bailiff:** Members, the voting on amendment 1 proposed by Deputy Brouard, seconded by Deputy St Pier, was as follows: there voted Pour 11, Contre 25, 1 abstention, 2 Members were absent and that is why the amendment was declared lost.

1960 Deputy Dudley-Owen.

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

1965 Accounts are not really a strong point of mine, so any accountants in the room please spare me your wincing and bear with me. I know that Deputy Inder is not going to be able to answer these questions in his closing. He might have some comments to make, but I would appreciate any officer view on this from his Committee.

1970 Page 33, looking at item 4, 'Tangible Assets', I am a bit confused as to why we have got a website noted as a tangible asset for the value of £17,001. Clearly, obviously, there is depreciation noted on that, as it has been noted as a tangible asset. This is not, as I say, my strong point, but conversing with Deputies Helyar and especially Deputy Soulsby up on the bench here, who is a chartered accountant, she could not figure that out either, because of course we know that a website in of itself is not a tangible asset. Of course it could be if it was earning an income, but it does not earn an income in the case of GCRA. It is just a shop window or a repository for certain information if you do some of the click-throughs. So I would like some clarification on that, and also to ask whether 1975 those types of questions are asked when the Committee is presented with the accounts from some of these arm's-length bodies about some of the accounting practices that they employ when presenting some of their figures to us.

1980 The other item that I wanted to raise was looking through to item 8, 'Commitments Under  
Operating Leases', on page 35, where GCRA tells us a little bit more about the property that it is  
currently occupying down in, I think it is in the Plaiderie, where they have got a rental commitment  
with a break clause, luckily, for six years for £52,000 per annum. Now, that raises a question, because  
it is something that we have brought up in our Committee, Education, Sport & Culture. Where we  
have got arm's-length or grant-funded bodies which could feasibly use properties owned by the  
States at lesser cost, is that a question that other Committees, the Committee for Economic  
1985 Development, for argument's sake, is asking of these grant-funded entities which fall under its  
mandate? It may be that there is no property that is sufficiently kitted out for the purposes of GCRA,  
for the requirements that they need, but it could well be that we do have something after all. We  
have got a vast property portfolio, which Deputy Mahoney has got *all* the details about, which I  
think is something quite new this term, and we should be tapping that resource and sweating it to  
1990 the extent that it needs to.

If there is a break clause in the lease that GCRA has, if we found something that might be more  
suitable or a property share, I think that that was actually one of the issues that Deputy Brouard  
raised, but that does not necessarily require a review to do it. It is just on an annual basis, when  
these entities are met with, to say, 'Looking at your property, do you need to be there? Is there  
1995 something else that meets your requirement? Please go to Property Services to have a look there.'

So those are the two areas that I just wanted to raise for Members' information and for any  
responses necessary from Deputy Inder when he sums up.

Thank you.

2000 **The Bailiff:** Deputy Kazantseva-Miller.

**Deputy Kazantseva-Miller:** Sir, I wanted to rise to actually maybe address some of the points  
Deputy Dudley-Owen said. I have experienced depreciating a website as an asset because actually  
it is an asset which has a lifeline. A depreciated asset of a common business we are aware of with  
2005 Deputy Dudley-Owen over a three-year period. So from that experience I think that is quite a  
common practice.

In terms of the property portfolio, I was quite interested to hear that comment because is the  
whole point of the States maximising its property portfolio not that we stop subsidising, basically?  
We should be operating at market rate. So I would assume that if GCRA or anyone else wanted to  
2010 go into the States' portfolio, we actually would be charging market rates. To me this would be a key  
part of maximising our States' portfolio, that we are effectively not subsidising and we are not hiding  
costs elsewhere. So I just wanted to very briefly note those points, if they could help in debate.

Thank you.

2015 **The Bailiff:** As no one else is rising, I will turn back to the President, Deputy Inder, to reply to  
that short debate.

**Deputy Inder:** Thank you, sir, and thank you, Members, for the debate so far.

I am just going to do the easy bit first. I do not think there is a Committee that like ourselves,  
2020 Deputies Kazantseva-Miller, Falla, Moakes and Vermeulen, have not turned every stone and there  
is more ... well, most of the stones on the beach of Economic Development.

Interestingly, just to raise the point which has been supported by Deputy Kazantseva-Miller, only  
last Committee meeting we had a presentation from the Property lead, which is ex-police officer,  
Mr Head of Property – (*Laughter*) I have forgotten his last name thankfully, (*Interjections*) which is  
2025 quite good! I know him, because I have immediately forgot.

Anyway, we have gone through a phase one of 2016-18 which did not seem to achieve very  
much and we are now onto the so-called phase two. Now, phase two does exactly that. It is  
supposed to be a rationalisation of property, all the things that Deputy Dudley-Owen has  
mentioned. For our own part and our own budget, we have got the Tourist Information Centre and

2030 we have got a budget of x amount of money. Now, if you look at what we effectively pay for, we pay for one of the floors of the building that we already own, bar the person that we leased it out to, which is Bailiwick Investments. So there is a market. So that is a market. So we pay for that separately.

2035 We have got the Digital Greenhouse, which is done in the private sector. In the right place for Guernsey, absolutely, brilliant position. Is there a place within the area which the States own? Probably not. If you really wanted to do it, it would end up at R G Falla House or the backend of the Romanian orphanage which is Swissville nursery, or in the Castel Hospital.

2040 But what is actually important, and I think I have mentioned before, on our books there is no charge for the Tourist Information Centre. That is a primary building, *right* in the middle of Guernsey, of which we are trying to evacuate and doing that rationalisation ourselves, which has got actually nothing to do with the review, but it is not on our books. I mean, what is that worth to Guernsey? What is that floor worth to Guernsey? What we actually did, as part of our property rationalisation stage one, we decided to put probation services on the first floor. Well, that was genius, wasn't it? Not only was it a really unhelpful thing to do, or want of a better ... it actually cost us £300,000 just to put in structured engineering. Five years later, we are looking at evacuating it again! I mean, you could not write this stuff, but you do not have to write this stuff, because it is actually happening. This is what we do with our property, and thankfully, with Deputy Mahoney actually having proper political oversight over it and Deputy Taylor wingman-ing him and kicking the wheels every now and then, and people like our Committee that just do not take no for an answer, is probably likely to be in a better place.

2050 So to answer Deputy Dudley-Owen's question, we are okay. We know what we are doing and we are trying very hard. Part of that stage two rationalisation, it may be the case that Economic Development gets ejected out of its current floor and might end up in another building, and I will not resist that if it means it is better use of space somewhere else. I just will not resist it. I am personally not that excited about office space.

2055 I am not going to pick arguments over the depreciation of a website. I have seen it myself where it has become an asset because it, as Deputy Dudley-Owen said and I think via Deputy Helyar and Deputy Soulsby, I have seen websites when they have been part of capital because they are e-commerce sites. Whether it is a £17,000, I will just ask –

2060 I beg your pardon.

**Deputy Soulsby:** Sorry, I thank Deputy Inder for giving way.

2065 I do not think the issue is to do with whether it should be capitalised or not, it is more a case of whether it should be considered a tangible –

**Deputy Inder:** Sorry, okay. Well, I have written something down, and if I can read my own writing I will ask the question and I will do what I always do and try and answer it to States' Members as quickly as possible.

2070 Deputy de Lisle, I am sure that the staff of the GCRA will welcome your comments, the efforts they have made to go through what was a fairly miserable divorce between Jersey and Guernsey, and the effort done under the presidency of Deputy Parkinson, I think it has all come into a right place. You are absolutely correct, having met members of the GCRA, I think they are one of the quieter parts of our agencies, for want of a better word, that do quite an astounding job. I have met them on a number of occasions and I genuinely think they are just one of those quieter people who have got a certain role, they speak calmly and they always mention that it is the consumer first – it is always the consumer first. So I am sure I can take that away, and we are meeting them, actually, having our six-monthly review. It is on Thursday, isn't it? Yes, this Thursday coming, and I am sure I will ask them those questions and pass on your thanks.

2080 Now, regarding the fees, again, it is another question to be asked. I have got a funny feeling, and I cannot remember – we do so many things in this business – there is a weird rule that the retention of the fees have to have the permission of the President of Economic Development, and

I have got a feeling somewhere I have done that over the last seven or eight months to allow them to keep some kind of war chest. So again, I will try and ask the question for that.

2085 But apart from that, sir, I am grateful – well, I am not entirely grateful, to be perfectly frank with you. I was going to say I am grateful for the debate, not all of it, but thank you for dispensing with that amendment. And for what it is worth, Deputy Brouard, there are no two ways about it, you have turned my head. As Deputy St Pier did over 2-REG, I do not mind, but please, next time, through you, sir, come and talk to us first.

2090 Thank you.

**The Bailiff:** Members of the States, there is a single Proposition. Those in favour; and those against.

*Members voted Pour.*

**The Bailiff:** I declare the Proposition carried.

### **Procedural – Order of Business**

2095 **The Bailiff:** Deputy Helyar.

**Deputy Helyar:** Sir, I wonder if I might beg your indulgence, and speaking for Deputy Roffey as well. There are two matters on the Agenda, Items 11 and 12. The first is Committee *for* Employment & Social Security, contributory benefits and contribution rates, and the second one is the Policy & Resources Committee and States' Trading Supervisory Board in relation to the financial sustainability of Aurigny. Both of these matters, sir, are somewhat time critical in terms of being approved during this session. They are operational in nature and also in connection with liquidity of the States' funds. I would ask, sir, and indulge Members, whether we could move those up the Agenda and deal with them next, if possible?

2105 **The Bailiff:** In that order?

**Deputy Helyar:** Yes, please.

2110 **The Bailiff:** Well, Members of the States, the proposal is that you reorder your business, as you are entitled to, by bringing forward Articles 11 and 12 so that they are the next two Articles to be dealt with. Any further comments on that motion?

I will simply put the motion to you then, Members. Those in favour; and those against.

*Members voted Pour.*

**The Bailiff:** I declare that motion carried.

**COMMITTEE FOR EMPLOYMENT & SOCIAL SECURITY**

**11. Contributory Benefits and Contribution Rates for 2022 –  
Propositions carried**

*The States are asked to decide:*

*Whether, after consideration of the Policy Letter entitled 'Contributory Benefits and Contribution Rates for 2022', dated 13th September 2021, they are of the opinion:*

*1. To increase the percentage contribution rate for employers and employees into the Guernsey Insurance Fund in increments of 0.1% each per year over ten years, and for self-employed persons, and non-employed persons under pension age in increments of 0.2% per year over ten years, with effect from 1st January 2022, as set out in paragraph 3.11 of that Policy Letter.*

*2. To increase the percentage contribution rate for employees, self-employed persons, and non-employed persons under and over pension age, into the Long-term Care Insurance Fund in increments of 0.1% per year over four years, with effect from 1st January 2022, as set out in paragraph 3.18 of that Policy Letter.*

*3. If Propositions 1 and 2 are approved, to direct the Committee for Employment & Social Security to:*

*a) review, in consultation with the Policy & Resources Committee, its ten year plan for increasing contributions each year, and*

*b) report to the States each year, in its annual Policy Letter on contributory benefits and contribution rates, on whether to pursue or to adjust the plan, particularly in light of the resolutions following the debate on the Tax Review, the economic circumstances of the Island and other relevant factors at the time.*

*4. To set the upper weekly earnings limit and the upper monthly earnings limit for employed persons and employers at £3,027.00 and £13,117.00 respectively, from 1st January 2022.*

*5. To set the lower weekly earnings limit and the lower monthly earnings limit for employed persons and employers at £152.00 and £658.67 respectively, from 1st January 2022.*

*6. To set the upper and lower annual earnings limits for self-employed persons at £157,404.00 and £7,904.00 respectively, from 1st January 2022.*

*7. To set the upper and lower annual income limits for non-employed persons at £157,404.00 and £19,760.00 respectively, from 1st January 2022.*

*8. To set the allowance for non-employed persons at £8,904.00 per year, from 1st January 2022, in line with the uprating policy for contribution rates and to agree that section 8(4) of the Social Insurance (Guernsey) Law, 1978, is amended to allow for the same.*

*9. If Proposition 8 is approved, to set the voluntary contribution for non-employed persons at £22.34 per week, from 1st January 2022, in line with the minimum weekly amount payable by a non-employed person under pension age.*

*10. To set the overseas voluntary contribution at £103.45 per week for nonemployed people and £114.37 per week for self-employed people, from 1st January 2022.*

11. To set the standard rates of contributory social insurance benefits as set out in Table 10 of that Policy Letter, from 3rd January 2022.

12. To set the contribution (co-payment) required to be made by the claimant of care benefit, under the Long-term care Insurance Scheme, at £256.83 per week, from 3rd January 2022, and at £271.67 per week, from 4th July 2022.

13. To set the maximum weekly long-term care benefit at the rates set out below, from 3rd January 2022:

- a) £532.98 per week residential care benefit for persons resident in a residential home;
- b) £696.64 per week elderly mentally infirm (EMI) benefit for qualifying persons in a residential home; and
- c) £961.59 per week nursing care benefit for persons resident in a nursing home or the Guernsey Cheshire Home.

14. To set the maximum weekly respite care benefit:

a) at the rates set out below, from 3rd January 2022:

- i) £789.81 per week for persons receiving respite care in a residential home;
- ii) £953.47 per week for the elderly mentally infirm (EMI) rate for persons receiving respite care in a residential home; and
- iii) £1,218.42 per week for persons receiving respite care in a nursing home or the Guernsey Cheshire Home.

b) at the rates set out below from 4th July 2022:

- i) £804.65 per week for persons receiving respite care in a residential home;
- ii) £968.31 per week for the elderly mentally infirm (EMI) rate for persons receiving respite care in a residential home; and
- iii) £1,233.26 per week for persons receiving respite care in a nursing home or the Guernsey Cheshire Home.

15. To approve, in principle, the policy options set out in paragraphs 6.21 to 6.39 of this Policy Letter in respect of changing the residency conditions to be satisfied to qualify for long-term care benefit, introducing a sliding scale of long-term care benefit entitlement based on length of residency in aggregate in Guernsey, Alderney, Herm or Jethou, and taking into account the capital value of a person's home in the income support means test if the person is living in a residential or nursing home and the property is not occupied by the person's spouse, partner or dependent relative(s).

16. If Proposition 15 is approved, to direct the Committee for Employment & Social Security, in consultation with the Policy & Resources Committee, to return to the States with detailed policy proposals in respect of the policy outlined in paragraphs 6.21 to 6.39 of this Policy Letter at the earliest opportunity, but no later than October 2022.

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

2115 **The Bailiff:** I will ask the Greffier to call Article 11 then, please.

**The Deputy Greffier:** Article 11, Committee for Employment & Social Security – Contributory Benefits and Contribution Rates for 2022.

2120 **The Bailiff:** I will invite the President of the Committee, Deputy Roffey, to open debate.

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

2125 Maybe I should start off by explaining why it is time critical. I know absolutely nothing about IT, as everybody knows, but the Revenue Service tells me that unless we make a decision in good time, they will not be able to bring in any alterations on 1st January, and apparently the IT system cannot cope with any changes on any date other than 1st January. Why, is a mystery to me, but the Revenue Service tell me that that is the case, so it is important we deal with it now.

2130 This policy letter is really fairly standard fare as far as the uprating of pensions and benefits are concerned. It follows a fairly well-established formula and I have little to say in respect of that part of the proposals. The formula for those who still are learning the way it operates at the moment is that we uprate our pension by RPIX plus one third of the difference between RPIX and the change in average earnings. Now, the President of P&R pointed out yesterday that our pensions are considerably more generous than the UK's. That is true. Our uprating policy, however, is considerably less generous than the UK's and therefore that gap is narrowing. In the UK they normally have something called a triple lock, which is either RPIX or 2.5% or the change in average earnings, whichever is the highest. I think that may have been suspended for one year to become a double lock, but it is still more generous than the policy here. So I do hope that nobody will object to that fairly modest policy formula being applied to the uprating in this policy letter. So fairly straightforward.

2140 However, when it comes to the contribution side of the equation, this is a very significant policy letter, and it is also a significant policy letter in terms of a proposal in principle in respect of future eligibility for payments from the Long-term Care Insurance Fund. I will start, sir, with long-term care, if I may. There is no proposal to actually change anything today, but we would very much like a steer from the States over whether they agree in principle with our direction of travel before we commit a lot of time and effort, particularly from our limited pool of expert officers, in working up those proposals further. It is our equivalent of a green paper, if you like.

2145 What we are suggesting in principle today is changing the eligibility for long-term care benefit, and the reasons we are doing that are two-fold. Firstly, to increase fairness, and secondly, to save money, something which every Committee I know, having listened over the last couple of days, has at the top of their agendas at the moment.

2150 To understand why we are suggesting what we are suggesting, I think we need to look briefly at the history of the Long-term Care Insurance Fund. When it was brought in, there was absolutely no opportunity to make it a bit like the old age pension is, or rather the States' pension these days, with the size of the benefit being proportionate to the number of contributions which claimants had paid in. Obviously, when the scheme was started, nobody had any contribution record at all, so such a scheme would not have helped for many years to come, and it was there to address a problem that was perceived at the time. So instead it was decided to impose a very simple eligibility criterion: five years' continuous residence. Up to five years of continuous residence, you got nothing; a day over five years' continuing residence, you were entitled to the full level of the benefit from the Fund.

2160 Now, nearly 20 years on, we have revisited that decision, and our conclusion is that while we would quite like to swap to a pension-style contribution-based scheme, that still is not practical. Why? Well, because somebody going into a care home, say, next week, age 85, will already have been a pensioner when the scheme was first set up. Now, pensioners are liable to pay contributions but only if they are above a level which many pensioners are not. So many people who will be going into care homes next week may not have paid a single contribution, even though they have lived in Guernsey all of their lives.

2165 In another 20 years, swapping to a contribution record-based qualification for the benefit probably will be achievable. But for the time being, if we want to make the qualification criterion more rigorous, then we have to find a different way of doing that. Now, our solution outlined in the policy letter is to make the eligibility for part or all of the benefit dependent on a sliding scale of length of residence. What we are suggesting is that claimants should qualify for 25% of the full

benefit if they have lived here for five years, 50% after 10 years, 75% after 15 years and 100% after 20 years.

2175 Why the need for change? Well, what we certainly do not want to do is to see any Guernsey resident, however long or short they have been here, denied the social care they need due to any lack of finance. If people need the care, they need the care and they should get it. But, of course, the Long-term Care Insurance Scheme goes well beyond meeting that basic requirement. It also sets out to protect the assets of those needing such care by meeting their care costs, and by meeting  
2180 their care costs ensuring that they do not need to draw down on those assets. Now, that is fair enough. That is absolutely fair enough for those who are long-term residents and therefore are likely to have paid into the insurance scheme over those years. But we at ESS, and I think all of us, have to ask the question is it really fair for the hard-pressed working-age population of Guernsey to fund all of the care needs of someone who has only relocated in Guernsey, say, six or seven years  
2185 earlier, has paid little into the Scheme, and where their own personal financial circumstances mean they could well afford to fund their own social care? Why should Guernsey nurses, plumbers and teachers have to pay higher Social Security contributions to pay for the care needs of quite recent arrivals just to ensure that their assets, which may be worth millions, are passed on completely intact to their heirs? We do not think that is fair, and actually, we do not think it is affordable going  
2190 forward. Hence our proposed sliding scale based on length of residency.

Of course, Income Support would still pick up the tab for those who genuinely could not afford their own care needs, even if they had been here less than the periods that we are setting out, but that brings into question whether it is right and proper to completely exclude any consideration of the family home when calculating Income Support requirements for those in residential care. What  
2195 this does not mean – and I ask Members to read my lips, in particular Deputy Prow – is that there will be any reduction in the benefit payable to somebody with a valuable family home, it does not mean there is going to be a capital contribution up front before you qualify for the scheme. Certainly if you have been here for 20 years, you can have millions of pounds' worth of residential assets, you will be entitled to the full pay out.

2200 However, what it would mean is that someone, for instance, who only qualified for a partial benefit because they had not been here very long, would be expected to use some of their assets to pay the balance of their care needs above and beyond what they qualified for coming out of the scheme. So if you have been here 20 years, a States' rates bed, the full care costs would be covered, no expectation of a capital contribution. But if you only qualify for 50% and you have got a home  
2205 worth £1 million, you would be expected to make some contribution to the second half, rather than saying, 'Oh, you can't take that home into account, my Open Market house is my family home, therefore Income Support has to sweep in and pick up the other half.' I hope that is clear; I know it is quite a complicated area.

Sir, I have to say that these ideas are not fully worked through, not all of the details have been  
2210 worked out, but what we are asking for today is approval in principle to press ahead and work up that detail. We have heard a lot, haven't we, over the last couple of days, over the need for States' reform in order to save money. Well, here is one opportunity, and I hope that Members will back their own rhetoric up with a firm policy decision. But it is a firm decision in principle and if they do not like the details when they come back, they will be able to address it, at the latest this time next  
2215 year, we may come with a standalone policy letter in the middle.

Now, sir, moving on to contributions. I have to say that if we were following the advice of the Government Actuary's office today, we would not be proposing a 0.2% increase in contribution rates into the Guernsey Insurance Fund, and having heard Deputy Leadbeater's speech on another debate  
2220 yesterday, I think I should clarify it is 0.2% for every worker. In the case of the self-employed, obviously they meet the whole of that, in the case of an employed person they meet half and their employer meets half; that is how the system works. But there is no discrimination between self-employed and employed. But it is 0.2% per employee, between them and their employer, or self-employed person.

2225 We would not be proposing that 0.2% increase at all. Rather, we would be proposing an increase nearly nine times that size of 1.75%, because that is the increase that the Actuary's office have calculated needs to be implemented from the beginning of next year in order to make the Fund sustainable in the long term and to keep the balance in the Fund above two years' expenditure, which is this Assembly's policy.

2230 So I suppose the obvious question is why are we not suggesting such a big increase. Well, several reasons. Firstly, we think bringing in that sort of increase, taking that amount of money out of Islanders' pockets at this moment would be like a bucket of cold water over the Guernsey economy just at a time when it may be thriving, and it is, it obviously is – it is hard to find employees – but it is still fragile after COVID and we did not want to do that.

2235 Secondly, for reasons of competitiveness. Make no mistake, Members, we are not in a unique position. All of our competitors are in a similar pickle when it comes to funding pensions, so they are all going to need to increase contributions. But the first movers may be putting themselves at a competitive disadvantage. But the dilemma is neither can we afford to wait any longer, the Actuary's office has made very clear that we have already waited too long. So instead what we are suggesting is a gradualist approach which will not involve any sudden shocks or make us less competitive in any meaningful way over the next few years.

2240 There are other advantages too, to this gradualist approach. Firstly, although the Government Actuary is the leading expert in their field, their predictions are only as good as the assumptions on which they were based. Things like fertility rates, net migration levels, longevity, investment returns, and so on. So the Government Actuary's forecast may well prove to be wide of the mark. In the end, contributions may need to go up by less, or, heaven forfend, even more. There is absolutely no doubt that they need to go up – we know that – and 1.75% is the best projection at the moment, but that figure may change.

2250 So rather than overcorrect today, we are going to review the situation every year, in tandem with P&R, and only continue with this 10-year programme only if it is clear that it is absolutely required. Now, that gradualist approach does have its downsides. For instance, the Government Actuary does predict that if we take that approach then for a while our reserve fund will dip below the two-year cover which is supposed to be the minimum, but is also projected to then rise above two years' cover and continue rising after that. So we feel we can probably live with that prospect.

2255 The other advantage, and we will all be well aware of it, having sat through the last couple of days, of a gradualist approach is that the whole programme we are advocating today may be overtaken at some point by the root-and-branch reform of Guernsey's taxation and contribution system. If so, halleluia! That is exactly what ESS wants to happen. At that point, we can park this whole problem. But *please* do not balk at it now in the hope and expectation of that day arriving soon. We cannot afford to do that and it would only lead to the current depletion of the fund accelerating.

2260 We have just lived through this, and not just me but my predecessors, every time they have brought proposals to try and stabilise the Fund, there has always been a good reason why not. There was Deputy Trott's Zero-10, there was the credit crunch in 2008, there was ... (*Interjection by Deputy Trott*) Sorry?

2265 **Deputy Trott:** I am not taking the blame for anything you did, it was not my Zero-10.

2270 **Deputy Roffey:** Well, I thought Deputy Trott often did claim responsibility for Zero-10 – there was Zero-10. Then there was the credit crunch. Then there was the first of the tax and benefit reviews under Deputy Langlois and Deputy St Pier. There was always some reason – then there was the pandemic. There was always a really good reason why now was the wrong time, and I can hear people probably getting up today and saying, 'Look, we're starting to discuss changes to our tax system! Two or three years' time, this may all go away! Let's just park it, let's just wait and let's see whether something comes out of the ether.' I urge Members not to do that.

2275 We all heard Deputy Helyar this morning: that Fund is dangerously depleted. It actually, in real terms, talking about 17 years and it is completely running dry, really is the day after tomorrow. We need to start putting corrective measures in now. But what we are suggesting is very modest and it allows that if the Tax Review comes through, and I do not think that is certain – we will see what happens in July – but even if we get detailed proposals through in July, and I know people want it done in this term, rather than straddling the election, we are talking about two or three years before they are really bedded in. We cannot wait that long.

2280 So nobody ever likes bringing up contribution levels and I certainly do not. One of the main reasons I do not we dwelled on during the Tax Review debate: the fact that this is going to hit some people really low down the income scheme, which is why I want the whole Social Security scheme reviewed so that that does not happen anymore. But that is the system we have got, we need financial stability. If we do not start taking baby steps towards it, then we really are being irresponsible as a Government. So I do ask Members to vote for all of these proposals.

**The Bailiff:** Deputy Inder.

2290 **Deputy Inder:** Yes, sir, thank you.

One of the sensible opening speeches, but often sound like closing speeches from Deputy Roffey, because he has already told us what we are all likely to think and what the arguments already are. But we are where we are. Things have to move on. If you think this is scary, wait until June of next year, when Deputy Helyar comes and Policy & Resources come back with the Tax Review.

I am not too worried about this, but what I really want to pursue is Proposition 15, and this is where we start looking at something that Alderney has suffered from, we are certainly seeing in Guernsey and is likely to happen in the future, and that is when we have got far too many people in this Island of the wrong age immigrating to this Island, only having a few years left of their working life and meaning, effectively, that he, Deputy Roffey, through you, sir, says plumbers and the candlestick maker is paying for it. But children will be paying this for years.

I think what he is doing here is on the right path, but it is not connected with a tax strategy, because I think we should go further. I am simply of the view, at this point in time, that when you hit a certain threshold we need a points-based system and effectively private medical insurance for people that move into the Island. It is getting that serious. What concerns me about this, and I am only really testing this with Deputy Roffey because I do not think he has the ability under his mandate to do anything further than this, is that I have seen examples, sir, when people have come over, rightly so, they have moved to our Island, they have got the right skill base, they have taken the right management position, they have come from far afield, they have sold their houses in their countries, they have moved and committed to Guernsey. Fantastic, long may it continue. Two years later, mum and dad are coming over. Well, hold on a minute. We have just had the discussion that over £52,000 earning fees is the line and these ... What happens if mum and dad come over to Guernsey? As family dependents, I have seen examples, and too many examples, where Guernsey is a great place to visit, and quite rightly so you want to look after your parents in their great age. But what actually happens? They do the two-thirds one-third thing which is the old Guernsey way. Basically the main house is owned by effectively the working family, and they move mum and dad from the foreign country into the one-third wing, or in the Guernsey version just a bigger glass box wing. Now, looking at this, they do not have any assets. They have probably got capital, but they sold their assets in the foreign country. It is probably sitting in the bank account somewhere, yet they are over here, legs are falling off, they are getting care, they are heading towards retirement, things are definitely not getting any better and I think Deputy Roffey's Committee is heading in the right direction, but I do not think it has gone far enough. It really does concern me that the family dependents of people are selling their properties elsewhere, sticking their money in the back pocket, coming to Guernsey, as we are seeing in Alderney, and basically asking everyone else to pay for it. What this Island has become, and Alderney has become as well, we have seen it up there – I am not

picking on Alderney, Alderney States' Members, it is just I can see this happening in a much grander scale in Guernsey if we carry on down this path.

2330 So I am going to accept ESS's proposal on Proposition 15, but I think they should go a lot further because it is not fair. You should not have your house and your properties in Salcombe, sitting there earning rent, coming to the local residents' wing, who have done quite well, and getting our sons and daughters to pay for it. It is not right. It was right when we had more money, we could get away with it, but we cannot get away with it anymore.

2335 In fact I had this conversation with someone fairly high up in a certain place. I tested this with them and they say, 'I've paid my taxes you know, I've contributed to Guernsey.' My response was, 'Maybe you have; your parents haven't.'

**The Bailiff:** Deputy Oliver.

2340 **Deputy Oliver:** Thank you, sir.

I have got mixed views with this because part of me thinks it is a stepping stone and at the moment the proposals seem fine, to an extent. But I think that what will happen eventually is that this is a means to an end whereby everyone will, if they have a property, have to use it as collateral in the future to pay for their care. Now, that does not say that at the moment. It is quite a sensible Proposition at the moment. But it just worries me that this is a stepping stone for further things to go down in the future.

**The Bailiff:** Deputy Ferbrache.

2350 **Deputy Ferbrache:** Sir, I think Deputy Roffey asked in his introduction if people would stand up and say they support it – I stand up and I absolutely support it. It is a baby step and we need to take more baby steps in relation to it.

2355 I share the concern of Deputy Oliver but I do not think this is what we are talking about. We are talking about people – it is a point Deputy Inder made – who have not made contributions, come here late in life, are dependent on the state, both in Guernsey and in Alderney, and we have got to react because we have not got the money to care for those people when they have not contributed to our economy. But I think these are very sensible, pragmatic proposals, and I have no hesitation at all in supporting them.

2360 **The Bailiff:** Deputy Prow.

**Deputy Prow:** Thank you, sir.

2365 I rise very briefly to support the views of Deputy Oliver, but I do support the paper and I am very pleased that Deputy Roffey has teased out that red line and made it absolutely clear, because for me, and I think quite a few other Deputies in the Assembly, that people who have lived in Guernsey, contributed for a long time, where they have had a mortgage, principally since they can live rent-free in their old age, that is a complete red line for me and, as I say, I think for many others in this Assembly. But I agree with Deputy Ferbrache. You asked people to support it, and I do, sir.

2370 **The Bailiff:** Deputy Kazantseva-Miller.

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

2375 This is more of, I guess, a question or concern, and this is where I really do not have much understanding but I would like to raise this concern. So I think your future benefits, whether it is your pension, your long-term care and so on, are obviously dependent on your contributions throughout your lifetime. We obviously have a situation where parts of our community, such as mums, choose to stay at home, take care of kids, we have lots of carers, which also have caring

responsibilities. So with the Family Allowance obviously a rule is changing and families who no longer will be receiving Family Allowance, there is no carry-over of those contribution benefits.

2380 So I think my, I guess, question and concern, is we need to create a system where if there are Islanders, members of our community, who are choosing not to be employed but are actually still contributing in free labour, basically, through caring and so on, that we have a system of how their contributions are still counted. So I guess it is a question to understand whether that is being considered.

2385

**The Bailiff:** Deputy Brouard.

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

2390 I align my thoughts with Deputy Ferbrache. I think they are absolutely right. Something I just would ask Deputy Roffey to clarify. If someone retires here, perhaps at 65, their care home needs are probably going to be looking more like at 80 or 85 or 90, rather than ... So in 20 years' time they will qualify, if you see what I mean, by being here that length of time. Unless there is an insurance scheme in place, I cannot see how that is going to ... it will help, but quite a few people will, just by the matter of time of being here, not have very much to pay but would never have contributed during their working life in this country and would have done it somewhere else. I am very keen on looking at an insurance scheme, I think that is the way forward for the Island for those who want to join us later in their lives.

2395 One area I do struggle with, and it is one that Deputy Prow just touched on, and I can appreciate the redline with property, the difficulty, and it is one I struggle with, is for those people who are working now, who are saving up for a house, they cannot afford a house but they are saving up for one, we are asking them to pay more so that someone else's parents can have free nursing care so that that family can preserve their inheritance. I struggle with that. That is the intergenerational part and I do not think it is necessarily fair that we are asking our young people working today, who have not got a house, need to pay extra for somebody else, who has got a house who happens to need care home facilities but wishes other people to pay.

2400 So that is where I struggle, but I do take his point that the house, and also different people during their lifetime, some people will relish in or try and save for a house, other people will have a different lifestyle and may not have those assets. But I do struggle, and as Deputy Roffey was saying, some of these things need to be teased out, but it is that intergenerational equity that I struggle with, because one moment I am with Deputy Prow and the next moment I am with the worker who is trying to buy their own house having to preserve someone else's inheritance. That is where I struggle.

2405

**The Bailiff:** Deputy Gollop.

2415

**Deputy Gollop:** Yes. Deputy Helyar earlier said maybe I was unique in that I wanted more taxation. It is not quite as simple as that, but I think Deputy Brouard has put his finger on an issue that the States many years ago, 2001 I think it was, voted to introduce the Long-term Care Fund without too much thought of the long-term financial consequences. In fact Deputy Trott and others may recall that Advisory & Finance, the titans of that era, were rather sceptical of it. (**Deputy Trott:** They were.) And maybe, with hindsight, they were right in financial terms and moreover I thought the rates at the time were far too low and we should have built up a sovereign fund, and we did not. But I voted for it because it was the populist thing to do.

2420 Eight or nine years later I am probably one of those who did not want to see the rates rise, not because of Zero-10 but because of the credit crunch. But we learn by our history, and I will not say by our mistakes, but you do evolve with these things. And it is pretty obvious that many of the candidates who did extremely well in the last election went round, met the electors, and the electors had a clear view, or at least many of them did, that they wanted not to sell their properties and they wanted for their descendants to enjoy the inheritance and not be forced to sell.

2425

2430 Subsequent to that, we have seen of course the UK Prime Minister, Mr Boris Johnson, talk about  
introducing a scheme which would see a rather hefty and eye-watering 2.5% increase. I will not get  
into that, but clearly, therefore, the proposals we are putting forward here today are moderate. The  
relevance of the issue about people being able to claim relatively generous long-term care benefit  
in nursing or residential or EMI homes and retain the family nest egg in a different way from Jersey,  
2435 effectively, anything like that means somebody is paying for it. It is why, although I do accept Deputy  
Taylor made a good speech about us not being pejorative about poorer people, I still stand with  
Deputy Trott when he says that some people effectively are being cross-subsidised by others in our  
community. If you take that a little bit further, you could argue that people who are able to attain  
large amounts of real and personal property, and have a significant state benefit that they might  
2440 not have paid in for, in some cases, within the residential home, are actually benefiting. And they  
are being cross-subsidised by the very people Deputy Brouard referred to, which maybe is the  
intergenerational, younger element or guest workers or younger people who do not even own their  
homes and in some cases never will.

So it is actually a very nuanced subject but we are not going into that today. ESS have just come  
2445 up with a proposal about a specific group of people who come to the Island later in life, and I  
support looking further into this, but with a degree of caution. Here I have to say I have an interest  
in that I inherited a property in Alderney and have long association with Alderney, and Alderney is  
one element, amongst a few others, that worries me, because Alderney does not have an Open  
Market and a Local Market in the Guernsey sense. It has a unified market and it has always benefited  
2450 from people owning holiday homes there that they eventually move semi-permanently into until  
maybe their late 50s and 60s.

Now, it might act as a disincentive for people to move to Alderney, unless they have their own  
copper-bottomed insurance schemes, and insurance schemes cost. So one has to look at the long-  
term consequences for Alderney and I also think there are many people in Guernsey – I do not know  
2455 the numbers for certain – but they have moved here, either in the Open Market or as professionals,  
occasionally as married partners, but professionals who have got long-term licences and for all kinds  
of reasons, family, love and everything else, the mother or father or whoever come over and live  
with them, and these people will be potentially a bit disadvantaged by this and we will have a bit of  
a division in society, because every time you change the rules and make them tighter you effectively  
2460 make Guernsey less of a sellable proposition, in some respects, to migration. That has to be  
balanced out by the tax burden and by fairness, but I am just putting that out there.

Of course, I would love many of these benefits to be even higher, and I am aware that we do not  
have the triple lock of the United Kingdom – they might not have it for much longer – but I would  
like to see greater generosity to people in certain circumstances and maybe even have a top-up  
2465 pension or an increased pension for over-80s, all kinds of things. Because actually we want to  
encourage people, where possible, to stay in their own homes or flats, rather than move into  
residential care. We need to be working on that.

I think it is time to grasp the nettle and go for a very moderate rise in contributions because we  
have been kicking that particular can down the road and we cannot afford to have deficits in our  
2470 funding. We have to be responsible.

**The Bailiff:** Deputy St Pier.

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

2475 Deputy Gollop is the first person to reference contributions, which is Propositions 1 and 2, and  
that surprises me, in the debate so far. I would actually ask Members to turn to page 13 of the policy  
letter and the table on page 13, which sets out the impact of Propositions 1 and 2 over a 10-year  
period, which is to increase employer contributions by 1%, June 2021 and 2031, employee  
contributions by 1.4% and self-employed contributions, Class 2 contributions, by 2.4%. Now, we  
2480 have spent days of debate on the Tax Review agonising over changes in taxation and in essence  
kicked that into next year after further work. That is always the nature, in my experience, of debates

in this Assembly. That actually talking about increases in Social Security contributions largely seem to go through on the nod, and that appears to be the case today as well, with no comment at all. Yet substantial increases, or any increases in taxation, are met with howls of protestation. Of course, the impact on our community is exactly the same, whether you take it out of their back pocket as Social Security contributions or taxation, it matters not to them.

So I am really surprised, actually, that we have not had any formal letters of comment on Propositions 1 and 2, particularly from the Committee for Economic Development, and also from the Policy & Resources Committee in the context of the Tax Review. There is no economic analysis in this policy letter of the impact of the increasing contributions for next year or indeed further years; actually taking this amount of the economy, how is it going to impact us.

The drive is, the focus is, we are going to run out of money in 17 years in the Insurance Fund. Well, that of course is simply a product of us determining that we must have a two-year reserve of funds in that fund. That is entirely of our own ... that is a policy that we have made up. We could say it is six months –

**Deputy Roffey:** Point of correction, sir.

**The Bailiff:** Point of correction, Deputy Roffey.

**Deputy Roffey:** The projection of the Government Actuary is that the money will run out completely, not get down to two years' cover inside that period.

**Deputy St Pier:** I accept the point, but the primary driver is an ambition to have two years' reserves, which is what is driving the recommendation on Propositions 1 and 2. But of course, there are many pension funds which are effectively pay as you go. That is the UK old age pension is paid on that basis. In other words, there is no buffer fund. We get to 2037 and we will just have to meet our obligations to taxpayers at that time from that year's taxation. So that is a policy choice, if we wish to make that.

Now, that I do not think has been analysed here. These proposals in Propositions 1 and 2 will embed all the challenges that were reflected in Policy & Resources' Tax Review policy letter of the challenges around Social Security contributions. That is what Proposition 3 in that policy letter was about, we need to address the iniquity of that. These Propositions 1 and 2 are regressive, they will impact the lower and middle-income earners of Guernsey more than the higher-income earners because of course Social Security contributions are capped, which Income Tax is not, and yet this is apparently going through on the nod.

I am not sure that I can support Propositions 1 and 2. I of course declare an interest in Proposition 2, as a self-employed contributor. I am not sure that I can support it. I certainly would like to hear from P&R, particularly from those that have not yet spoken on P&R and what their views are on this in the context of the whole. I know this has been presented as a stopgap in anticipation that the Tax Review debate was not going to produce a clear direction of travel, which it has not at this point, and therefore Social Security want to do something, they feel that is the responsible thing to do. But I do not think I can increase the burden on lower- and middle-income Guernsey at this point without having adopted the reform of Social Security contributions that was set out in the Tax Review. That Proposition was removed of course; we have not even agreed that in principle.

So I would certainly welcome comments from P&R and anybody else who has not yet spoken from ED. I was surprised to hear the President of Economic Development again not comment at all on the economic impact of that increase in contributions.

The other comment I would like to make, again in relation to the policy letter, is if Members note at paragraph 10.1, the performance of the investment fund in 2020 was that it actually went down 0.24%. That is a woeful investment return in 2020, when most investment funds were growing by 5% or 6%, even if fairly modestly invested with a modest level of risk. Now, I understand from the President there has been a bit of a bounce-back in 2021, it is doing very well. The fact is the

2535 insurance funds within Social Security have been underperforming relative to the funds managed  
by Treasury and Resources and Policy & Resources for a number of years, and that is a product of  
the risk that they have adopted because they are managing a fund, they have taken the view, that  
they are managing a fund which is declining in value and therefore they are taking less risk. They  
are taking risk off the table. That is a view that I have never accepted. The reality is ultimately the  
liability rests with taxpayers and therefore to simply look at that plot of liability on its own and seek  
2540 to manage risk just looking at that pot of liability is flawed, in my view. I have always been reluctant  
to support that investment policy decision and underpin it by increasing Social Security  
contributions to make up for the fact that we have underperformed in those funds for quite a  
considerable number of years now.

2545 Now, that policy has been addressed to some extent by the policy letter which Deputy Helyar  
led I think in February this year and the decision to create the States' Investment Board, which is I  
guess still being created, bringing it all under one governance and oversight that will enable there  
to be a more coherent view of risk across the piste, rather than looking at individual jam jars.

2550 So I think my concern about investment return, and I know investment return is not the be-all  
and end-all – even if we were performing at 7% in 2020, it would not necessarily solve the challenges  
which are set out in this letter. But I think there are some significant weaknesses in this letter which  
do not, in my view, yet justify and win my support for Propositions 1 and 2, and for that reason, sir,  
I would like a recorded vote on Propositions 1 and 2. The other Propositions I am happy to support.

2555 Proposition 3 I guess is seen as being ... I say it is a sop, it is not intended to be a sop, it is  
intended to be a bit more serious than that – to provide some kind of comfort that there will be a  
constant review of this. But I think once we have set out on this path, it is unlikely to provide much  
of a break, because we know the course, we know the direction we are headed in, which is reflected  
in this policy letter, but ultimately making this decision absent the wider Tax Review decisions which  
have not yet been made I think is flawed, and is one that I do not think I am comfortable making.  
2560 But in particular I would welcome further comment from P&R and Economic Development in this  
debate.

**The Bailiff:** Deputy de Lisle.

2565 **Deputy de Lisle:** Sir, as I read it, I see a dual hit on the over-pension age personnel, and I would  
like to just make sure that I have got this right, because first of all, of course, the rates are going to  
go up, according to Proposition 2, by 0.1% per year over four years, and that will affect what people  
over pension age will pay; 3.4%, 3.5%, 3.6%, 3.7%, until 3.8%.

2570 Secondly, of course, we have got this sliding scale of benefit entitlement that was introduced. I  
am not sure that that would not be accepted by people over pension age. There might be some  
disagreement there, but it is the fact that, secondly, or thirdly, the States have changed the way in  
which the introduction of the Long-term Care Insurance Scheme was originally proposed, by further  
amending it to provide for the value of the former residence to be ignored in the means-testing  
assessment for assistance towards the care. In 6.35 it says:

The rationale for this decision, as explained by the Authority at the time, was that it believed that there was an implicit  
commitment with the introduction of the Scheme that people should not be forced to sell the family home to pay for  
long-term residential or nursing care.

2575 Now, that has been going on since 2002, which is about 19 to 20 years that people have been  
paying as a result of that programme being brought in. And they have been paying on the  
understanding that they would not have to sell the family home to pay for long-term care,  
residential or nursing care.

Now, in 6.36 it then says:

Taxpayers are essentially subsidising a person who has considerable wealth tied up in their property.

2580 So it is envisaged that if a sliding scale of benefit entitlement was introduced there would also  
need to be a change in Income Support policy whereby the capital value of the home would be  
taken into account in the Income Support means test, if they or their spousal partner, or their  
dependents, were no longer living on the property. In practice this would mean that a person who  
owned their own home who was living alone prior to their move into a care home would not qualify  
for financial support through Income Support if they could not afford the balance of their care home  
2585 fees. In this scenario, the person concerned would need to release some of the value of their home,  
either by renting it out, which would assist with the housing provision, by releasing some of the  
equity in their home, if such a scheme were available locally, or by selling their property.

Now, that means that that person has been paying for 20 years, or 19/20 years, and the States  
have decided to change the rules that they agreed on previously. So that is another yammy. So I  
2590 am saying there is a double-yammy in here: both the rates are going up, and also people are being  
caught by, in some cases, having to sell their home or renting it out.

I also want to remind Members that only last year or the year before – in the last term, let's put  
it this way – the age tax allowance was taken away from the over-pension-age group and that  
released £4 million from the States' expenditure. So in other words, that group of people is losing  
2595 £4 million a year in terms of the age allowance tax allowance. So it is one thing after another in  
terms of the hit that the over-pension age are being subjected to.

Now, many will feel, as I do, that this is quite unfair. If a Government brings in a programme and  
a proposal, then it sticks by it. It is the same as people here with respect to what they told the people  
before this Election: that there were not going to be any tax increases this term. And yet, everybody  
2600 is changing their mind and talking in a different way in the debate that we have just had. That is not  
right, sir. You promised something, you do it, or get out! (*Interjections*) That is my feeling.  
(**A Member:** Hear, hear.)

Thank you, sir; and perhaps Deputy Roffey will just relate to the group that I am talking with  
respect to, the over-65s, as to whether I have got it all right or wrong.

2605 Thank you.

**The Bailiff:** Deputy Helyar.

**Deputy Helyar:** Sir, Deputy St Pier asked for some more commentary from P&R, so I am very  
2610 happy to provide that. First of all, I would give some background on the Investment Board activity,  
because I think that it would be helpful for Members to hear an update on that. Deputy  
de Sausmarez has just asked for an update as well.

I am delighted to say, I know that Deputy Trott expressed some reservations potentially about  
the fees that would be paid to members of that committee, but we have had some truly excellent  
2615 and outstanding individuals apply, and we have not quite finished the interview process yet, but  
any one of whom certainly would be ... they are of outstanding quality and I am very pleased to see  
so many people stepping forward to do their bit for the Island because they feel they can give  
something back because they have a unique set of skills.

The management of the Social Security Funds is transferred over to the IBC, as you will remember  
2620 it. That is still constituted effectively. We have not moved into the new governance, so we still have  
two independent advisors. They do have, having seen both now, quite a different approach and I  
think those two bundles of investments, I agree with Deputy St Pier, the approach needs to be, how  
would I put it ... the assets and liabilities need to be properly matched across the whole piece in  
order for us to gain maximum return from that and that is what I anticipate that the board will move  
2625 towards. I will be observing – I do not have any voting power on that, but I will be the political  
observer when the board looks at it – but I would expect the board to look at repositioning those  
two bundles very quickly. I think we need to do that anyway because we are going into a changing  
interest rate environment, so we perhaps need to look at the mix quite differently.

In terms of how this relates to the tax debate, just putting up Social Security contributions is  
2630 suboptimal. It is suboptimal; Deputy Roffey has admitted that. The way that the Social Security

system is designed at the moment is unfair, and I think I said at the beginning of the debate it is untenable for any of us, really, to support that because it will, as Deputy St Pier has said, immediately take money from lowest and middle earners. That is just the way the system is designed. So yes, I think it is imperative and I am certainly taking away, I know I am going back to the previous debate now, but a big take away was that Members wanted to see reform in that area.

2635

Overall I think if we do not look at broadening the tax base and diversification, which is what that debate was about, then these are the kind of measures that will have to be taken to fill the gap. It is as simple as that. Deputy Trott mentioned for example that he preferred an income-based approach. That is perfectly fine and there are good reasons for that in comparison to a GST, but something will be needed to fill the gap.

2640

Deputy de Lisle, I completely agree with you. It is not good enough that we have to do that, but the alternative is a *massive* cut in public services – a *massive* cut. Almost without precedent probably in the western world. I gave the figure this morning: £52,000 is the earning rate at which you start to contribute back to everybody else's enjoyment of public services. That is quite a high salary. Everybody earning below that is not contributing to what they are receiving in terms of public services, and that is 75% of the population. These figures are stark and we cannot change them simply by wishing away tax rises. Unfortunately, that is going to play some part in it and it is going to be a mixture of things. So I am sorry to have to send the same message again and repeat what was said.

2645

2650

I am happy to give way to Deputy Taylor.

**Deputy Taylor:** Sir, I am very grateful to Deputy Helyar for giving way.

Might he concede, on that last remark, that that is based on the average person consuming an equal share, and in fact someone who may be earning below that threshold who does not have a child or a knee operation or ever go into hospital may not be consuming more than they contribute?

2655

**Deputy Helyar:** I am very happy to concede that. Obviously we have to deal with averages and that is very true, that there may be people at different levels who are enjoying, but at the other end I would say that there are many people earning more than £50,000 who have private medical insurance, send their children to private school and so on who are therefore not using public services but contributing significantly towards them.

2660

So in a nutshell, Deputy Roffey has actually told us several times that this was coming. This is the plan B for ESS if, as an Assembly, we cannot agree on a way forward with broadening the tax base, and so Members must steel themselves, I am afraid, for more of this if we cannot reach a conclusion in July.

2665

Thank you.

**The Bailiff:** Deputy Trott.

2670

**Deputy Trott:** Sir, a couple of observations. The first is a statistic that is quoted on page 31 of the report which I was not aware of and I think is very interesting. Paragraph 6.27 tells us:

The cost of care in a residential or nursing home is high, but the risk of requiring such care is relatively low.

It goes on to explain that the:

Actuarial Review of the Long-term Care Insurance Fund shows that, under age 80, well under 1% of the age group are receiving permanent nursing care. Even at age 90-95, it only reaches 5-15% ...

The truth is that even now a relatively small number of us will require that sort of care.

2675

Now, there was a comment in my friend Deputy Roffey's opening remarks about those who were already of pensionable age at 65 when we brought in the Long-term Care Fund. Those of us who were around at the time recall the promises that were given vividly. Deputy de Lisle certainly does,

and he reminded this Assembly, as we have said many times over the last few years, that we gave a very strong undertaking: we will set up a long-term care fund and that means that the family home will not need to go. Now, I know that is not what is being proposed, but I want to make that point because we knew that people who were already of pensionable age would not be paying into it under certain circumstances and we accepted that as being a consequence of them having paid into other funds all their lives.

I very nearly jumped to my feet yesterday when Deputy Helyar was summing up, but he was doing such a good job I did not want to take away his train of thought. But what he said was today's workers are paying pensioners' pensions. Well, of course, that is only partially true, and the reason it is partially true is that the old age pension fund has about five years of resilience. In other words, if we made no contributions into that whatsoever, the current crop of pensioners would continue to receive their pension for five years. So in other words, we are very unusual in that regard. Most jurisdictions do do as Deputy Helyar insinuated. In other words, pay out of annual general revenues. Taxes from that year are used to pay pensions to pensioners during that year. We are different because of the creation of that buffer; that fund.

But the main reason I rose was because I am aware that what we are talking about here is in certain circumstances taking the family home into the consideration of a calculation. But we say in Proposition 15 that:

the income support means test [will occur] if the person is living in a residential or nursing home and the property [that they own] is not occupied by the person's spouse, partner or dependent relative(s).

So I ask, and unfortunately when I first wanted to ask this question Her Majesty's Procureur was here, she is not now, but I will ask the question nonetheless, do we mean dependent relative in the tax sense of the word 'dependent relative', i.e. someone for whom a dependent relative's tax allowance is being received? Or do we mean a relative who is dependent? The two things are poles apart. You can have a relative who is dependent through a set of circumstances for which you either would not wish to claim a dependent relative's allowance or had not yet had the opportunity to claim it. And it is particularly relevant.

But it is relevant in another way, and that is the more we talk about the family home in terms of our long-term care provision, the more you will see a behavioural change. Behavioural changes where the properties are sheltered, behavioural changes possibly where the assets are sold, and we have a policy of not deploying retrospective policies. In other words, if somebody went around and behaved in that way now, and if in a few years' time we bring in policies that do impact upon the family home, we will not be able to go back retrospectively because that will send a hideous message to our international clients, for a start. So that is why talking about the family home now, even in the most modest ways that we are in terms of how Income Support may be calculated, is relevant, because we have got to be careful that that does not soon become a cascade.

Now, notwithstanding that, I intend to support these proposals. I realise what an incredibly difficult job the ESS has and I also accept the arguments, because they are genuine ones, that the sooner we remedy the fiscal position we are in through long-term and sustainable and substantive measures the better. So for now I am happy to go along with that, but I do caution the language we use in this Assembly, because not only can these messages be interpreted in a negative way, but also, and I speak through you directly to Deputy Helyar, sir, the hard work is yet to come and you have to be very honest with pensioners. The use of language that may be relevant in other jurisdictions such as the Isle of Man, for instance, who do pay the old age pension exclusively out of general revenue, and here are different. Those messages need to be consistent, clear and honest.

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

Thank you, sir.

**The Bailiff:** Deputy Mahoney.

**Deputy Mahoney:** Thank you, sir.

I do support these Propositions, but then, as a Member of P&R that brought the GST in the Tax Review before everybody, I am sure that is not much of a surprise, since I have already nailed my colours to the 'we need to do something' mast. But speaking mostly re Propositions 1 and 2, I am surprised, as per Deputy St Pier, I am not sure anyone yet other than Deputy St Pier has spoken to say, 'I can't support these', whilst, I think the previous Meeting, when we were talking about GST, that also of course regressive without mitigation, there were plenty of people standing up saying they do not support it because it is regressive, conveniently or otherwise ignoring the mitigations that were in place. And yet, other than my colleague there, I have not heard anyone yet, apologies if I missed it, saying, 'This is regressive and therefore we can't possibly support it.' I apologise to Deputy Oliver if she said that; my apologies to her.

So I am somewhat surprised. I know there are plenty of people still to speak if they wish to, so I just wonder what I am missing. Presumably it is okay just to be a little bit regressive? Is that what the Members are saying? *(Laughter)*

**A Member:** Yes.

**The Bailiff:** Deputy Moakes.

**Deputy Moakes:** Thank you, sir.

It is a very good point, I think, raised just now by Deputy Mahoney. Many people in the last debate got up and said every stone should be turned before taxes are increased. Every single alternative should be looked at before taxes are increased. And here I have heard already a few people standing up to say they support these proposals. Now, if you had not said that in the previous debate, I completely get that, but I think it is difficult to stand up in one debate and say, 'No, I won't do it', and then turn up, literally in the same day, and say, 'No, but this is different.' It is not different. This is a different way of achieving the same thing that was in the previous debate and I am of the same view. I do not necessarily disagree with everything that is in here, but we have not turned over all of those stones to look at all of the things and this should be part of the wider decision making, in my opinion, rather than a, 'Well, we'll shove this bit in through the backdoor and then we'll do the other bit later.' It does not make sense to me.

So I would just ask people to think about what they said in the last debate and how they voted, and then consider how they do in this debate, because you could sound quite contradictory in my opinion.

Thank you – sorry. I have finished.

**Deputy St Pier:** Sorry, I am grateful to Deputy Moakes for giving way. I could see that he was reaching a conclusion.

I just really wanted to make sure I understood what he was telling us. Is he going to support Propositions 1 and 2 or not? It was not entirely clear and just for the avoidance of doubt I think it would be useful to know. And indeed, of course, whether he is speaking for his colleagues within the Guernsey Party as well.

**Deputy Moakes:** Thank you.

I had actually finished then, but let me answer the question. I speak personally for myself. I stood up in the last debate and was very clear, and I said it in interviews and all over the place that I struggle to see how we can approve tax rises until we know what the actual number is that we are trying to sum to, and until we have worked out what the savings are, what the efficiencies are, we do not know what that sum is. Now, if that sum still is a deficit, which I think it probably will be, even when all of that work has been done, then clearly we have to look at raising taxes because to not do so would be fiscally wrong. But this is the same thing I think in this document here. It is saying we are going to raise these things but separating it from the wider discussion, and I think it should be part of the wider discussion, if that makes sense. Not everybody will agree with me, but

some people will because of what they said in the last debate. That was the point I was simply trying to get across.

2780 Thank you.

**The Bailiff:** Deputy Soulsby.

**Deputy Soulsby:** Thank you, sir. I will be brief.

2785 I do support the proposals, but taking up Deputy Moakes' comment, we are talking about a fund that is running out of money now, and that is why we are needing to do this now. No decision made, nobody nailed their colours, as an Assembly, to a mast, to the long-term solution. But something has to be done now and this is why ESS have put forward these proposals because we literally cannot wait. We have got one pot that is there to do with one thing and it is getting sucked out as we go along. So that is the reason for that, and I will support the policy letter.

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**The Bailiff:** Deputy Parkinson.

**Deputy Parkinson:** Sir, I just want to raise an issue which has not yet been covered in debate, and it relates to the funding for the Long-term Care Fund. As Members will be aware, contributions into this Fund are paid by people who are in retirement. There is no upper-age limit on contributors, and I should declare an interest in this, I suppose, because like other people I do contribute to it. And people who are retired but still earning pay the non-employed contribution rate which is based on their total income, not just their earnings.

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2800 Now, the point I want to make is that in many other countries, your requirement to contribute to the Social Security funds ceases when you reach retirement age. I would say that is typically the normal situation. And what it means is that we have to be very careful about the level of contribution that is required from people who have already reached retirement age, because although Guernsey's standard rate of Income Tax at 20% is fairly competitive, when you add on the contribution rate for the Long-term Care Fund and the non-employed contribution rate, it is not 20%. People are being required to pay 23%-24%, something like that.

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The problem that I see there is that those people do not have to remain in Guernsey. So for people who would be a basic rate taxpayer in the UK, for example, they can reduce their overall tax and social insurance costs simply by leaving Guernsey and moving to the UK and would probably have lower costs of housing and a cheaper cost of living as well. We have to be very careful; people do not look at that retiree section as a competition issue, but actually it could become one. And if we keep ramping up rates of contributions for people who are in retirement, I suspect some people will leave.

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Now, the Social Security team would probably say, well, that is a good thing because then they are not going to be reliant on our Health Service and they will be getting nursing care out of some other system. Possibly. But as has been pointed out by others, the proportion of that age group, even the very elderly, who are actually receiving nursing home care is very small. The vast majority of those people are living independently and getting on and playing golf or whatever they want to do. So I do think this is a point that just does not come up in the discourse around this subject, but actually those people on the whole can be significant taxpayers. They can be significant contributors. Yes, of course some of them are very dependent on the state and they are a drain on our public finances, but many of those people are still contributing significantly, despite being in receipt of £200 a week in terms of old age pension.

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So it is just a point I want to flag up, because I have never heard it raised in the States of Guernsey as an issue. But I do think – and it is frankly because I am in the category of people who are affected by these issues, and I fully declare that interest – it is something that we need to take into consideration. We cannot simply ramp up fees and charges on people over 65 who would not have to pay similar charges in other jurisdictions.

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Thank you, sir.

2830 **The Bailiff:** Deputy Blin.

**Deputy Blin:** Thank you, sir.

2835 Actually mine is just really a small observation, but one of the elements when we talk about some people who come here late or do not contribute fully to the system and therefore it has a negative effect on us, part of that is actually part of the industry ... The major industry within Guernsey tends to be the finance sector, and from my other world of doing recruitment to the finance sector, it is generally the more senior they are when they are moving over to the Island, generally the older they are. They will arrive here at say between late-30s to 50s, on very senior roles with very high salaries, so they are paying a lot in tax, but of course they have a shorter period after that to continue. So it is worth bearing in mind.

2840 The other one is just also that in 2023 we have the pensions system coming in. So we have to take that into account as well as the increases here. I fully appreciate that this is actually ... I feel that I need and I will support this because I can see it is an imminent situation. However, I too would have been more pleased if we would have had the chance to align this like the tax to make it more comprehensive, but that would need more time. So we are caught in the middle. So this one, I see it as a necessity or an urgent fix, but it would still be great if we could work on the other aspects to balance up the insurance to reflect the tax in a certain extent because we have these other rises and we still want to encourage the industry to work, and the economy to work well.

That is all, sir. Thank you.

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**The Bailiff:** Well if no one else is rising, then –

**Deputy Trott:** Just on a matter of procedure, sir, Her Majesty's Procureur is now back, should I express my question to her again or not?

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**The Bailiff:** Well, let's see if Deputy Roffey feels the need to have that assistance in reply. So Deputy Roffey, the President, to reply to the debate.

**Deputy Roffey:** Thank you.

2860 I am going to go through a number of the individual speakers, but can I just make a couple of things clear at the beginning and particularly in relation to the family home.

2865 Last summer, the previous Assembly, just before the election, discussed, not the one we just finished, but the one before that, a whole range of options to deal with the Long-term Care Insurance Fund. One proposal was that if you had a family home above a certain asset level, then you would be expected to pay a capital contribution of £35,000 towards your own care before you benefited from the full payment out of the Long-term Care Insurance Fund. There is nothing whatsoever in this policy letter that suggests that. It does not matter what your asset base is, if you qualify for payments out of, in other words, at the moment, if you have lived here for more than five years, in future it may be graduated, once you qualify you will get the full payment from the Long-term Care Insurance Fund and actually, as a part of that package, we increased the sizes of those payments because we realised they were not adequate to support the care home.

2870 The reference in this policy letter purely relates to Income Support and whether over and above what you are getting from the Long-term Care Insurance Fund, we should disregard assets in relation to paying Income Support in top-up payments above that. Obviously that has become more relevant ... if somebody, for instance, has only been here 11 years, they are only going to get 50% of the payment out of the Long-term Care Insurance Fund. That will not pay for a States' rate bed, therefore they will need to make up the gap and therefore they will, if we ignore all of their assets, they will just be able to say, 'Well, can Income Support pay that instead?', even though they have got a £2-million home somewhere in the Island. We feel that would be wrong, but it is purely in relation to Income Support, not at all in relation to qualification for the benefit that they have earned in the Long-term Care Insurance Fund.

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2885 I will go through a few individual things. Deputy Inder thought I was not going far enough – I am not often accused of that, but there we go. I do take his point, but I think there is only so far that we could take this. We could make it a 30-year, 40-year qualification period, we could do all sorts of things to try and make sure that nobody was a drain on the Guernsey taxpayer or the Guernsey contribution payer. But at the same time I think you have to accept that when people have been part of our community for a certain length of time, been paying their way, there comes a threshold above which it is unreasonable to sustain that argument.

2890 A Deputy, I am not sure who it was, asked about contributions and I think was a stay-at-home mum. Well, there are two things. First of all, we are not now suggesting making it contribution based, we are looking at residency based. So they will still be resident to the Island and they would not be impacted. But if it ever did go to a contribution-based system at some stage in the future, that will probably be 15-20 years away, then stay-at-home mums now or anybody else who is not employed for whatever reason have the option of paying voluntary contributions to maintain their record in order to make sure that they qualify for all of the benefits that they ... usually it is the old age pension – sorry, the States' pension at the moment, but I am sure that a similar system would come in. But at the moment, actually, it is not relevant because we are talking about a pure residency-based system.

2900 Deputy Brouard: well, he confuses me, because today he is really fretting himself about is it right, all of these young people who are working hard, trying to get on the property ladder having to pay higher Social Security payments in order to protect people's assets. And yet I am pretty sure – I have not got *Hansard* in front of me, but I am pretty sure – when you go back to the summer of 2020 he was making the opposite argument. The trouble is it is trying to have your cake and eat it. What I would say to Deputy Brouard is welcome to the horns of our dilemma, (**A Member:** Yes, absolutely.) because ESS are constantly trying to balance off the promises that are made to the older population to protect their asset base and to be fair to what is a shrinking and very hardworking section of the population taking an increasingly hefty burden of the costs of this Island.

2910 Deputy Gollop was probably the first person to raise any opposition to the proposals which, as a Member of ESS, did not come as any surprise at all. I do not think he actually opposed them but he did actually. He pointed out the UK had to go for a much bigger increase in National Insurance payments which, allegedly, eventually is going to be a mechanism for funding social care, whereas at the moment is it just really going to backfill the NHS. Interestingly, they are having to do that much bigger increase *and* insist that people, I think it was the first £85,000 of their care bill that they will have to meet before the oven-baked scheme that we have not yet seen from Mr Johnson actually kicks in.

2915 Deputy St Pier confused me in some ways, because he was insistent that maximising the contribution returns was really one of the key ways to alleviate the need to put up the contribution rates, and yet he was perfectly happy, I thought he was saying, to run through the whole of the buffer fund and have a pay-as-you-go scheme like in the UK, in which case of course we will get no investment return. It does not matter how stellar your investment advisors are, if you have got no money to invest you are not going to get any returns. If that happens, of course that is a strategy we could do, but that really is putting the burden on the next States, the States after that, or the States after that, because they would have no benefit of any investment return coming in and as a result all of it would have to come out of the workforce at that time and that would be very onerous.

2925 Now, he is quite right to point out that actually last year we did not get any investment return coming out at all. That was unfortunate but I think looking at one year in isolation is always a mistake. Actually, the returns this year so far have been absolutely stellar, and the last time I looked was considerably outperforming the parallel fund under P&R. That is just happenstance the way it goes this year, but the real point is that when the Government Actuary's office looked at this, they modelled, and of course they looked at a central projection, but they modelled what if the investment returns were quite a lot lower than that, what if they are quite a lot higher than that. Even if you pushed the limit right to the height, it did not make a really big difference to making

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this problem go away. So investment returns, great, they are useful to have, they spin things out, they are always welcome, but they are not the silver bullet here at all.

2935 He could not support putting a burden on low earners. I understand where he is coming from. If we were following the advice of the Government Actuary, we would be putting 1.75% on contributions today. That really would be a burden and we cannot face doing that. That is why we are suggesting a 10-year programme which we hope we will not get very far along at all, because just like others have said, we would absolutely prefer that eventually this is overtaken by the reforms that were suggested under the green paper which may or may not come to fruition sometime in the future. I will tell you what, sign up to this programme today, this 10-year programme that none of us want to see through, what a good way of focusing the mind of this Assembly to make sure they actually deliver on tax reforms, because they know that plan B, if they do not, is a lot less attractive. So I would suggest, sign up to it, get out of it as quickly as you can over the next year or two by bringing in the meaningful tax reforms that we all want to see, although we may not all agree on what they should be.

2940 Deputy de Lisle. He is outraged that an extra 0.4% is being put on the amount we pay for the Long-term Care Insurance Scheme and that applies to pensioners as well. Well, again, in the summer of 2020, the then ESS put forward a series of unpalatable alternatives to that saying if you do not sign up to all of this, I am afraid the backstop is that contribution rates may have to rise. The States did not like those proposals, they did not put forward any other alternatives, they voted them down. They knew the consequence then was that contribution rates were going to have to rise.

2950 Yes, Deputy Parkinson – I am sorry, jumping around a bit but – he is right. In most countries Social Security contributions cease when you reach pension age, they do here in relation to States' pension, unemployment benefit and everything else, but the States 17, 18 years ago, whenever it was, decided that as some of the main beneficiaries of the Long-term Care Insurance Fund were going to be the elderly, if they were above, I think it is about £19,000 now that you have to be above in order to start to pay, then you should make a contribution as well.

2960 Now, he is right that some older people might decide that that is the straw that breaks the camel's back and they want to go and live somewhere where there is cheaper housing instead. But I tell you what, if we go back on what we did 17 or 18 years ago and remove that requirement, then your working-age population that we are all worried about now is going to have to pick that up and it is going to be even more. So I understand the point he is raising but I am afraid I cannot give him any great comfort.

2965 Deputy de Lisle was worried people going into care leaving a house empty might have to rent it out. Well, I, like him, share the desire to keep to the promises that we made the best part of two decades ago as far as we can. But some people do want their bread buttered on both sides. Some people have got a valuable home and they want their care paid for when they go into a home. When we say, 'We're not going to make you sell the asset, but can you just rent it out?', 'Oh no, I've got a daughter and at the moment she's paying a lot in rent, I want her to move into my house and have it free of charge.' There is only so far that we can take this. I am with him in trying to give a better deal for the elderly wherever we can, but there has to be some limit.

2970 While talking about whether homes are empty or not, maybe come on to Deputy Trott, I do not know the full answer, what we are going to come back with on dependent relatives, because the whole change to the Income Support runs alongside the changes to the graduated payments and what we are doing is saying please give us approval in principle and we will come back with the detail next year. So by a guess we will have had to identify that. All we are trying to do is not be cruel and say that if your other half or somebody else who clearly needs to continue to enjoy that property, you cannot say boot them out so that they could rent. So yes.

2980 I should say we are also looking at a lot of interesting schemes at the moment which may well, and I am not saying that anything will come of them, but they are fascinating. Things that happen in the UK where the care costs of course are far greater because there is no Long-term Care Insurance Fund, where charitable organisations or not-for-profit organisations will move in when elderly people perhaps go into care, will do up their homes, rent them out to other people for a

2985 period of time, there is a lease arrangement, they will pay the care costs, their heirs get the full  
benefit of the property eventually, but they may have to wait five years while that money is recouped  
by letting it out, or if they do not want to wait five years they pay some money to release. There are  
some imaginative ways that we are looking at to cut through this Gordian knot, because it really is  
a Gordian knot. There really is this intergenerational issue that we have to find a fair and equitable  
2990 solution to. We will update Members on that if anything comes of it.

Deputy de Lisle regretted the passing of the age-related income tax allowances. I am not sure  
that has anything to do with this debate. I actually share that view. I am not sure it should be at 65  
anymore, but I think when people get to a very advanced age – I was going to say maybe over 80  
but I may upset Deputy de Lisle by saying that (*Laughter*) – then things do get more expensive in  
2995 this Island because you do need more heating and you do need more medical care and you cannot  
do your own DIY. I would quite like to see that, but I fought that battle a couple of occasions and  
was defeated. But really that is going off at a tangent.

**Deputy de Lisle:** On a point of correction, sir.

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**The Bailiff:** Point of correction, Deputy de Lisle.

**Deputy de Lisle:** If I may say so, I do not think the good Deputy actually argued in that way at  
the last debate when we lost the residual amount of, I think it was £950,000.

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**Deputy Roffey:** Deputy de Lisle is quite right. I twice tried to maintain age-related Income Tax  
allowances with compensating payments in those budget debates to show exactly how they should  
be funded. He brought an amendment at the last budget debate to incur an extra £4 million with  
*no* idea whatsoever where the funding was going to come from, and therefore I could not support  
it. Sorry about that; I believe in responsibility.

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Back to Deputy Trott. By the way, I congratulate him on his burgundy trousers – very smart, very  
high standards. (*Laughter*)

Actually, buffer funds are quite common around the world. Yes, there are places like the UK and  
the Isle of Man and others that just have a pay-as-you-go scheme, but Guernsey is by no means  
3015 unusual in having a buffer fund, and some of them have eight years, 10 years in that fund. It is sort  
of a halfway house between a fully funded occupational scheme and a complete pay as you go.

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Deputy Mahoney. I think he makes a fair point. He does make a fair point. We are going to do a  
smidgen of regressiveness here, and one little smidgen of regressiveness next year and we are going  
to ratchet up the regressiveness year by year, and we are happy, I hope we are happy to do that,  
because I think we have to, but when somebody says let's tackle this wholesale then ... I think the  
only answer I can give is that once we get onto this responsible plan B, plan A will start to look far  
more attractive as time goes by. I think actually all of us, the one good thing that came out of the  
tax debate, and I am sorry, I know that debate is over, is that there is a realisation, just about every  
Member, except maybe the one sitting at the back, but just about every Member has now accepted  
3025 that revenues do have to rise in some way. So I think we have made progress and I do not think we  
will be doing this for 10 years, we will find a way out of it, but this will help focus the minds. That is  
not its intention. It is there just to be responsible because the Government Actuary has made it  
quite clear we have waited far too long.

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That brings me onto Deputy Moakes. 'Everything else should be looked at first!' ESS have been  
hearing this for 20 years! Deputy Gavin St Pier is totally wrong when he says whenever a proposal  
comes to put up Social Security contributions it never has any attention, it goes through. ESS and  
its predecessor, on a *number* of occasions, have brought proposals saying, look, we are going to  
run out of money eventually, put up another half per cent please, or whatever – turned down, turned  
down, turned down. That is why we are in the mess today. We have to at least start taking some  
ameliorating action now, even if it is not – and I agree with Deputy Blin – the right long-term  
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solution, and we will come to that in due course, but the sticky plaster is needed now while we can get up to A&E. Oh no, I cannot afford to go to A&E, can I! But yes. So please do not say that.

3040 I think that really is most of the proposals. I do not sell this as good news – it is not good news. It is not a surprise; everybody has known for a long time that this Fund is unsustainable and we need to pay pensions in future, we need to start addressing that and we are asking you, in a very small way, to start doing that today.

3045 **The Bailiff:** Well, Members of the States, there are 17 Propositions. There has been a request for a recorded vote on Propositions 1 and 2. Can I take both of those together, Deputy St Pier?

**Deputy St Pier:** Yes, sir, please.

3050 **The Bailiff:** Thank you very much. So what we are going to do is we will take Propositions 1 and 2 together, recorded vote, Proposition 3 on its own, I was then going to take Propositions 4 to 14 together, unless there are any requests for them to be taken separately.

**Deputy Leadbeater:** Sir, is it possible to have a separate vote on Propositions 1 and 2, please?

3055 **The Bailiff:** Yes, if that is requested.

**Deputy de Lisle:** And vote on Proposition 15, sir, please.

**The Bailiff:** Well, I was going to take Propositions 15 and 16 together –

3060 **Deputy de Lisle:** Yes, that is fair, sir; thank you.

**The Bailiff:** I was going to take Proposition 15 and then obviously Proposition 16. Is that a request for a recorded vote?

3065 **Deputy de Lisle:** Yes, sir.

**The Bailiff:** Thank you very much.

3070 All right, so we have got Proposition 1 recorded; Proposition 2 recorded; Proposition 3 on its own; Propositions 4 to 14 taken together; Proposition 15 on its own, recorded; and then we will get to the rest.

Any other requests before we go into those votes? So Proposition 1, recorded vote, please, Greffier.

*There was a recorded vote.*

*Carried – Pour 28, Contre 10, Ne vote pas 0, Absent 1*

<b>POUR</b>	<b>CONTRE</b>	<b>NE VOTE PAS</b>	<b>ABSENT</b>
Deputy Cameron	Deputy de Lisle	None	Deputy Dyke
Deputy de Sausmarez	Deputy Haskins		
Deputy Dudley-Owen	Deputy Leadbeater		
Deputy Fairclough	Deputy Matthews		
Deputy Falla	Deputy McKenna		
Deputy Ferbrache	Deputy Meerveld		
Deputy Gabriel	Deputy Moakes		
Deputy Gollop	Deputy Parkinson		
Deputy Helyar	Deputy Queripel		
Deputy Inder	Deputy St Pier		
Deputy Kazantseva-Miller			
Deputy Le Tocq			

Deputy Mahoney  
 Deputy Murray  
 Deputy Oliver  
 Deputy Prow  
 Alderney Rep. Roberts  
 Deputy Roffey  
 Alderney Rep. Snowdon  
 Deputy Soulsby  
 Deputy Taylor  
 Deputy Trott  
 Deputy Vermeulen  
 Deputy Aldwell  
 Deputy Blin  
 Deputy Brouard  
 Deputy Burford  
 Deputy Bury

3075 **The Bailiff:** Members of the States, the voting on Proposition 1 was that there voted Pour 28 Members, Contre 10 Members, 1 Member is absent and therefore Proposition 1 is carried and we turn straightaway to a recorded vote on Proposition 2 now, please.

*There was a recorded vote.*

*Carried – Pour 30, Contre 8, Ne vote pas 0, Absent 1*

<b>POUR</b>	<b>CONTRE</b>	<b>NE VOTE PAS</b>	<b>ABSENT</b>
Deputy Cameron	Deputy de Lisle	None	Deputy Dyke
Deputy de Sausmarez	Deputy Haskins		
Deputy Dudley-Owen	Deputy McKenna		
Deputy Fairclough	Deputy Meerveld		
Deputy Falla	Deputy Moakes		
Deputy Ferbrache	Deputy Oliver		
Deputy Gabriel	Deputy Parkinson		
Deputy Gollop	Deputy St Pier		
Deputy Helyar			
Deputy Inder			
Deputy Kazantseva-Miller			
Deputy Le Tocq			
Deputy Leadbeater			
Deputy Mahoney			
Deputy Matthews			
Deputy Murray			
Deputy Prow			
Deputy Queripel			
Alderney Rep. Roberts			
Deputy Roffey			
Alderney Rep. Snowdon			
Deputy Soulsby			
Deputy Taylor			
Deputy Trott			
Deputy Vermeulen			
Deputy Aldwell			
Deputy Blin			
Deputy Brouard			
Deputy Burford			
Deputy Bury			

**The Bailiff:** So on Proposition 2, Members, there voted Pour 30 Members, Contre 8 Members, 1 absentee and therefore Proposition 2 is also carried.

Now, in relation to Proposition 3, I am proposing to put that to you discretely. Those in favour; and those against.

*Members voted Pour.*

3080 **The Bailiff:** I will declare Proposition 3 carried.

I was going to take Propositions 4 to 14 together, because they are all the rises. Those in favour; and those against.

*Members voted Pour.*

**The Bailiff:** I declare all of those Propositions duly carried.

On Proposition 15 there will be a recorded vote please, Greffier.

*There was a recorded vote.*

*Carried – Pour 34, Contre 4, Ne vote pas 0, Absent 1*

<b>POUR</b>	<b>CONTRE</b>	<b>NE VOTE PAS</b>	<b>ABSENT</b>
Deputy Cameron	Deputy de Lisle	None	Deputy Dyke
Deputy de Sausmarez	Deputy Haskins		
Deputy Dudley-Owen	Deputy McKenna		
Deputy Fairclough	Deputy Oliver		
Deputy Falla			
Deputy Ferbrache			
Deputy Gabriel			
Deputy Gollop			
Deputy Helyar			
Deputy Inder			
Deputy Kazantseva-Miller			
Deputy Le Tocq			
Deputy Leadbeater			
Deputy Mahoney			
Deputy Matthews			
Deputy Meerveld			
Deputy Moakes			
Deputy Murray			
Deputy Parkinson			
Deputy Prow			
Deputy Queripel			
Alderney Rep. Roberts			
Deputy Roffey			
Alderney Rep. Snowdon			
Deputy Soulsby			
Deputy St Pier			
Deputy Taylor			
Deputy Trott			
Deputy Vermeulen			
Deputy Aldwell			
Deputy Blin			
Deputy Brouard			
Deputy Burford			
Deputy Bury			

3085 **The Bailiff:** Members of the States, in respect of Proposition 15, there voted 34 Members in favour, 4 against, 1 Member is absent, and therefore that Proposition is also carried.

Proposition 16: those in favour; and those against.

*Members voted Pour.*

**The Bailiff:** I declare Proposition 16 carried.

Finally, the sweep up, Proposition 17. Those in favour; and those against.

*Members voted Pour.*

3090 **The Bailiff:** I declare Proposition 17 also carried.

**POLICY & RESOURCES COMMITTEE  
AND THE STATES' TRADING SUPERVISORY BOARD**

**12. The Aurigny Group – Financial Sustainability –  
Debate Commenced**

*The States are asked to decide:-*

*Whether, after consideration of the policy letter 'The Aurigny Group – Financial Sustainability' dated 3rd September, 2021, they are of the opinion:-*

- 1. To note the Air Policy Framework which includes the Shareholder Objectives for Aurigny;*
- 2. To approve the recapitalisation of the Aurigny Group in respect of its cumulative losses up to 31st December, 2020, in the sum of £46.8m in accordance with the provisions of section 6 of that policy letter and in accordance with such terms as the Policy & Resources Committee and the States' Trading Supervisory Board shall deem appropriate;*
- 3. To approve the recapitalisation of the Aurigny Group in respect of its losses for the year-ending 31st December, 2021, in accordance with the provisions of section 6 of that policy letter and in accordance with such terms as the Policy & Resources Committee and the States' Trading Supervisory Board shall deem appropriate;*
- 4. To authorise the Policy & Resources Committee to provide or guarantee overdraft facilities to the Aurigny Group in accordance with the provisions of sections 5 and 6 of that policy letter and on such terms as the Policy & Resources Committee shall deem appropriate.*

*The above Propositions have been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications in accordance with Rule 4(1) of the Rules of Procedure of the States of Deliberation and their Committees.*

**The Deputy Greffier:** Article 12, Policy & Resources Committee and States' Trading Supervisory Board: 'The Aurigny Group – Financial Sustainability'.

**The Bailiff:** I am going to invite Deputy Helyar to open the debate on behalf of that Committee.

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**Deputy Helyar:** Thank you, sir.

I am just looking at the beginning of my speech here. It says, 'I'm pleased to present this opening speech' – I think I am probably stretching the truth there by saying 'pleased' is one of the words I would use.

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I suppose I ought to explain the reason why I am explaining this: because P&R effectively is the creditor of Aurigny. It stands in that stance, whereas the States' Trading Supervisory Board is the shareholder. So the policy letter has been jointly submitted by us both.

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The Government Work Plan includes within Priority 3, 'Delivering the recovery actions', the need to secure transport connectivity and infrastructure as a key area of our focus. This includes the development of an air-links policy in 2021. Therefore, Guernsey's Air Policy Framework 2021-26, which is Appendix 1 to the policy letter, has been developed by P&R in consultation with the Committee for Economic Development and the STSB. Now, this framework clearly articulates for the first time what Aurigny's strategic role should be in support of the States' wider objectives for air connectivity. This includes:

to maintain reliable air transportation services, in the first instance to protect designated economic, medical, and social lifeline air routes to and from the Bailiwick, and thereafter more broadly to grow air connectivity, directly and through partnership, in a financially sustainable manner.

3110 Three core shareholder objectives for Aurigny have been established by the STSB as part of its  
mandated responsibility to carry out the States' role as shareholder of incorporated companies  
which are owned by the States. These are: to provide security of essential routes; achieve a  
breakeven result during the next five years; and support the core strategic objectives of the States  
of Guernsey. Aurigny has developed a business plan that is fully aligned to the role specified within  
3115 the Air Policy Framework and to the core shareholder objectives.

At this point I would like to take the opportunity to commend the Aurigny board and its  
management for the comprehensive and well-articulated business plan it has produced, for the very  
informative and helpful presentations that were made to States' Members. I have received very  
positive feedback from many Members about that, and indeed from our colleagues in Alderney.

3120 Now, of course, no one can predict or project the future with any degree of certainty and  
especially so in the airline business, but based on a set of assumptions that appear to be reasonable  
and realistic, the projection is that Aurigny should be returning a small profit from 2023 onwards.  
This is the forward-looking element of the policy letter.

3125 There are also proposals within it that largely look back. Those to recapitalise the company to  
the value of its cumulative losses up to the end of 2020 and for its 2021 loss. This is expected to be  
in the region of £64 million. Now, this is a very significant sum, but I must emphasise to the Assembly  
that these losses have already been incurred. Some of it of course will be before the end of the year,  
from now to the end of the year, and full provision has already been made with in the States'  
finances. This is therefore not money that could be made available to be spent elsewhere, it has  
3130 been spent already. Aurigny has an overdraft facility which would be repaid if this recapitalisation  
is approved.

Aurigny's business plan is based firmly on it becoming self-sufficient by 2023, but there is not  
realistic prospect of the airline being able to repay from future revenue the losses which have  
accumulated, which includes some £30 million arising directly from the effects of COVID-19. I  
3135 emphasise that the States have made provision for Aurigny's historic losses and the 2021 projected  
losses, and a recapitalisation would have no net effect on the States' overall financial position. The  
Air Policy Framework, which now underpins Aurigny's business plan and the recapitalisation  
proposals, clearly define the roles and responsibilities of all key stakeholders. It provides a vehicle  
for them together regularly to monitor Aurigny's progress against key performance indicators. This  
3140 process will provide an opportunity to review any variances in Aurigny's forecast financial  
performance and consider any policy interventions that may be required from the States as a result.

To be clear, Aurigny's board and management are expected to deliver against their business  
plan, and the States, through their shareholder representative, STSB, will hold them accountable for  
doing so. The same goes, I have to say, for the Policy & Resources Committee. It is a frequent matter  
3145 of discussion. As Deputy Trott mentioned, he has asked many questions of the same thing in the  
past.

I just turn to the Propositions. The first one is to note the Air Policy Framework, including the  
shareholder objectives; the second to approve the recapitalisation of the Aurigny Group in respect  
of cumulative losses up to 31st December 2020, that is to say during the year in which we had the  
3150 first lockdown; Proposition 3 is to approve recapitalisation of Aurigny Group for this year, which was  
originally projected at a £14 million loss, it is now expected to be somewhere in the region of  
£16.1 million. That may reverse as we get further into the year, as people start to travel more  
because we now have relative easing of travel restrictions. The fourth is to authorise the Policy &  
Resources Committee to provide or guarantee overdraft facilities to the Aurigny Group in  
3155 accordance with the provisions of sections 5 and 6 of that policy letter and on such terms as P&R  
shall deem appropriate.

Now, it has been the case during the COVID crisis that several of our trading entities have  
required support, including the ports, from the facilities that were arranged by the former Policy &

3160 Resources Committee, in particular the revolving credit facility, which is effectively an overdraft we can call on when necessary and pay down when we have got the resources to do so.

3165 So Members, this is another Item which is not good news, but to a very large extent there is very little we can do about the sums of money involved and how those losses have accrued, because largely speaking these are COVID. But we have done a great deal of work as a group of Committees to re-examine the relationship between the States and the airline, there has been a significant change of management and board membership, which I think is positive. I know Members have engaged widely with the process of meeting the new managing director in particular and Members have all expressed a lot of confidence, and I look at my colleagues from Alderney again. There has been a lot of engagement and I think it has been warmly welcomed.

3170 There is a different objective for the future and all we can do is hope and to keep our eye very closely on that to ensure that it is properly delivered.

So I commend these Propositions to Members. Thank you.

**The Bailiff:** Deputy Queripel.

3175 **Deputy Queripel:** Sir, there is a song that was a worldwide hit for a group called the Moody Blues in December 1967.

**A Member:** Knights in white satin.

3180 **Deputy Queripel:** It contained the lines, 'Knights in white satin, never reaching the end, letters I've written, never mean to send'. In relation to that, sir, I often write two speeches on an issue. I write one to get my anger out and then I write a more measured and balanced speech which I always end up making in the Chamber. This is the more measured and balanced speech.

3185 Sir, I cannot support these Propositions. I doubt if that will be a surprise to anyone. I voted against giving Aurigny more money in the past. I have done that because my view has always been Aurigny should never have been allowed to get into such massive debt in the first place. This has been going on for the whole of the nine and a half years I have been a Deputy and it has never been addressed. In fact, I was a Member of the Scrutiny Panel that looked into the security of air links back in 2012, I think it was, and it was obvious from the outset there was a massive communication problem between all the parties concerned which should have been resolved back then and never was. If it had been we would not be in this mess now. Aurigny were left to their own devices and that has always been the problem.

3190 The same old mantra was repeated time after time: 'These are operational matters and the States mustn't interfere.' But I never take any notice of that because when things go wrong, who gets it in the neck? The politicians get it in the neck. So if you see something going wrong, surely you should do your best to address it and try to put it right? Well, that has never been the view of the vast majority of previous Assemblies. Consequently, Aurigny have been allowed to spiral out of control for years.

3200 I am not just ranting here. I offered to be a mediator at one stage between all the parties concerned several years ago, because they simply were not talking to each other. The States' Members who were responsible for overseeing Aurigny had no intention whatsoever of talking to the management at Aurigny because that would be getting involved in operational matters, and we cannot possibly do that. The Aurigny management at that time was absolutely fine with all of that, because they could do whatever they wanted to do, and just went ahead and did it. They set up routes which were operated as virtually empty planes, they expanded their fleet by going out and buying new planes, when all they had to do was lease them, they took on more and more staff and got into more and more debt. And, even though the understanding was that they should at least break even, that was never a real concern because the management knew the States would bail them out if they did not. They were absolutely right of course, because that is what the States do,

3210 time and time and time again. Actually, to clarify that, the majority of the States do that time and time again.

What should have happened years ago, the States should have told Aurigny to operate three lifeline routes, one to Alderney, one to Southampton and one to Gatwick, and leave it at that. There was no need to operate on any additional routes because other airlines could have done that and suffered the consequences. And there was no need to go out and buy new planes. You *lease* planes. Now, if the States had told Aurigny that, then the taxpayer would not have had to spend what I believe to be almost £100 million subsidising Aurigny in the last 13 years.

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3220 So why do I say almost £100 million when we are told in the graph on page 4 of this policy letter that it is £72.6 million? Well, I say that because I might be missing a fundamental point somewhere along the line, I am sure one of my colleagues will put me right if I am, but I say that because Aurigny was recapitalised by the States in 2015, and that cost £25 million, which does not seem to have been factored into that graph. I might be missing a fundamental point somewhere, but if you add £25 million to £72.6 million, has that been factored in anywhere? Have I missed something? I need clarification on that from Deputy Helyar when he responds.

3225 That information can be found in Appendix 2 on page 5 in the fourth paragraph. We are told that Aurigny have been losing money since 2008. That is 13 years. The States had to step in and they have not done. Now, staying with what we are told in this policy letter, we see that objective 2 in paragraph 30 of Appendix 1 tells us that the States require Aurigny to break even within the next five years. But that is nothing new. That has always been the understanding, that they should at least break even. And they have never done it because there is no incentive when they know the States are just going to bail them out. So nothing has changed in that respect, it is just another expectation. This is yet another set of Propositions based on assumptions and presumptions with yet another promise of jam tomorrow. What has always been needed is jam today. The promise of jam tomorrow has never been acceptable, in my view.

3235 Staying with the objectives for a moment, we see at bullet point one in paragraph 20 that routes need to 'Be affordable to the community'. Now, surely that means affordable to *every* member of our community, not just the mid- to high-earners. Surely that means affordable to our fellow Islanders who are at the bottom end of the pay scale as well? If it just meant the mid- to high-earners, then surely it would say that? It does not say that. What it does say is that the routes need to be affordable to the community, which means the whole community.

3240 Now, flying with Aurigny is not affordable to the whole of our community and so we have had an extremely perverse situation going on for years now where taxpayers at the lower end of the pay scale who cannot afford to use Aurigny subsidise Islanders who can afford to use Aurigny. How perverse is that? I am not the only Deputy to say that in the past; former Deputy Mark Dorey said that on more than one occasion in his speeches on Aurigny in debate, and he told it to the media as well.

3245 Staying with the issue of affordability a few moments more, there are other airlines that currently operate the same routes as Aurigny and their flights are a lot cheaper, so Aurigny lose out. So how can Aurigny say their routes are affordable with any justification whatsoever?

3250 Moving back to what I said about these Propositions being based on assumptions and presumptions, I am not exaggerating. Deputy Helyar said that in his opening speech, it says that in the Propositions, it says that in the policy letter, in fact we are told in the first sentence of paragraph 1.2:

Aurigny has developed a new business plan which is based firmly on the *presumption* that it will become financially self-sustainable by 2023.

3255 So there is no evidence, it is just presumption. How many times do we hear in debate in this Chamber we need to be fully informed in order to make a decision? We are being asked to make a decision on presumption.

I give way to Deputy Oliver.

**Deputy Oliver:** Thank you, sir.

3260 To say, did the Assembly feel fully informed, well, there was an *excellent* – and I truly say excellent – presentation with Aurigny that fully informed me about this policy letter. So I do not know if Deputy Lester Queripel actually went to that.

**Deputy Queripel:** Sir, it says it in the policy letter – it says it! It says it plainly. Deputy Helyar said 3265 it in his opening speech. It is based on assumption and presumption.

Sir, the reality is this is yet another gun to the head. We get these guns to the head in the States from time to time and this is one. I am going to say with the issue of reality because as I have said on several occasions in my speeches in this Chamber, I am an optimistic realist. I am forever hopeful that things will turn out for the best, but at the same time and I am rooted in reality. I am not up 3270 there in the sky, if you pardon the pun.

Now, the reality is that these Propositions are based on assumptions and presumptions. There is no evidence to substantiate them. If we look at paragraphs 2.1 and 2.2 on page 3, we see we are told it was assumed, as a result of a majority of the States agreeing to recapitalise Aurigny in 2015:

that, by 2018, a new PSO contract ... [with Alderney] would have been introduced and, from that point, the losses on those services would no longer fall to Aurigny to absorb.

Well, that PSO was not actually established until 2021, and I can tell my colleagues, sir, exactly 3275 why it took six years and not three years: because nobody was talking to each other. There was a major communication problem.

The States of Guernsey were not talking to Aurigny, Aurigny were not talking to the States of Guernsey, Aurigny were not talking to the States of Alderney and the States of Alderney were not talking to Aurigny. And I know that because I attended not one, but two meetings where everyone 3280 was blaming everyone else, and no one was prepared to sit down and talk in a civilised manner. They preferred to act like petulant children in a school playground, instead of getting round the same table and talking to one another in a civilised manner, and professional manner, and then the whole situation could have been resolved. Now, eventually that is what they did, but it took six years. That reluctance to sit down and discuss the issue like responsible adults, instead of like 3285 petulant children on the school playground, cost the taxpayer £16 million, as we are told in paragraph 2.3, at the top of page 4. Sir, as custodians of the public purse, the people involved should be ashamed of themselves, the way they behaved. We are all custodians of the public purse and we all have a duty and a responsibility.

Now, I want to address the issue of what seems to me is the outstanding £70 million, and again 3290 I look to Deputy Helyar for clarification when he sums up. If we look at paragraph 2.5 we see that Aurigny still owe £42.5 million on a loan they took out from the Royal Bank of Scotland to buy three new planes. We also see they owe £27.6 million on a £37.5 million loan, using proceeds from the States of Guernsey bond. We are told at the end of that paragraph:

the proposals set out in this policy letter do not relate to ... [those] loans, which will continue to be serviced by the airline's normal trading activities.

Sir, it seems to me that somebody needs to take a reality check here. If Aurigny are going to be 3295 breaking even by 2023, then it seems to me that means they are confident they are going to pay off that £70 million debt by then. I accept I might be missing a fundamental point somewhere along the line. I will need clarification on that.

One thing I do not need clarification on is the 'by 2023' bit, because by 2023 to me means the beginning of 2023. It does not mean the end of 2023. So in 14 and a half months' time, Aurigny 3300 expect to be free of all debt and be operating on a break even, or even a small profit basis. Really? I applaud the optimism. I applaud adopting a positive and proactive approach. But any approach to anything needs to be rooted in reality. The public deserve accountability and the reality is there is no accountability here. There never has been. The people who were in the position to sort this

3305 out years ago did not sort it out. But they have not been made accountable and that is a travesty, in my opinion. Somebody is accountable but they never will be made accountable.

3310 Now, if we look at bullet point three in paragraph 3.3 on page 6, we see that in order to reduce losses during the pandemic, staff signed up to the furlough scheme here in Guernsey and every member of staff has 'been subject to reductions in their salaries' in that time because of that. I need clarification on this again, this point from Deputy Helyar or somebody, one of my colleagues, sir, because what has not been factored into the equation anywhere in this report, as far as I can see, is how much was paid out to staff under that furlough scheme and whether or not any of the members of staff claimed or claim Income Support. Surely that should have all been factored in because that is another cost to the taxpayer? And that is not included. That is not included in these costs, that is not included in these debts, that is not included in this policy letter, I do not think. Again, I could be

3315 missing a fundamental point somewhere along the line. It looks good on paper for Aurigny to say they have reduced their losses by putting all their staff on furlough; to me, there are hidden costs that have not been factored in. They still cost the taxpayer. The money came from another pot.

3320 Staying on the issue of Aurigny reducing their losses, if we look at paragraph 5.3 we are told in that paragraph Aurigny have reduced aircraft lease and salary costs and as a result of those measures they are 'now generating recurring combined savings of £1.4m per annum'. Then later on in that paragraph, in bullet point two, we are told that due to Aurigny setting up new routes and working in conjunction with Blue Islands, they expect to increase revenues by £1.2 million per annum. If we combine those two, we have got a total of £2.6 million. Now, that might sound like a good deal to some people, sir, but it does not sound like a good deal to me, because I expect a lot

3325 more than £2.6 million a year to come out of writing off debts of almost £100 million.

3330 If we look at the next bullet point on page 9, we see that maintenance represents almost 20% of Aurigny's total costs, and we are told that is more than double the average of other carriers. We are told that there are opportunities for improvements, but why were those improvements not made years ago? Yet another example of why the States needs to get involved in operational matters. I focused on those maintenance costs several years ago, and I was told, 'Stay away, it's an operational matter, you have no right to interfere.' Great. And who gets it in the neck? Us – the Deputies. We get it in the neck. Because we have not applied political oversight. We have been told stay away. And I said, 'I have every right to interfere; I'm a custodian of the public purse, you're not.' But I was still blocked. Every way I turned, I was still blocked.

3335 Ever since then I have still carried on getting involved in operational matters – I always will. Because we get it in the neck when things go wrong and I see it as our duty to try to put things right if we see them going wrong. Now, sir, some of my colleagues will disagree with me. We will have to agree to disagree. I do not intend to browbeat them into submission, and I ask them not to browbeat me into submission – or try to, because it will not work. Getting involved in operational

3340 issues, to me, operational matters, is a fundamental part of a Deputy's role, despite what anybody tells me.

3345 Sir, I have said it before and I will say it again, running an airline is not rocket science. You need planes, you need staff, and you need routes that balance each other out. In other words, if you lose money on some, you make money on others. And you cut the cloth to suit. In Aurigny's case they should never have been allowed to operate more than three routes. As I said earlier, one to Alderney, one to Southampton and one to Gatwick. But they bit off more than they could chew. So they are where they should not be: asking the States to write off even more debt. I am not prepared to sign up to that, sir. I am not prepared to put my name to that.

3350 I can imagine some of my colleagues saying to themselves, but if a majority of the Assembly do not agree to these Propositions, then Aurigny would go out of business. The reality is the vast majority of this Assembly will sign up to these Propositions. I can guarantee that. The vast majority of this Assembly will sign up to these Propositions. My voting against these Propositions will make no difference whatsoever, except to my conscience. My conscience will be clear. On occasion in the past, there have been one or two other Deputies who voted against Propositions. I have not been

3355 a lone voice, thankfully. But even if I vote against these Propositions, nothing is going to change. Aurigny will still be in business.

I think it is important to emphasise at this point, sir, that I understand my colleagues voting in favour. I understood them in the past voting in favour of writing off the debts of Aurigny. They do that because they truly believe that it will put Aurigny on the road to recovery. I get that. The  
3360 difference is I do not believe it will and I have never believed it in the past. And my fears have been proven time and time again, unfortunately.

I fully expect to be, maybe demeaned slightly or chastised by a colleague or two when they speak for holding the views I hold and I have always held about Aurigny, but they will have their views, and I have mine. I respect their views and in turn I ask them to respect mine. There is no need  
3365 to descend into the sort of playground behaviour I witnessed years ago when I did my best to resolve the problems at Aurigny.

Now, sir, moving towards a close, I feel it is important for me to point out that I am aware this is a framework and that there are numerous roles to fulfil by three States' Committees, namely the Committee for Economic Development, P&R and STSB, and paragraphs 23, 24 and 25 map out those  
3370 roles. I am sure all my colleagues have read this policy letter from cover to cover, sir. I am sure they have read the definition of the roles. But those roles do not directly deal with operational issues. They deal primarily with oversight and actual co-ordination of the framework itself. So the reality is Aurigny will still be left to their own devices and we are told of course they will soon be developing a business case, a business plan, in an attempt to deliver the objectives laid out in this policy letter. That is nothing new. We have heard all that before. That is nothing new in this policy letter. It is full  
3375 of assumptions, presumptions and promises of jam tomorrow. There is nothing new in there that we have not heard before. And look where we are.

Focusing once again on accountability, and openness and transparency, I was absolutely astounded recently when I was told in response to a Rule 14 question I submitted to STSB, Aurigny  
3380 would not be releasing the figure of how much they received when they sold one of their Dorniers. So even though the taxpayer has paid out almost £100 million in the last 13 years to keep Aurigny in business, we are not allowed to be told how much they get for a plane. I despair. It is our money that is keeping Aurigny in business. Surely we have every right to know how much they receive for the sale of a plane? Sir, the phrase 'when it suits' springs to mind once again. I used the phrase earlier in response to an amendment laid by Deputy Brouard. It seems to me that 'when it suits'  
3385 gets applied a little too often.

Another thing: I think we all deserve an apology from Aurigny now. I might be totally off the mark here, I might have missed this apology somewhere down the line over the years, but I think we deserve an apology from Aurigny for costing the taxpayer so much money over the years. I stand  
3390 to be corrected on that but I do not remember hearing or seeing an apology from Aurigny. I do not remember hearing or seeing an apology from Aurigny to Alderney in the way they treated Alderney over the years. (*Interjection*) I say that because in the previous Assembly – I just heard somebody say, 'What?', I do not know who it was, maybe they were not in the Chamber at that time. In the previous Assembly with the two previous Alderney Representatives, they complained on more than one occasion about the service Aurigny provided to Alderney – more than one occasion. I do not recall hearing an apology, and I believe I am right in saying our two colleagues from Alderney in the Chamber today have complained in the past about the treatment Alderney receives from Aurigny. I am sure they will correct me if I am wrong, sir, when they speak – of course I am sure they will speak, on Aurigny. The reason I focus on this apology from Aurigny is because a little humility  
3400 costs absolutely nothing but it goes a long way, and it means so much.

Sir, I have explained why I am voting against these Propositions once again. I apologise to my colleagues for the length of my speech, but I did feel the need to expand on my reasons for the benefit of the newer Members of the Assembly who may not be aware of what I have said about Aurigny in previous debates.  
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Once again, sir, I ask my colleagues to respect my views. I will respect theirs. Even when we disagree, we should just agree to disagree and all respect each other's views, and we would not

have the sort of behaviour we witnessed this morning when the Presiding Officer asked us to be a little more adult and professional about the way we go about our business in this Chamber. I resonate with that view entirely.

3410 Sir, in anticipation of one of my colleagues perhaps misunderstanding what I have said in my speech and saying, 'Thank goodness we have Aurigny! They got us through!', I resonate with that. That is not the issue. We would still have Aurigny. They could have streamlined the operation like I suggested years ago and if they had done that it would not have cost the taxpayer anywhere near the £100 million they have cost in 13 years.

3415 I hope Members have listened to what I have said, sir, because I do often get misquoted and misinterpreted by colleagues in this Chamber after I have spoken. I get misquoted in the media when they actually report what I say, which is not very often.

Sir, in closing, I ask for a recorded vote on Propositions 2, 3 and 4, please, together when we go to the vote.

3420 Thank you, sir.

**The Bailiff:** Deputy Gollop.

**Deputy Gollop:** I will not be too long.

3425 I was one of those who voted to purchase Aurigny. I could immediately see the benefits of the Island owning an airline, particularly of course with the Gatwick slots. Deputy Queripel has gone on at length about the problems of Aurigny, and maybe it should have stuck to the knitting – the core lifeline routes. But of course back in the day when Aurigny was fashionable and had the fleets of Islanders and Trislanders and Mr Roberts worked for them and everything else. They actually, their  
3430 core route was actually not Guernsey-Alderney, Alderney-Southampton, but was of course the French link, to a certain extent, to Cherbourg and Dinard, and particularly the Guernsey-Jersey route. I would say at different times in our history the Jersey route has been a lifeline, especially during the growth perhaps of the corporate sector in the 1980s, 1990s and early millennium. Things may have moved on now with online work. So defining what is a key route and what is not is there.

3435 I am sorry I missed the Aurigny presentation, maybe I will have a chance to catch up at some point, but I do on occasions have to be careful when meeting airlines for the reasons I will give: because I pointed out my historical support for Aurigny, I am aware that perhaps there is a division of opinion between people who are in touch with some of the most successful people in our community who understand the importance of maintaining Aurigny as an efficient, integral part of  
3440 our business links and connectivity and role, and possibly the populist people from Facebook – I know Deputy Inder says I should not be a Facebook Deputy – but there is a lot of thinking out there, I am afraid, that buying Aurigny was a huge mistake. A lot of people believe that. We hope, maybe, we should prove them wrong by the methods we are doing today.

3445 But I am not going to go on at length about the merits or otherwise of recapitalising Aurigny and the millions in the past and the lesser number of millions predicted for the future, because actually I am going to sit on the fence on this one and abstain from voting on all the Propositions, which in a way is a relief because I am not 100% sure I would wish to vote for the millions. But that is not the reason I am abstaining. I am abstaining for a completely different reason. I am President, sit in a special seat – I cannot move my seat around – of the States' Transport Licensing Authority  
3450 and it has always been an issue that because the States of Guernsey, through its intermediary, owns an airline that some other entrepreneurs in aviation and airline companies feel that the States could be biased in favour of Aurigny, and therefore it is essential when you are judging potentially licences now and in the future, and the Rules may change, not to show preference. I cannot speak for the other Members of the Committee who may choose to do it but I am going to abstain on all of the  
3455 votes.

I would also point out when one looks at the strategic framework, which of course informs our decision making as well, although the framework is a useful document, it tries, sometimes like myself, I think, to be all things to all people, because it says:

Aurigny is to maintain reliable air transportation services, in the first instance to protect designated economic, medical, and social lifeline air routes to and from the Bailiwick, and thereafter more broadly to grow air connectivity, directly and through partnership, in a financially sustainable manner. It is expected that Aurigny, as a carrier substantially based within Guernsey, will: support the developmental objectives of the States .... [and will] forsake a profit motive beyond that needed to be financially self-sufficient ... [to] cooperate with the States ...

3460 So it has to make money, not lose too much money, be an economic enabler and an integral part of our social fabric. That is a big ask, but as I say, because of the Transport Licensing Authority, I will abstain from all of the votes on the four Propositions.

**The Bailiff:** Deputy Gabriel, short contribution?

3465 **Deputy Gabriel:** Very short, sir.

**The Bailiff:** Thank you. *(Laughter and interjections)*

**Deputy Gabriel:** Not Deputy-Leadbeater short, of course. *(Laughter)*

3470 Sir, I am going to disagree with Deputy Queripel, but hold my hand out to him in an act of friendship. I respect his views and I am hoping he will respect mine as well. *(Interjection)*

3475 I have just got a couple of questions of Deputy Helyar, and whilst supporting the policy letter I just need some clarification really. I too echo his thoughts, that I was very impressed with the Aurigny board's presentation. There was a lot of information in there and there were a lot of questions answered. But the question that has come to my mind subsequently is that of the Gatwick slots.

3480 We see there is some sort of crude evaluation in the policy letter that easyJet have some and they are approximately £2 million each, for a pair, and I understand that Aurigny holds six pairs of slots. So are these slots classed as an asset and are they on the balance sheet with their depreciating value? And given that London Gatwick Airport has now agreed to have a second runway, the northern-most taxiway converted to a second runway, I have got a couple of questions, really. Will the slots be needed, and if needed, will they be as valuable as they are now? If not needed, again, will the balance sheet show that and will that position be reflected in the future? I would like to see, again, Aurigny return to profitability because I believe that they can given the management structure that is in place and from what I have seen, and given that the good work that the PSO is now in place and takes away that £3 million per year noose, effectively, from Aurigny.

3485 That is me nearly up, so I thank Deputy Helyar, in his summing up, if he is able to answer those questions or find out those answers for me.

Thank you very much.

3490

**The Bailiff:** Well, Members of the States, I am conscious that there is another event elsewhere that some Members are going to and therefore we will close today's Meeting and adjourn to 9.30 in the morning.

*The Assembly adjourned to 5.29 p.m.*