

# STATES OF JERSEY



## **BUDGET STATEMENT 2010 (P.179/2009): SECOND AMENDMENT**

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**Lodged au Greffe on 24th November 2009  
by Deputy S.S.P.A. Power of St. Brelade**

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**STATES GREFFE**



**PAGE 2, PARAGRAPH (a) –**

After the words “as set out in the Budget Statement” insert the words –

“except that the estimate of total taxation revenue in 2010 shall be decreased by £4.25 million by removing all proposed increases in impôts duty on alcohol, tobacco and fuel for 2010 set out in Figure 6.1 on Page 26.”

DEPUTY S.S.P.A. POWER OF ST. BRELADE

## REPORT

The Minister's opening comments on Impôts duty proposals are contradictory.  
Quote –

“It should be noted that the long-term trend of revenue from impôts duty is declining, which reflects the balance between the objectives of the States Alcohol and Tobacco strategies to reduce consumption, and that of raising additional revenue from increasing impôts duties. Consequently, annual increases in duty, at least in line with inflation, are fundamental to maintain the current level of revenues in the future, whilst reducing consumption”.

The Minister also states that the States Economics Unit states that modest increase in duty is not likely to work against the Island's economic interests. The proposals are not modest.

The Island has escaped the worst ravages of the global recession and credit squeeze. However, the cost of living to Islanders and particularly hard-working conservative, voting and tax-paying Middle Jersey are finding it difficult to make ends meet. This is particularly so with families, those with a dependent relative, those with children at University and those with a mortgage.

Most of Middle Jersey do not binge-drink, do not end up at the Accident and Emergency Department of the General Hospital, and they lead moderate lives. We should not tax Middle Jersey because of the bad behaviour of a minority of those living here.

The increases proposed in the budget are not modest. They are excessive. Using the Health Department as an excuse to raise levels of duty on alcohol and tobacco is not acceptable. It is an old hobbyhorse. Nor is it acceptable to compare Jersey to the UK. The UK economy is on its knees and what works in the UK does not necessarily travel and transfer here. One example of this is the merciless onslaught on town and village life in the UK, where the Post Office and the local pub are under sustained and merciless attack by Whitehall's wall of legislation. The Parish and village pubs of Jersey are under threat. Jersey pubs have to compete with a large increase in retail corner shops and the supermarkets that now sell all types of alcohol and tobacco.

It also seems to be the case that alcohol and tobacco are easily accessible to those members of Jersey society that do drink and behave in an inappropriate manner. The real problem in Jersey society is not the thousands of families who enjoy a glass of wine at the weekend or the working man who enjoys a couple of pints. The real problem of alcohol abuse is the local corner shop that sells alcohol and tobacco to those who pass it on to minors, binge-drinkers and to those who just want to get drunk.

If the Island were to control the licensing system in the retail sale of alcohol and the monitoring of sales in supermarkets and corner shops, perhaps the Island might make more progress.

To dress a Treasury revenue requirement into a Health Department issue without balance is not acceptable. Jersey, like many other jurisdictions, tends to deal with a problem by bringing in Regulations or a Law that applies to the whole Island when a specific solution may be more appropriate.

## Alcohol

The following figures have been rounded to 2 decimal places for ease of reading, but the spreadsheet attached at the Appendix shows the figures behind these calculations. The exchange rate used is 1.1075€/£1 as the rate of exchange as per the current spot rate on [www.xe.com](http://www.xe.com).

Someone in the Treasury appears to have forgotten that they do not use Sterling in France!!

<b>Duty Increases Proposed for 2010 – JERSEY</b>	<b>Current</b>	<b>Proposed</b>			
Litre of Whisky @ 40%	£9.37	£9.95			
Bottle of table wine	£1.12	£1.19			
Pint of beer <5% alcohol	£0.28	£0.30			
Pint of beer >5% alcohol	£0.42	£0.45			
	<b>Jersey</b>	<b>Guernsey</b>	<b>UK</b>	<b>France</b>	
Litre of Whisky @ 40%	£9.95	£8.41	£9.06	5.89€	£5.32
Bottle of table wine	£1.19	£1.34	£1.61	0.03€	£0.02
Pint of beer <5% alcohol (4.1% Carling for UK/France)	£0.30	£0.34	£0.38	0.06€	£0.06
Pint of beer >5% alcohol (5.0% Grolsch for UK/France)	£0.45	£0.34	£0.47	0.08€	£0.07

It is not realistic to include a VAT/TVA/GST when making duty comparisons, as a bottle of wine/beer/spirits could be £2.99 or £299, thus making the added tax a variable factor whereas the duty will be the same regardless of value. As this is a budget which proposes to increase the duty, it should be showing exact like-for-like comparisons of the duty and not other variables. There should be no increase in the rates of duty on fuel.

## Tobacco

The hard evidence for the above lies in the 2004 budget (agreed in December 2003), when States members agreed to an amendment from Deputy Patrick Ryan, which increased tobacco duty by 12.1%, in an attempt to generate an extra £1.19 million. **The actual result was an increase of just £578,000 in revenue, less than half what was expected.** The following year, States revenue from tobacco duty fell back even further to a level substantially below the 2003 total; basically, the point of diminishing returns had been reached, and consumers looked for “duty free” options instead. So, the actual evidence of recent history shows that increasing tobacco impôt so significantly is likely to have the opposite effect to the one desired by States members. Using impôt as a source of funding can never provide the certainty of return which is clearly needed in order to invest in 39 nurses and adult respite care. It is worth noting that, since 2000, tobacco duty in Jersey has already more than doubled, increasing over that period by £1.75 per pack of cigarettes, compared to £0.81 in the UK, and £1.07 in Guernsey. Tobacco prices in Jersey generally have already risen by 96% in that period (Guernsey: 78%, UK: 44%). *Source: States Statistics Unit.* There should be no increase in the rates of duty on tobacco.

## **Fuel**

The ordinary family unit that compromises Middle Jersey is being asked to accept almost a 10% increase in fuel charges. This applies to petrol and diesel. Island residents already pay a premium to get on and off the Island. We have the most expensive ferry fares on the English Channel. We have so-called low-cost airlines operating in and out of the Island that charge for the use of debit cards, seat allocation, hold luggage, and so on. Yet we ask these families to send their bright, well-educated local children to UK universities, where these same families pay a premium to have their children educated at a university where they sit in lecture halls beside their English, Welsh or Scottish fellow students who pay a third of the Jersey student's university fees.

Transport costs, whether on-Island or off-Island, eat into the disposable income of Islanders. Middle Jersey has to put up with all of this. Now this Assembly wants to push the cost of a litre of fuel to a figure whereby the Minister for Treasury and Resources will take almost 60% of the price charged at the forecourt. This is unacceptable and there should be no increase in the rates of duty on Fuel.

## **Financial and manpower implications**

The figure of £4.25 million loss of revenue given in this amendment is based on the estimate I have been given by the States Treasury, but Members will realise that the laws of diminishing returns are setting in and in my view the Treasury's figure may be an over-estimate. The only way of financing this amendment is for the Treasury to accept that for the next 2 years, deficit budgeting must be considered as an acceptable temporary way forward. The Jersey economy is robust, the finance industry is key to this, and we must accept as States members that this Island revolves around the tax-paying and income earning ability of Middle Income Jersey. To risk penalising any further this hugely important sector of the economy is folly. There are no manpower implications with this amendment.

## APPENDIX

<b>Duty Increases Proposed for 2010 - JERSEY</b>	<b>Current</b>	<b>Proposed</b>			
Litre of Whisky @ 40%	9.372	9.953064			
Bottle of table wine	1.123125	1.1927588			
Pint of beer <5% alcohol £0.28	0.2811188	0.2985482			
Pint of beer >5% alcohol	0.4230137	0.4492405			
	<b>Jersey</b>	<b>Guernsey</b>	<b>UK</b>	<b>France</b>	
Litre of Whisky @ 40%	9.953064	8.41	9.056	5.887	5.319178
Bottle of table wine	1.1927588	1.3425	1.60515	0.025875	0.023379
Pint of beer <5% alcohol (4.1% Carling for UK/France)	0.2985482	0.3352741	0.38373	0.061509	0.055576
Pint of beer >5% alcohol (5.0% Grolsch for UK/France)	0.4492405	0.3352741	0.467963	0.07501	0.067775