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30th September 2019

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Scrutiny
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Dear Simon

Proposed Increases In Alcohol Taxation

I write in response to the request by Senator Kristina Moore for our submission in relation to the proposed increases in alcohol duty laid down in the Island Plan. Having been operating in this island for nearly 200 years, Randalls is one of the islands largest alcohol wholesalers and pub operating companies. Our concern, quite rightly is for the impact any further increases will have on the viability of some of our outlets and the retention of our employees. Sadly some of our units are already teetering close the edge given the year on year increases that have been placed on alcohol duty, under the guise it is addressing the States responsibility towards reducing consumption, further to the advice received from Public Health. Whilst I am not disputing that research into alcohol consumption is not affected by price, what I do dispute is that in order for this strategy to work, the duty increases need to be passed on for this approach to be effective.

It therefore appears we have a double standard approach in that alcohol sold in supermarkets is deemed less harmful than the alcoholic drinks sold in our regulated on-licensed outlets. As you will know, off-licensed premises, predominantly supermarkets, are free to offer promotions on alcohol and more often are promoted as loss leaders to encourage customers into their stores with the appearance that whilst they are in-store, the supermarkets will cover any duty losses lost by shoppers buying their high margin own-brand products. Indeed I have evidence of a local supermarket selling bottles of premium brand spirits at £11.80, a price cheaper than Randalls can actually land those products in Jersey, even as one of the largest drinks wholesalers! Given the duty paid to land a bottle of Gordons Gin and Smirnoff Vodka (37.5% ABV) currently is £9.77 that leaves the operator with £2.03 to cover the cost of the product and shipping of the bottle to Jersey, and a supposed retail profit. Additionally if you take the duty paid on a bottle of Bells Whisky (40% ABV) at £10.42 this leaves that supermarket just £1.38 to cover the cost of the bottle and associated shipping and profit. Surely this clearly demonstrates there is no intention for these outlets to make a profit and that the public are therefore incentivised to drink at home or with friends where consumption is offered in free pour measures and goes unregulated. This clearly demonstrates that by increasing duty and it not being passed on then, this negates the influence as an effective tool for our Government to use to reduce alcohol-related harm.

Sadly all you are doing is driving prices of alcohol further up in on-licensed premises by penalising the responsible and sensible drinking population. The cost to service our regulated on-licensed premises with dedicated and trained personnel continues to increase year on year, with an example of the minimum wage increasing on 1st October by nearly 7% compared against last year. To further restrain our outlets with above inflationary duty increases will only lead to the closure of our pubs, a loss of jobs and a loss of history.

This loss leader pricing strategy of the off-licence supermarkets further leads to the general public referencing the cost of alcoholic drinks at a far lower price than we sell in our public houses, believing that on-licensed outlets are profiteering. This subsequently encourages individuals to drink at home which is clearly demonstrated by the modern culture more commonly known as “pre’s” where friends gather at another’s house or apartment prior to going out and consume a significant amount of alcohol before heading out later. This furthermore places additional pressure on our licensed premises who then have to deal with heavily intoxicated individuals when the full effects of their earlier consumption have finally kicked in, normally after they have entered our outlets. Surely a more sensible approach would be to allow our on-licenses outlets to compete on a level playing field where consumption is in measured quantities in a regulated environment?

I would also ask you to consider that if your strategy for reducing consumption is to increase the price of alcohol, why is it that we allow the entry of duty free alcohol into our island. One would assume that it is because we place allowances on the amount of each person may bring into the Jersey. This would suggest that the majority who embrace this saving are trusted and responsible drinkers given there is an incentive, otherwise it appears your outlining health argument is somewhat hypocritical?

Currently Jersey has some of the highest rates of duty in Europe, with a simple Google search defining that duty on a 40% litre of sprit in this island will attract £14.89 compared to the UK who charge just £11.50 per litre. That equates to an increase of 29.5% against the UK and you are now proposing to further increase it yet again by a further 14% in 2020. I don’t think you need to be an Economist to work out where such excessive increases will position our fragile hospitality industry.

I would seriously urge you to consider the severe impact your proposed increases will have on this wonderful island if approved.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Gavin Reid', written in a cursive style.

Gavin Reid
Managing Director.