

STATES OF JERSEY

Economic Affairs Scrutiny Panel Price and Charge Indicators (GST) Sub Panel

TUESDAY, 24th JULY 2007

Panel:

Deputy G.P. Southern of St. Helier (Chairman)

Deputy J.A. Martin of St. Helier

Deputy K.C. Lewis of St. Brelade:

Connétable M.K. Jackson of St. Brelade

Witnesses:

Mr T. Le Roux (Director of Consumer Affairs)

Deputy G.P. Southern of St. Helier (Chairman):

Right, if we continue with the Director of Consumer Affairs, Trevor Le Roux. Before you start, Trevor, I should draw your attention to the notice in front of you about the conditions under which you give evidence at this hearing. I should really have drawn attention to it before because you might have said something you could have been sued for, and I would be in trouble for not having drawn your attention to it.

Mr. T. Le Roux (Director of Consumer Affairs):

Right. Okay. Thanks. Just skimming down the questions that were sent to me before this meeting, I think we have talked about most of the first 7 or 8, but if we come down to: "What experience or information do you have about how such tax is displayed in other jurisdictions?" I think we have pretty much covered that. The rest of Europe have inclusive, in fact, it would seem that most of the rest of the world, except America and Canada, have an inclusive pricing system. So I thought it might be just interesting to let you have a copy of this. I mentioned before about the Trade Descriptions Act, which was my first experience of "misleading prices" as it were. So, if a trader puts a price on his goods, then that is what he must charge, and it was an offence in those days for him to charge a higher price. The Trade Descriptions Act was found to be a bit weak, in section 11 at the time, so what the UK (United Kingdom) Government did in 1987 was introduce a new Consumer Protection Act which did lots of different things. Part 3 of that Act dealt specifically with misleading price indications, and the sanctions against traders were pretty stiff. I will let you have a copy of this. I have highlighted some of the bits and pieces that are relevant. That was the major change in the UK, which said that traders must not mislead consumers with their price marking system. Of course, with VAT (Value Added Tax) and

sometimes postage charges, all these must be made known to the consumer and included in the price that is shown. It is interesting that the States, 2 weeks ago, did pass a piece of legislation which had inclusive price marking in it, which perhaps they did not notice. That was the Distant Selling Law. If our traders purport to sell to other jurisdictions, as we know they do, then they have to comply. It is not a possibility that they should not be complying with inclusive pricing, so that was included in that law and quite rightly so. Most of them do anyway because it would just be impossible to trade correctly if they did not include any type of charge there, and that includes postage. Will they be charging GST (Goods and Services Tax) on exports when it comes in? I do not know.

Deputy G.P. Southern:

No.

Mr. T. Le Roux:

Anyway, that is an example of price marking which the States have passed. You might want to make a note to look at the licensing law because the licensing law requires that certainly restaurants and pubs display the prices of their beer, all their minerals, at the door and on price displays inside. The licensing law also says they must not charge a price higher than is stated on that price list. You might like to look at whether that means they are automatically bound to include GST in those prices. I do not know. That is not my area, but I am just flagging it up because it might be something you want to look at. I think the Places of Refreshment Law does a similar thing for cafes that are not licensed but sell products. They have to display a price. So that is something to be aware of. I have some other bits of legislation here. I think the Minister gave you a copy of the directive, and I have just highlighted bits of that inclusive of VAT and all the rest of it. What you have there is a code of practice produced by the DTI (Department of Trade and Industry) because it was to support traders because there is a price-marking regime over there which is inclusive. I think they first produced it in 1998, but they revised it in 2005, and it is a code of practice on price indication. It is to help traders comply with the legislation. In instances where they might have been found at fault by trading standards people, if they could show that they complied with that code, it was a defence against a charge under the Consumer Protection Act. So, if you read through that, it gives you a flavour of the sort of things that are and are not acceptable. You have a copy of the price marking order in the UK, and I have also given you a copy of the price marking order which is applicable in the Isle of Man as well. So, you have plenty to look at there.

Deputy J.A. Martin of St. Helier:

I am confused. We just talked about services, and then you said to look at the Licensing of Refreshment Law, particularly restaurants.

Mr. T. Le Roux:

Licensing Law or Places of Refreshment Law. I am not talking about services, I am talking about the

products they sell, goods. A pint of beer are goods. Gin and tonic is a good.

Connétable M.K. Jackson of St. Brelade:

Can I just pick up on the restaurant prices? Whereas at the moment, although not so common in Jersey, you might have a fixed-price menu, I can see this being open to debate, whether the GST gets bunged on the end of that or whether it is included.

Mr. T. Le Roux:

If you have inclusive pricing, and it is a fixed-price menu, that should include the GST. You are getting mixed up with the service charge here.

The Connétable of St. Brelade:

No, but I think it is quite important to note that on an at-the-till basis, we would have GST and we would probably have a service charge. Now, where does the service charge come? Is the service charge going to be, perhaps, on the tax-included price? How would you review that?

Mr. T. Le Roux:

Of course it would, yes, because if you have a menu, which is £10, and you are obliged to include the GST element of that menu price because the law says you have to, then when you go to pay at the till, they will just add on their service charge as normal. So, it is your £10; if there are 10 of you, it is £100 plus 10 per cent service charge.

The Connétable of St. Brelade:

So, it is 10 per cent plus on the 3 per cent as well, so the consumer is not going to be very happy with that, I am sure.

Mr. T. Le Roux:

I think what the consumer really dislikes is when one of these restaurants puts all of the drinks you have at the bar on your bill and then charges you 10 per cent on that as well. Ask Deputy Breckon about that because he has campaigned in the past to expose that practice among some restaurateurs, but that is not what we are here for.

The Connétable of St. Brelade:

No, indeed, but nonetheless it encapsulates the worries around inclusive pricing, that GST goes on it and we are not aware of it. I think that is the feeling.

Mr. T. Le Roux:

If GST comes in, and the Government charge it, just like the UK, everybody knows you pay VAT on all

goods apart from food. If GST at 3 per cent comes into Jersey, then everybody knows you are paying GST. The fact you might not be able to see it is kind of irrelevant to us as consumers making decisions on prices. The fact is we know we pay it, but that does not stop a retailer, if their check-out equipment, their till equipment allows them to do it, very much like retailers do in France; certainly Ikea do it in the UK. You have inclusive pricing. When you get your receipt, if you bought 10 items, it will show you what you have paid to Ikea and then it will show you what you have paid in VAT. Not difficult really. I do not think you could force traders to do that because, look, lots of traders in the market do not even give you a receipt. I went into Anderson's yesterday and bought a tin of paint. I did not get a receipt. So, if you are saying that we want traders to tell people what GST element they are paying, well, fine. I do not have a problem with that. My problem would be forcing that trader to buy equipment that allows him to do that. I mean, again, these are just my personal opinions.

The Connétable of St. Brelade:

I note that in some countries it is an obligation for the traders to give a receipt. Would you consider that appropriate in Jersey?

Mr. T. Le Roux:

It would probably be a good idea. I do not know whether or not the Chamber of Commerce would have a view on whether you would want to force traders to give receipts. Certainly there are not many that do not because if you have to take goods back or you have a problem with them, what will the trader say to you? Can I see your receipt, please? The vast majority of traders, let us face it, do give receipts. If you go into a jeweller's shop, you will not just get out a little printout of ticket, what you will get is a nice handwritten receipt with what you have bought, as opposed to you going to a supermarket. You will get a long list showing all the items. It will vary from retailer to retailer, and they will have their own opinions, but one thing that occurs to me in all this is about what will make a retailer decide whether he goes inclusive or exclusive. You take somebody like the Co-op. I do not know what their average mark-up is, probably 20 per cent or around that area. I do not know. Well, if you go into a jeweller, I know for a fact because I have seen it, jewellers mark-up 120 per cent. Do not tell me there is not scope there to absorb GST because there is. Furniture shops have huge mark-ups. Clothes shops, clothes boutiques have an 80 per cent off sale and still make a profit. That shows what we are paying for those goods when they are at their original price. So, I think there is scope for absorption of GST, but it will vary from retailer to retailer.

The Connétable of St. Brelade:

Would you think that -- I think probably margins in the food line are somewhat less than you suggest.

Mr. T. Le Roux:

Considerably lower, yes.

The Connétable of St. Brelade:

In the cases where margins are less, would you expect prices to go up? Whereas where the margins are higher, perhaps it could be absorbed.

Mr. T. Le Roux:

Prices go up weekly. I shop in one of the Co-op's competitors, and because I generally buy similar things every week, you can see the prices go up. There is no GST. I mean, some of them just go up phenomenally, but you notice them. Prices will go up whether GST comes in or not. I personally think that if you have an inclusive price, because of the competitive nature of the market in Jersey -- first of all, consumers need to be able to compare accurate prices. The only way to do that is to have an inclusive system. I am not speaking for government or anybody else here. I am just seeing it the way -- I am a consumer as well as a trading standards officer. I see the reasons why other jurisdictions require this: because it is fair to the consumer. It is against the nature of trading that you put a price on something and that is not what you are going to pay for it. We have launched the consultation on the Supply of Goods and Services Law. You make a contract based on offer and acceptance. We make the offer to the trader. What he puts on his goods, the price, is an invitation to treat. If he does not put the correct price on those goods, then when you go through the till and he charges you an extra item on that price, whether it is GST or anything else, it is wrong that should happen, in my opinion. You could well say: "That was not what I offered you for those goods; that was not what our contracted price was" after you have gone through the till: "I want my money back, please" and you would have grounds to do that. I do not think I have much more to say, except that I do not take the Government's side on this. I take the consumer view, and it did surprise me when the Consumer Council supported the businesses, the Chamber of Commerce, in backing adding on GST at the till because it is just totally alien to the way trading happens in the rest of Europe. We have seen most of the world, Australia, New Zealand, all the places the Minister has mentioned. It is just alien, and it is strange. I mean, I have to confess that when I knew that GST was coming in, it did not occur to me that our local traders would not follow what they have been doing for years, which is displaying to consumers the prices which they will charge. I have seen elderly people particularly in the supermarket I shop in, going around -- one old lady was being pushed around by her husband, and she was saying: "Can you just tell me what the price of that is?" and she was writing it down. So, people do note what the prices are on the shelf. They want to be aware of what they are being charged. I can say no more.

Deputy K.C. Lewis of St. Brelade:

What do you think of the pricing they use in Australia, where you have the price plus goods and service tax and the full price as well?

Mr. T. Le Roux:

That is not Australia.

Deputy K.C. Lewis:

It is a typo. Right.

Mr. T. Le Roux:

Yes, if that is what happens in Canada, I do not know. Certainly it would be worth asking Steve Lowthorpe because I think his wife is Canadian. He has lived there for a long time, and he said some interesting things to me. So rather than me repeat what he said to me, it is best you ask him.

Senator P.F.C Ozouf:

I think they are also the only country that has dropped their GST/VAT/RST rate because it was -- I mean, the Canadian experience is a bloody one, in terms of implementation of a consumption tax. It is not the model you would follow anywhere in the world. It has been deeply problematic, widely disliked, consumers not happy at all, exclusive basis, not a model for us to follow. The US is different. That is RST (Retail Sales Tax). I think 2 governments fell in relation to Canadian HST (Harmonised Sales Tax).

Mr. T. Le Roux:

Is there anything that is not clear? Anything else you want to ask me?

Deputy G.P. Southern:

No. I think we know quite a bit now.

Deputy J.A. Martin:

No.

Mr. T. Le Roux:

Deputy Martin, anything you need clarification on?

Deputy J.A. Martin:

No, thank you. I know where to come. I know a man who can tell me then.

Mr. T. Le Roux:

Central Market, up the stairs.

Deputy G.P. Southern:

Thank you very much, Trevor.

Mr. T. Le Roux:

Cheers.

Deputy G.P. Southern:

Okay. Thanks for your contribution.