

2024.10.01

**3.17 Deputy P.F.C. Ozouf of St. Saviour of the Minister for Sustainable Economic Development regarding concerns raised by the subsequent significant increase in cost of living and related hardship (OQ.190/2024):**

With regards to the concerns expressed by the Fiscal Policy Panel about the Island's current and rising rate of inflation, will the Minister advise what actions and policy options, if any, are being considered to address concerns raised by the subsequent significant increase in the cost of living and related hardship? I should say that I asked for either the Minister for Treasury and Resources or the Minister for Sustainable Economic Development, who has stepped forward to answer the question.

**Deputy K.F. Morel of St. John, St. Mary and St. Lawrence (The Minister for Sustainable Economic Development):**

As the Deputy will appreciate - I have no doubt - Jersey's ability to manage inflation directly is limited as we do not have our own monetary policy. The Government, however, is committed to use those available policy levers where it can to manage inflation. To this end, the Common Strategic Policy sets out that we will keep fees, duties and charges as low as possible to avoid creating an inflationary effect. Members will have seen that in the Budget, where the duty rises, et cetera, are extremely low. As far as helping those cope with rises in the cost of living, matters such as the minimum wage rise are part of that, as are those attempts to mitigate any inflationary matters around that.

**3.17.1 Deputy P.F.C. Ozouf:**

I really appreciate the Minister absolutely differentiating from imported inflation versus domestic inflation. He said he does not have policy options; he does have some policy options, I think, or the Government does. Policy options are relating to supply side, increasing productivity, reducing local price pressures, increasing sectors of capacity such as housing, utility regulation, competition. Can he give me some indication of his enthusiasm or otherwise to deal with what I think he would recognise is a very potentially serious issue? The issue is domestic inflation, not imported inflation.

**Deputy K.F. Morel:**

I thank the Deputy for outlining his particular concerns and they are concerns that I have myself. I think while it is possible to distinguish between domestic and imported inflation, there is a reality which is that the vast majority of inflation in our Island is imported, if we look outside of the housing market aspect of it. If you remove the housing market side, then most of the rest is imported. To that end, of course, we do have the Jersey Competition Regulatory Authority and certainly in the year ahead we will be bringing forward changes to the Competition Law to help the authority address matters that the Deputy has talked of. With regard specifically to supply side, that is exactly one of the reasons why we have gone to a contract for ferry services in this way and have undertaken a thorough tender process, because we understand as well that even just the cost of shipping to the Island adds inflation to the prices that we pay. Developing closer economic ties with Normandy and Brittany, as many Members will know, is something that I have been focusing very closely on. One of the key drivers of this is to create a southern supply chain that can provide a greater choice in products and prices for Islanders, as well as increase the length of time that many goods spend on the shelves. Because at the moment, again, one of the places that Islanders pay cost is because there is a decreased amount of time on the shelf life because fresh goods and time-limited goods will pass from Europe all the way up into the U.K. and then come all the way back down again to the Islands, thus losing shelf time; that increases cost. From the perspective of the minimum wage, I have seen this increase in the minimum wage as an opportunity to really push the importance of businesses in Jersey increasing productivity and providing an opportunity, through the mitigation measures that I will be unveiling in the coming weeks, to really provide businesses with the opportunity to invest in themselves in many different ways to increase their own productivity. A lot of that will be in technology investment; the aim is to reduce the need for any individual business to rely on employment to the extent that they do at the moment. There are other measures, as far as the domestic side is concerned and the demand side is concerned, such as providing

preschool meals for primary school children, which in themselves will reduce the cost of living for households in the Island. But there is no doubt that I agree with the Deputy that focusing on the supply side is absolutely vital, and that is why I am so focused on developing a southern supply route because at the moment this Island imports inflation from the United Kingdom and has absolutely no control or alternative means of changing that in any way. By creating a southern supply route, we will help provide that choice and mitigate that inflation that we import from the U.K.

### **3.17.2 Deputy M.B. Andrews of St. Helier North:**

What impact, if any, will increasing the personal income tax threshold have in the forthcoming Budget and what impact will that have on inflation and our domestic economy?

### **Deputy K.F. Morel:**

Increasing tax thresholds, which is something that the previous Government also did, enables Islanders to have greater purchasing power. In itself, that will have likely - and I have not checked the figures, so this is my own personal opinion - a very marginal inflationary impact. But it is, I believe, marginal and the ability for Islanders to have more money in their pockets, I think at the moment, after years of suffering through higher prices, I think is a really important one. Because it is also important to note R.P.I. is beginning to slow down; the rate of growth and the rate of inflation is slowing down and that is a very important point to note.

### **3.17.3 Deputy P.F.C. Ozouf:**

I am, I guess, somewhat disappointed by the Minister's answer. I draw his attention to a 2006 report on barriers to entry for France. I will send it to him if he has not got it. I think he is saying that basically opening up southern routes in France is a solution to inflation. My question really was ... and I understand there is not an explicit breakdown in the domestic versus non-domestic inflation in the F.P.P.'s recommendation, however, they are clear that there is domestic inflation arising. I would welcome, perhaps, the opportunity of discussing it with the Minister and the Ministerial colleagues about the importance of it because there is a lot of experience from the past that has been used to depress domestic inflation and the F.P.P. is warning this Assembly and him and other Ministers that there is a rising inflation which is going to erode the pound in people's pockets. It does appear to me - and I do not know whether he agrees - that there is not enough emphasis given on that eroding of the pound in people's pockets domestically arising.

### **Deputy K.F. Morel:**

I do not wish to disappoint the Deputy. That would be the last thing I wish to do today, but in so much I agree, and I apologise for not being expressive enough to have shown that previously. There is no question in my mind that Islanders have experienced a significant increase in the rate of inflation. The latest inflation statistics, which are a couple of months old now, and I do wish we had them more often, do show and do point to the possibility that underlying inflation is becoming a feature of the economy and that does concern me a large amount. The reasons for that are wide and varied. There is imported inflation through the U.K. There is also ... and when we talk about Government, there are ways of making life so much easier for Islanders and for businesses in this Island just by becoming a much more user-friendly Government. For instance, last Assembly I was asked about procurement processes. By ensuring that businesses do not spend very long lengths of time on things like a procurement process or a planning process, et cetera, we reduce the cost of living in this Island in another way. It is the same with Islanders. Every time that as Islanders we are forced to divert our efforts into dealing with a bureaucracy or dealing with delays in delivery of services, that increases the cost of living in this Island. These are the things which are very difficult for us to deal with directly but are really important to understand. I do believe it is important to deal with the supply side. Brexit has forced a wedge between us and the European market. That is something which is not in the interests of this Island, in my opinion, at all and I am doing everything I can to try to make sure that we can reconnect with the European market, which is absolutely, I think, a vital route for alternative goods to come to this Island at alternative prices. I cannot say whether they will all be cheaper, of course I cannot, but at the moment we have a supply chain which is entirely lacking resilience because it is one supply chain - there is no other route to this Island - and it is a supply chain which is entirely prone to the whims of whichever

Government is in the United Kingdom and the way of their policy choices. Therefore, I believe it is absolutely vital that we empower this Island to have a greater choice of goods and services that Islanders can then buy and are able to make choices. Price will be one of those choices as well as quality.

[12:00]

**The Deputy Bailiff:**

Thank you, Minister. That brings the period for oral questions on notice to an end. So, under Standing Order 63(9), questions 19, 20, 21 must be answered in writing by the relevant Minister as soon as possible by response to the Greffier for distribution. We now move to questions to the Ministers without notice and the first period of questions is for the Minister for Children and Families.

Please note, Deputy H.L. Jeune of St. John, St. Mary and Trinity was *excusée* for this meeting of the States, so was unable to ask her oral question OQ.178/2024 of the Minister for Sustainable Economic Development. The Minister has provided the response that he would have given had Deputy Jeune been able to ask her question:

**Question**

In relation to Social Enterprises, will the Minister advise what Government support currently exists, what future support, if any, is being considered, how Social Enterprise status is verified, and how any impact is measured?

**Answer**

Government support for social enterprises has historically been ad hoc across various departments. In order to better coordinate government support my ministerial delivery plan includes the commitment to develop a social enterprise framework and pilot elements of the framework in 2024. We are working with Jersey Business on the pilot and there is now an open call through their website for businesses to submit an expression of interest to join the SEE (Social, Environmental and Economic) Enterprise Pathway.

A SEE Enterprise is defined as a business endeavour or project which is currently or has the future potential to contribute holistically to multiple Island Outcome Indicators across the economic, social and environmental categories – whilst generating at least 51% of its income from trading activity.

The purpose of the SEE Enterprise Pathway is to provide a comprehensive framework of support to make it easier to startup, develop and scale businesses that will have a positive impact on the Jersey community and environment.

Once a business has received SEE Accreditation, they will gain access to benefits including:

- Business support.
- Membership of a network of social entrepreneurs.
- Social enterprise training.
- Guidance through regulatory processes.
- Access to subsidies and forms of financial support.
- Structured introductions to investors.

THE STATES noted that, in accordance with Standing Order 63(9), a written response would be provided to the following oral questions that had not been asked during the time allowed at the meeting:

