



Jersey Hospitality Association

17 November 2023

Deputy Moz Scott
Chair
Economic and International Affairs Scrutiny Panel

Dear Deputy Scott,

Proposed Government Plan 2024-2027 Review

Thank you for giving us this opportunity to share our comments and views about the Proposed Government Plan and we hope that they will assist you and your panel. We have also made a submission to the Corporate Services Panel, and we have tried to avoid repetition by directly answering your points and combining them where necessary.

We would also like to offer our time to meet you and your panel at a time that suits you to discuss the points raised in this letter further.

The Jersey Hospitality Association is the voice for its membership which is made up of over two hundred independent businesses in the sector. Our members range from large hotels and Michelin Star restaurants to beachside cafés and single person businesses.

We have regular contact with government ministers and the officials that work in numerous departments, and we make them aware and discuss the issues facing our members on a daily basis.

Whether the Proposed Government Plan is sustainable and will aid in increasing productivity



One of our major concerns is that the Council of Ministers is not operating in a joined-up way. We have heard the Treasury Minister speak about the need to reach a balance, but it would seem to us that while one department wants to nurture and grow the industry, others do not understand the effect their policies have on businesses and people in the real economy. We will go into more detail about excise duty increases later, as those are an example of a government being deaf to the needs of businesses and expecting them to fund services when they are facing a tsunami of rising costs.

We cannot see any measures in the Proposed Government Plan that are sustainable or supportive of the aim of increasing productivity. On the contrary, our conversations with the Treasury Minister have revealed that no consideration has been given by his team to our industry and that the focus remains firmly on the financial services sector. We believe that there are opportunities for inward investment in other sectors, such as hospitality, but investors are being put off by the lack of vision and growth in those sectors. Without hospitality, the connections from the sea and air that we all rely on will be greatly diminished.

The Impact of 60-day exemptions

These measures do not apply to our industry or have any impact. Businesses in hospitality rely on seasonal and temporary workers from overseas and since Brexit and Covid, employers have had to recruit from outside the EU.

Due to a change to the Work Permit Policy made by Justice and Home Affairs, within the next 18 months we are looking at a mass exodus of migrant workers on work permits from hospitality, somewhere in the realm of 4,000 people. Their rolling 1-year permits, which were introduced this year in a bid to assist employers in our sector, will reach the maximum time limit allowed and they are going to be forced to leave the Common Travel Area for up to three years, the same period of time they were here on a work permit. This will have a catastrophic impact on our industry, lowering productivity, increasing costs to recruit and retrain and have absolutely no benefit to Jersey in any way whatsoever.

Despite explaining this to the Minister and her officials, they have refused to alter the policy so that there would be a three-month absence period, a change that would meet their policy objective and assist our members.

The Impact of Alcohol Duty Increases



Among the budget proposals is the intention to increase the duty on alcohol by nearly 9% with the claim that would add 4p to a pint a beer. This will not mean that the price of an average pint of beer will rise by 4p. What this actually means is a 4p increase per pint at the point of production on beverages with less than 4.9% alcohol.

Once that pint has reached a customer in one of Jersey's pubs, that 9% increase in duty will have become an extra £1 from 1st January 2024. We find that impossible to reconcile with *'the Government's support of the hospitality industry.'*¹

In the past 10 years, duty rises in Jersey have increased by 51.4%, compared to 12% in the UK, making Jersey 37% more expensive than the UK. When choosing where to take a holiday, visitors will compare the cost of coming here with other destinations and if we are set to reach a £10 pint, then it is difficult to see a future for many businesses here.

The Treasury has made no attempt to include the costs as that pint of beer moves along the production chain to the final point of sale. The Treasury has also told us during a meeting we called following the publication of the Government Plan that they have not done any modelling to examine the impact duty rises have on the industry.

We were told that if approved, this increase will add a further £2million to the Government's revenue receipts next year. The JHA contends that the Government should be focused on helping businesses to thrive rather than penalising them for still being in business. If continuing to tax profits is the aim of this Government, then it will not be long before we see some of those businesses exiting the market. There is no incentive to consume local over imported beverages or to produce on island as opposed to off island. It also drives people to drink at home in unregulated, unsafe environments consuming lower quality products purchased in duty free or off-licences away from hospitality venues where there are trained service staff.

There is NO EVIDENCE globally that a higher alcohol tax reduces consumption. It is linked to culture rather than finances. We need to work on changing behaviour and education, not on penalising responsible users locally and visitors. Increasing tax will not stop high levels of alcohol consumption among a small number of islanders.

We are not endorsing the tobacco industry, however during COVID when travel was restricted, local sales were 3 times higher. Once restrictions were lifted and travel and duty-free sales had resumed, excise duty receipts returned to previous levels. It shows that behaviour does not change, but where people buy from does. In the same way, raising alcohol duty will increase off license and duty-free sales, push people to drink in

¹ [Proposed Government Plan 2024-2027](#) – Pages 37 and 30



unregulated environments out of safe hospitality venues, increase alcohol related domestic violence, while also lowering the opportunities and social benefits that going out provides.

Increase in funding for Jersey Business and implementing the Visitor Economy Strategy

Any measures that support businesses must be welcomed, whether it's an industry body or strategy, however they must also the return on investment. As members of the Visitor Economy Strategy Steering Group, we have been working very closely with other stakeholders to ensure that the strategy does have realistic and achievable goals. As an Association, we do not receive payment or funding from the Government for our services, and that gives us the freedom to lobby and campaign on the many issues that are facing our island.

We have seen funding and support for the rural and marine economies, and we would hope that our industry is also recognised as one that provides the character and lifeblood to this island and is therefore worthy of support.

Significant costs facing hospitality

With the proposed increases in duty on alcohol, we believe that there is a compound recipe for disaster for hospitality as the industry is also facing other significant cost increases next year.

The Minimum Wage

As an industry that has a wide range of pay groups, the way the Minimum Wage is set does not take into account free meals and drinks, subsidised accommodation, discounted food purchasing and transport. What happens in hospitality is that the Minimum Wage pushes up all wages, that causes huge and unsustainable increases in salaries across all businesses.

Utility price increases



From January, we are set to see electricity go up by 12% and water by 11%. These are both significant extra costs to businesses in our sector.

Liquid Waste charges

The Proposed Government Plan includes an intention to explore the introduction of liquid waste charges and requests approval for funding to allow that to happen. This was a massive issue for our industry when it was previously suggested and is a hidden tax as it hits our members disproportionately.

In conclusion, we understand the need for Government to collect revenue to pay for services but this plan risks shutting down businesses, causing unemployment, reducing our transport links, and killing off the hospitality industry. As one of our board members so eloquently said recently, "if this happens, businesses will shut." We have asked our members to start lobbying their representatives because this not only threatens their livelihoods, but it will also damage the quality of life all islanders.

Businesses in the financial services sector will find it harder to entertain their clients, they will find it harder to get off the island to attend business meetings and the sheer joy of living in Jersey will be sucked out.

We can only conclude that our government does not understand that our current tax system is not fit for purpose and a future taxation strategy is desperately needed. We believe that the old tools that are being reused year on year do nothing to help our island. They also do nothing to making our government take a long, hard look at itself and become more efficient and effective.

Thank you for reading our submission. We are here to help and support our island and would be happy to make ourselves available for further discussion with your panel.

Kind Regards,

Ana and Marcus Calvani

Co-Chief Executives



**JERSEY
HOSPITALITY**
ASSOCIATION