

STATES OF JERSEY

OFFICIAL REPORT

WEDNESDAY, 4th DECEMBER 2013

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The Roll was called and the Dean led the Assembly in Prayer.

PUBLIC BUSINESS – resumption

1. Draft Budget Statement 2014 (P.122/2013): fourth amendment (P.122/2013 Amd.(4)) - resumption

The Deputy Bailiff:

We now resume debate on the amendment on paragraphs (e) and (f) of the fourth amendment of Deputy Young and I call on Deputy Southern.

1.1 Deputy G.P. Southern of St. Helier:

I expected that was going to happen. I know what prompted me to want to speak on this. It is that with the exception of Senator Ferguson and Deputy Baudains, we are all a little bit green to one extent or another so let us vote for these amendments and get on with it.

1.1.1 Deputy S.G. Luce of St. Martin:

Members will know that I am Deputy Young's Vice-Chairman on the Environment Scrutiny Panel with Connétable Rondel as our third member. Members will also, I expect, if they have read our Scrutiny Report on the Energy Strategy of the Minister for Planning and Environment out to 2050, they would be expecting me to support this amendment. When it comes to supporting the installation and maintenance of energy conservation measures and the purchase, importation or leasing of ultra-low-emission vehicles, I do support these excellent initiatives. This might be a good point and Senator Ferguson has already been mentioned ... just to have a brief riposte to something that Senator Ferguson mentioned yesterday afternoon and I would quote these 2 figures at her. Domestic transport in the U.K. (United Kingdom) makes up 25 per cent of the U.K.'s carbon outside emissions and of these, road transport made up over 90 per cent of greenhouse gas emissions, with car travel accounting for 58 per cent and commercial transport for over 30 per cent. Members will, I hope, also know of my enthusiasm for high-tech, new-tech, clean-tech, indeed any technology for energy saving. They may also know of my even greater desire to promote ultra-low-emission vehicles, especially electric vehicles. Indeed, I would gladly take up and promote the case when it comes to convincing and converting the Island's drivers that electric vehicles for pleasure, personal and commercial use are the way forward for Jersey in the short and medium-term. But this is not a debate about the potential benefits of electric vehicles. It is about the funding of these energy saving measures, measures linked directly to reduction in carbon emissions and this is where for me unfortunately the amendment comes unstuck. I said at this time yesterday morning, and I say it again now, I cannot support any amendment that seeks to selectively change G.S.T. (Goods and Services Tax) on specific items. We urgently need some additional financial assistance with these important environmental subjects and I would urge the Minister for Treasury and Resources to consider this. It is a great shame he is not in the Chamber at the moment because I wanted to quote some figures at him but, for the benefit of Members, I will continue to do so. The U.K. Government, in its lifetime, have committed £400 million to ultra-low-emission vehicles. They also have a policy of giving grants of £5,000 on cars and £8,000 on vans. In France, the target is 1 million electric vehicles by 2020 and a government fleet of 50,000 electric vehicles. In France also they give tax credits and in 2012, those will amount to 400 million euros. In Germany, the target is one million vehicles by 2020 and they are investing 500 million euros in infrastructure. In Spain, they give 6,000 euros per vehicle and in Italy, they have a budget for this work of over 500 million euros. I am glad the Minister for Treasury and Resources has come back because I urge him very seriously to think about measures in this direction before next year's Budget and if he does not bring something forward, I certainly will consider that myself and I am sure I, along

with the Scrutiny Panel, would seek to do that. That is my stance. I wish to support these energy conservation measures as strongly as I can. Unfortunately I cannot bring myself to vote for a G.S.T. amendment in order to do that.

1.1.2 Deputy R.C. Duhamel of St. Saviour:

I am pretty much in line with what was said yesterday about the health insurance issues. There is a germ of an idea within what Deputy Young is proposing that does make sense in terms of trying to deliver less carbon emissions through our methods of transportation but the mechanism unfortunately is where this all comes unstuck. I think the better way round for any Members who are genuinely interested in trying to bring forward our commitment under the climate change programme or indeed just to move the Island into a more environmentally sustainable way of dealing with our transportation issues, is to go for green taxes. One of the difficulties I have got with G.S.T. zero-rating of purchases is that it is a one-dimensional approach and the monies go back into the Treasury to be spent on other issues. Green taxes, on the other hand, which is something that I think will have to be properly considered - and my department are undertaking some work in that regard for the next Budget - gives us a mechanism whereby we can encourage mechanisms not to just raise taxes for general spend but to give incentives or disincentives - sticks and carrots - to encourage behaviour change, and that for me is the fundamental difference between what is being proposed here as a G.S.T. zero-rating mechanism. Some of us might say that every little helps and in some ways it probably would, but I think if we are going to solve problems in the long-term, then we have to look at longer-term thinking which is more beneficial. The other thing that is said which is not quite right or, in fact, is not said enough, is that in just concentrating on the emissions from the tailpipe, we fundamentally miss out on the other huge issue of generating carbon dioxide emissions and that is the embodied energy and the embodied emissions for the use of the materials to deliver the technological changes that some of these measures are proposing. If you do the lifecycle analysis and you do it properly and you take into account the phenomenal energies and carbon dioxide emissions that are generated from the inception of digging your oil from the ground through to making the metals and the new carbon fibre materials and other high-tech materials to generate the vehicles that we are wanting to put these small G.S.T. zero ratings on, we miss out on the major part of the carbon dioxide generation. I think for me that is fundamentally an ostrich-head-in-the-ground type approach. We are looking backwards when we should be looking forwards. Where do we go? Another issue that has not been considered, and I had a quick look in my files yesterday, is that in suggesting that we should just go for these so-called ultra-low-emission vehicles, we have missed out on the ability of lower-tech, not high-tech, methods of delivering even lower carbon emissions than would otherwise apply. There seems to me a concept that people are tied into, in suggesting that ultra-low-emission vehicles is the only way forward in that we are not looking at the transport hierarchy which says that we should be using the best vehicle for the length of the journey that we are going to make.

[9:45]

So in some instances, the lowest tech is the best. I would not be suggesting - I do not think Deputy Young will be suggesting - that we should be having G.S.T. rating changes or whatever for people using their own legs or their own bodies which could technically be classified as a vehicle. If people think that is farfetched, then just go up a notch and look at the 8 grams of carbon dioxide per kilometre that a cyclist generates, albeit eating locally grown food. If we want to take it up a notch because people do not wish to cycle - and I think people are getting the drift - you walk the walkable distances, you cycle the cycleable distances and then perhaps we go back a notch into history and we should consider the question that has been considered by other countries, notably Cuba, when we had the embargo, they had to look at mechanisms to run their tractor fleet in order to produce food. So they had to look at emotive power that was required in order to use the

agricultural methods that they had grown used to by using petrol driven tractors. So in looking at the carbon emissions of the carthorse, again fed on local grain that is grown at home, the carbon emissions per kilometre for a carthorse working to pull a large plough is of the order of 50 grams carbon dioxide per kilometre which is exactly the level that is being suggested under (f). Thinking outside the box - the horsebox probably - if we have got 50 grams of carbon dioxide per kilometre for a carthorse pulling a heavy plough to replace a tractor, what would happen if we went back to the type of vehicles that used to grace our streets when we had lighter weight horses pulling lighter weight carts? You see where I am coming from. The whole area of giving grants or giving zero-rating considerations in order to assist in reducing carbon dioxide emissions is a fantastically huge area and I think the approach that Deputy Young is taking is essentially one-dimensional and he is using the wrong hammer to crack the wrong nut. One final thing before I put people to sleep, and that is to remind them of the importance not only of carbon dioxide emissions, which is used as a generalisation for the greenhouse gas emissions, but to also remind them of the importance of methane reduction. So in suggesting perhaps or if people are thinking that my speech is suggesting that we all forego our high-tech cars and either walk or cycle, or perhaps harness up the lightweight horse to the lightweight cart, there are a substantial number of cows in the Island as well and the methane production, if anybody is thinking that I am suggesting that we should harness up some of our local cows to a cart in order to provide a transportation system, we must realise that the methane produced is some 24 times greater in terms of the damage it does to the environment than the carbon dioxide emissions that you or I would be generating by walking or cycling. I think, all in all, this is a sensible idea generally to obviously wish to deliver the carbon savings that this House has signed up to but the mechanism is fundamentally incapable, I think, of delivering as flexible a set of options in order to encourage the wiser use of alternative transportation systems which we would all wish to support. I do not think I can support (f) in this particular case but certainly in the future I will be supporting green taxes which can be ring-fenced to make behavioural changes in order to assist in the delivery of our climate change considerations.

1.1.3 Deputy G.C.L. Baudains of St. Clement:

For once I find myself at variation with the previous speaker which for a start I was not quite sure if he was suggesting we should walk to work or go on a cow or something like that but I would remind him that, of course, if we do walk to work, that human beings inhale oxygen and exhale carbon dioxide so there is not a great deal of benefit there. But while I am talking about carbon dioxide, I would reiterate the point that Senator Ferguson made yesterday and that is the whole argument that carbon dioxide is greenhouse gas and creating global-warming. Because we have heard it 10,000 times, most people tend to believe it. I would remind Members there is no scientific evidence whatsoever that that is the case and if anybody thinks they have some, I would be pleased to see it because I have not found it yet. I will be supporting this but I am a little concerned about the enthusiasm for electric cars because again as an engineer who has worked extensively in R. and D. (research and development) over the years, I realise that this is already yesterday's technology. They are grossly inefficient and, of course, the battery which powers them has been changed now from a lead acid battery to lithium iron in order to save weight and such things and so instead of having a heavy battery, we now have one that occasionally explodes and things like that, so we are not making much improvement there. I am not overly excited about that part of it. What I am concerned about, and this argument has arisen during some of the debates yesterday, there seems to be a preference for not tampering with G.S.T. but having a grants system instead and I really cannot see the argument behind that at all. As a Member of the Public Accounts Committee, we have seen that grants are not always as efficient as they might be, and looking at it purely from an overview of the situation, would it not be simpler to not charge G.S.T. on a particular item? I believe there are some items already which are exempt from G.S.T. Would it not be simpler and more efficient to not charge it in the first place rather than to take the tax, administer it through a process and then

hand it back out again as a grant? I know there are some taxes where over 50 per cent of what is taken is absorbed in administration, so we employ more civil servants to just shovel paper around various desks before it ends up where we would like it to go. It is a better use of taxpayers' money to not take the tax in the first place rather than put it through a whole long process. I get a little bit concerned about the argument: "Do not tamper with G.S.T. We want a grants system instead." Having said that, I do agree with the principle that G.S.T. should be as universal as possible in order to keep the cost down. Those people in the past who have said to me: "We would like G.S.T. taken off food", I said: 'In that case, G.S.T. will probably go up 2 or 3 per cent. Remember it applies also to your electricity, your heating oil and most of the other things you use so you will be no better off in the end.' Having said that, I think this is a case where a situation arises where it could be taken off or not applied with benefit because the alternative, as I have said without repeating myself, the alternative is wasting money on administration.

1.1.4 Deputy M. Tadier:

We have been told that we have a positive Budget. We have a Budget that is the best that the Chief Minister has seen probably ever or certainly in his time in this Assembly, and I am not contesting that at the moment, but we do have an opportunity to make it also a green Budget and the only person in this Assembly that I can see who is bringing forward amendments to try and make this a greener Budget is the Chairman of the Environment Scrutiny Panel and we know he is being supported by one of his members on that panel. I am disappointed when I hear the Minister for Planning and Environment, who is supposed to be the champion for green initiatives in Jersey, saying he cannot support this albeit because it does not quite do what we should be doing. It is not absolutely perfect and there is some future thing which we should be doing which is perhaps complicated and will not even pass muster in this Assembly, which we will do in the future. But then we should not worry because the pretender for the position of Minister for Planning and Environment does not support this either so we are really stuck between a rock and a hard place where the only person who is bringing forward these amendments - and quite lordworthy the amendments are - is the chairman of the Environment Scrutiny Panel. We have to ask ourselves the question: do we want the Island to be greener in terms of its emissions, in terms of reducing traffic, making sure that the traffic on the road is not polluting, is quieter, *et cetera*, and all these initiatives. Presumably as a Government we do. That is why we have an Eco-Active service. That is why we have got a car-sharing website which I notice that Eco-Active seems to have recently launched so certainly the work is there in the department. There seems to be at least lip-service being paid by States Members. We know that we have got 2 unbelievers in this Assembly. We know and I suspect we have got some evangelists for the green cause. One of them is on my left but it seems that we either have a lot of agnostics in here or a lot of Sunday worshippers who are quite willing to talk the green talk but not walk the green walk and it seems to me also that as a Government ... I was going to say we should put our money where our mouth is but what we should be doing is let those individuals in our society who want to be buying these green vehicles - and I am particularly speaking to part (f) at the moment - if there are people out there who want to buy electric vehicles, hybrid vehicles which we know are more efficient ... clearly taxi drivers, for example, who are opting for hybrid vehicles do so on the basis that it makes economic sense for them. They may have the money to invest but what about the individuals who want to do the right thing that are being put up by an extra 5 per cent being slapped on at the point of purchase? We should be enabling them, taking down the barriers and the obstacles which might stop them from doing that. It was suggested by the Assistant Minister for Treasury and Resources that we should wait until the cost of these vehicles comes down before we start to do anything, and I am sorry if I have misquoted but that is how it sounded to me. It is at this very point when individuals are having to make the tough choices about how they spend their money on this type of expensive technology at the moment, quite simply they may take the short-term option and go for conventional vehicles

which are not good for the Island and not good for them either. So I think it is about helping people do the right thing with their money. It seems that if we do all agree that low-emission vehicles, electric vehicles, *et cetera*, are a good thing and I have certainly been convinced. I took up the offer of the Jersey Electricity Company to drive around in their Leaf. I thought that is a great piece of technology, a great way to get round in our Island and I think we could do with lots of those kinds of vehicles that would sufficiently meet our need as an Island. There are only 3 ways available to any government to effect positive change in behaviour and that is to do with tax, to do with spending and to do with regulation. So we could say we are going to change the law to say that in 5 years, nobody is allowed to drive petrol and diesel cars and that is one way to do it. It would be seen as heavy-handed. We can tax people out of existence by saying fuel is going to go up exponentially and you will have to drive round in electric cars and we can spend by saying we are going to give grants out and there have been a few talks about grants being the way forward. I notice China this year are doing rebates so you can trade your old car in for a new one and get roughly 10,000 US dollars for that. I do not see that on the horizon at all in Jersey so it seems to me the most modest thing we can do to encourage people is to say: "We will not take the extra 5 per cent tax off you." We know that there are exemptions for other things including school fees, interestingly enough. Maybe that is an area where G.S.T. could be applied in future, for school fees, but when it comes to doing the right thing, something that government wants people to do very modestly we can say: "For the foreseeable future in the interim until the tipping-point is reached and the prices come down, we will at least not charge you as a government for that because we want to encourage you to do the right thing." I would encourage Members to support (f) overwhelmingly. It is the right thing to do. It is modest and we should also be sending a message out to our Ministers that this is the direction that we endorse. With part (e), I think I will be supporting it. I think that there are some pieces to be ironed out to do with local suppliers and contractors, but similarly we should be encouraging the people in our community to take the initiative themselves and as a Government simply supporting their decisions.

[10:00]

1.1.5 Senator P.F.C. Ozouf:

The intention of this amendment is no doubt a good environmental practice and this Assembly often has to juggle the trade-offs the objectives of social objectives, financial objectives, economic objectives and environmental objectives and sometimes they are not mutually exclusive. Sometimes there are trade-offs that we have to think about. We need to have to test every proposal that comes forward with the offsetting counter-arguments. We have to test the value for money of it. We have to test whether or not it is capable of implementation and we have to test the unintended consequences. In relation to part (e), the zero-rating of expenditure on installation of energy conservation measures, I think all of those Members who yesterday voted comprehensively not to confuse and to complicate the G.S.T. system; I think that the same principles importantly apply to this. I will not go on about any environmental equivalents of Pringles or Jaffa cakes or ferret food but I will say that, for example, I in my own property had a problem with a boiler 2 months ago and needed to install a new boiler. Presumably the boiler that I have put in place is now more energy efficient than the previous one. Deputy Young has criticised - and I understand the criticism but need to defend it - and says well how are you going to bring ... there is not going to be legislation. This is just a greening in principle. Treasury just sort it out, come forward with the legislation that could bring this into effect. What would be the treatment of the G.S.T. on my new boiler? It is more environmentally friendly. It is using less energy but it is a replacement. Do I need a G.S.T. zero-rating on that boiler? I do not think so. I think that the same argument that we applied to the debate on extending mortgage interest tax relief on energy efficiency applies and I would argue and I am grateful for the support of the Minister for Planning and Environment, we have the energy efficiency service and that is the right way to direct help and certainly encourage

and assist Islanders to invest in better energy, reducing our carbon footprint, making our fuel costs and energy costs lower and making those changes to our lifestyles. It should not be, however, using the tax system. In relation to part (f), I have had the wakeup call from the Deputy of St. Martin and I would like to read, if I may, a paragraph from the *Economist* which sometimes we often say good economics does not make for good politics and there is lots of good politics around green matters. Deputy Tadier said he wanted a green Budget. Well, here is what the economists have got to say about electric cars. They say: "Sadly politicians see electric cars not as a means to a greener future but as an end themselves. Barack Obama still prattles on about having 1 million of them on America's roads by 2015. So far he has only got 5 per cent of the way there. This week [this is in June] Angela Merkel restated her aim to have 1 million such cars on Germany's roads by 2020. A mere 3,000 were sold last year. Under fire from Congress, Mr. Obama has stopped lending to makers of electric cars and batteries. He still wants to increase the actual federal credit for electric cars from 7,500 dollars to 10,000 dollars." And the Chinese, as Deputy Tadier rightly points out: "The Chinese Government is planning to revive an old subsidy scheme where it is up to 9,800 dollars per car." The conclusion is this from that article. "Such subsidies make little sense. If governments want to cut emissions, it would be better to pay people to insulate their homes. Better Place achieved little in its brief expensive life but if its failure, despite having weighty backers including GE and HSBC, persuades governments of the folly of picking winners, it will not have died in vain." I understand there are politicians around the world that are telling their communities: "Yes, we can pick the winners for low-emission vehicles and we can use the tax system or we can use grant systems in order to influence people's choices and effectively remove subsidies." Around the world, we are seeing governments pour money into effectively very low-emission cars and we have been lobbied. I have been lobbied with my Assistant Minister very strongly by the J.E.C. (Jersey Electric Company) to put a subsidy scheme in for electric cars and I, like Deputy Tadier, enjoyed my weekend of driving the Leaf car that I am sure many other Members did. It is silent, it is low-emission and it certainly has a great future but the market is sorting out the price. At the moment, it is extraordinarily expensive to buy electric cars. Some would argue that the subsidy that governments themselves provide - we are going to rehearse in the duty debate - do not necessarily translate into consumer prices and they do not make markets work efficiently. We are seeing an unwinding of these green initiatives in the U.K. We are seeing the U.K. Government probably at the moment unwinding some of the green initiatives in the electricity industry which have raised electricity prices and put probably an extra £110 on every single electricity bill in the U.K. - we do not have that - because of their green energies. One of the things in McKinsey that recommends a structure and a thought process in our financial services industry is that while we are leaders in some areas, we should be fast followers. We need to be realistic about the size of our community and what we can achieve. Being first in the queue is sometimes extremely expensive. We like to think of ourselves as a large nation state with all of the nomenclature of a bigger government that can influence the world. I would respectfully say that there is a future for electric cars. I believe absolutely in the future of electricity as probably the main energy source for our Island and I am grateful for the support of Members in relation to the substation issue to make sure that we have got the right electricity which is fundamental to make sure we have got the charging points. I would say to the Deputy of St. Martin his time is shortly, I think, about to come in relation to electric cars. The market is sorting itself out. Prices for electric cars are falling and they are falling fast and we are probably going to be at the cusp of being able to encourage, probably through a grant system if that is the right way to go, an encouragement in one or 2 years' time to encourage electric cars and more of these very low ultra-low and perhaps hydrogen cars, *et cetera*, to be in Jersey but we are not quite there yet. It would have been folly to start subsidising the very high costs of electric cars to any great extent. It would have cost us a great deal of money to do so.

Deputy M. Tadier:

I am just asking if this is on cue because we are not talking about subsidies here, we are not talking about grants. We are talking about the issue of G.S.T. being removed from what was perceived as green vehicles. Just some direction would be helpful, Sir.

The Deputy Bailiff:

Well, it seems to me to be a parallel argument which the Minister is entitled to make and Members will make of it what they wish.

Senator P.F.C. Ozouf:

I will respond because it is important to know. It is the same arguments as always. If I want to buy an electric car, it is probably a lifestyle choice for me. Do I need to get a zero-rated G.S.T. exemption? I am probably going to buy one anyway because I think it is a nice thing and I like the silence of it. I try to be environmental. I do not need a subsidy. I should not have a subsidy. The majority of people who are buying electric cars at the moment are doing it because of lifestyle choices. If we come to a point at which electric cars are going to come down in price and we need to tip at the margin, we need to tip more people into being encouraged to buy electric cars, then the Deputy is absolutely right when he said in his own remarks that there are a number of tools that we have. There is effectively legislation, there is spending and there is tax. Tax is the wrong way to do it. It is the wrong way to effectively remove G.S.T. universally on one type of electric car. We can support ultra-low vehicles and we should aspire to be a community in 10 or 20 years' time. The U.K. themselves want by 2050 for all cars in the United Kingdom to be zero-emissions. We can probably beat that and we can probably do things in order to encourage it. The Deputy of St. Martin's time is coming. It is coming quickly, probably in the next couple of years, in relation to electric cars but the right way to do that is by probably a combination of carrot and stick, stick in terms of emission requirements having tougher controls, putting tax higher on high emission vehicles. We will have an interesting debate later on today, I hope, about fuel duty and how the fact is that fuel duty has not gone up but energy efficiency in cars has gone up very dramatically. In other words, the duty rates on petrol per mile has fallen dramatically. There are carrots and sticks that we need to do. The tax system is not the right system to do it and I urge Members to vote against the well-intentioned but not quite ready ... it is not quite fully baked in relation to a policy to encourage ultra-low-emission vehicles.

Deputy M.R. Higgins of St. Helier:

Could I ask the previous speaker just to clarify a point? He quoted from an economist in an article. It would be very useful to know who the economist was, where the article was and its date.

Senator P.F.C. Ozouf:

It was from the *Economist* which never attributes its name, and the article was from a print edition on 1st June 2013. There is a series on emissions. It was a special edition on low-emission cars and the article was entitled *Flat Batteries*.

1.1.6 Connétable P.J. Rondel of St. John:

As a former Environment Chairman, zero-rating for green issues should be the way forward. We in this Chamber paid the long-time lip-service to the green issues. Scrutiny Panels have given report after report after report and we get lip-service from the Council of Ministers that this is the way forward. Today they have got Members in this House and particularly the Council of Ministers have got a choice. They can talk the talk but now they can walk the walk and vote in favour of Deputy Young's proposition, and I will take note how many of these Ministers do support Deputy Young and the green way forward. That is all I am going to say. They have talked the talk. Now let us see them walk the walk.

1.1.7 Deputy K.C. Lewis of St. Saviour:

Further to the remarks of the Minister for Treasury and Resources, T.T.S. (Transport and Technical Services) fleet management has acquired 10 electric vehicles which we are trialling at the moment also used by Environment and, in association with the Jersey Electricity Company, have installed 2 charging bays in each of our multi-storey car parks. Members of the public using this facility also benefit from a much reduced parking rate so it is a work in progress. I will agree that the batteries are not 100 per cent yet but it is experimental and we are getting there.

1.1.8 Deputy J.A. Martin of St. Helier:

I am going to support (f) because as usual we have got jam tomorrow or a carrot or something coming down the pipeline and if we have seen it come in and if Deputy Young has got the wrong amendment, I would love the Deputy of St. Martin to support the right one, and you always need to give the donkey or the carthorse a little kick, this time being the Minister for Treasury and Resources. Then lo and behold it will come back next year, but come back as have we not thought of a very fine amendment to get people into electric cars.

[10:15]

I am slightly miffed about the absolute dismissal of the other amendment and the less talk about it. It seems to be costing £1 million. How many people are sitting in their houses now who would do this, could do this, and if it was going to have a green effect and cost them less ... cost them less but do not forget we are trying to boost the construction industry. How many local suppliers can install solar panels? We need an industry for our youngsters, get the apprentices in it, and do not be put off when the Minister for Treasury and Resources says we cannot distinguish between a local supplier and a non-local. Once they have got their registration under the new name and address under the law, they are local and they are employing local people who are under a licence entitled or registered. So a little bit of it does not make sense. I do not see it costing £1 million. If there are people sitting in their homes, it could bring in tax revenues of the employers to the coffers so. It is something when you look to see what we already ... financial services, insurance, postal service, zero-rated and we want to go green and I totally agree with the Constable of St. John. We all want to go green. We do not try anything to help people go green out there and I do not think it will in the long-run cost £1 million. I think it could put work and money into construction which is a circle, it will bring back tax through people's wages. Being taxed at the end of the day. The initiative will be: "Oh, you are going to just replace your roof or you are going to put solar panels in it." If the solar panels are going to be cheaper, you are going to do that. So I think we are being sold something here that could improve what the Minister for Treasury and Resources is trying to do, put money back into the construction industry, and I think you say ... one is £200,000 to kick-start something that we have just been told we are going to do by another means anyway, so I think I will support both but I am definitely going to support (e). I think it is being sold to us as a loss and we need to put our toe in the water and say: "This could make us millions of pounds and more jobs for our youngsters."

1.1.9 Senator P.F. Routier:

I just caution going down this road, particularly because of the issue of zero-rating G.S.T. Messing around with G.S.T. is something which I think we should be very cautious of. I think that we could always identify things which are good to do, nice to do, but I am not sure whether this is the correct way of going about it because G.S.T. needs to be plain, simple, easily understood and this really just does make it more confusing generally. So I urge Members to try and do their best to keep G.S.T. as simple as possible.

The Deputy Bailiff:

Does any other Member wish to speak? Then I call on Deputy Young to reply.

1.1.10 Deputy J.H. Young of St. Brelade:

Thank you for all the Members that have spoken. I think the right issues have come out. I think I can sum up the big picture of the debate, good intentions, well-intentioned, ahead of its time, do not worry, jam tomorrow and also I am guilty of one-dimensional thinking. I am having a real struggle with turning it into multi-dimensional thinking. I thought when I drafted this that this was a simple, pragmatic, practical proposal designed to follow through the evidence and the conclusions of the Environment Scrutiny Panel energy report that identified this was an area, as Deputy Martin said, where there are both major opportunities for us to develop new skills and build up specialist businesses in a local construction industry, employ people and also at the same time, introduce measures that benefit the quality of our environment and set examples. For example, the opportunities for electric vehicles or low-emission vehicles combined with renewable energy, which gives the opportunity of the Island to be an exemplar compared with other communities. We are ideally placed. I saw this as a very simple, very practical - not just modest - first step because of what has been said. We have said: "Look, we do not like to play with the G.S.T. system." I can understand that because we have not had this that long but we have already got exemptions in, and just list them, they are in my report: financial services, insurance, postal services, medical supplies, medicines on prescriptions, supplies by charities, registered childcare, burial and cremation services, school fees. Then you have got zero-rating buying and selling rented accommodation, exports and international service where the benefit is outside Jersey. We already have that because why? Because those things were thought to be important policy matters, and here we are again setting our face against it because of the issue of food. I absolutely accept the fact there is an issue there about making things overly complex but in this case we have got, I think, a more clearly definable workable situation, particularly in my proposition (f) relating to low-emission vehicles because there is already an established body of work done which will classify which of those fall within the category of less than 75 kilograms of carbon dioxide, and it is not just electric vehicles. It is whatever the technology produces. Whether it is hydrogen cell cars or whatever it is, they will fall within that band and I see a distinction between people saying that this is a subsidy. It is not a subsidy. This is income that we are proposing to tax which unless we provide exemption in the case of my proposition (f), we will never get anyway. It is a no-brainer that one. We are not getting the income. We are not getting the cars and so all I am saying is simply: "We will not charge you the tax and you buy them." It is not for ever because when they come into the mainstream and when those vehicles come into price parity with conventional vehicles, which they will in time, then these policies can be adjusted but it seems to me that it is reasonable to come forward with pragmatic proposals like that. Grants, again I really cannot see ... a number of Members have said we want a grants scheme. Are we really going to allocate money that taxpayers have already paid to subsidise, say, the Minister for Treasury and Resources when he wants to buy his electric car? I do not think so. So I do not see a grants scheme at all being a priority, I really do not, and yet using the tax method is more efficient because, after all, we are talking about 5 per cent of the capital purchase of it. I was really disappointed in our Minister for Planning and Environment there. I am sorry to say that because he and I do agree on a number of things but in this one, it is another example where we see completely differently. Green taxes are going to be difficult. What he is proposing there is a means of where we introduce new taxes and take it off of polluters and pay that money to people who behave in an environmentally favourable way. There is nothing wrong with that principle but I think introducing new taxes is going to be massively difficult and we have already got a tax structure which lends itself easily to the proposal that I have put forward and the Minister for Planning and Environment has made the point about horses and me even standing here is blasting off a fair amount of CO₂ already so I really do not find that at all helpful. He and I disagree. Deputy Baudains, it is not only electric cars and now the Minister for

Treasury and Resources. I think the Minister for Treasury and Resources gave us a grand vision of the world and what the other parts of the planet do to encourage environmental measures. I hope he has read this report but I recommend to him in the appendix, which is the report written by our adviser that details very carefully how those measures have gone wrong elsewhere and the mistakes that we should avoid, and makes it quite plain that we do need to have incentives because unless there are incentives in some form then we will not encourage the uptake of this modern technology. He asked about boilers. I have to accept that of the 2 parts of my proposition, (e) and (f), proposition (e) has got some elements of it that is not entirely ideal. For example, had I known that there is a restriction about having an exemption linked to only local firms then, while we can identify them, I would have probably not included that but it is implied because this is small-scale work and we are not going to go out giving regular undertakings licences to off-Island firms hopefully to do this sort of work. We need to have the support to do the training but once we have built that capability up in the Island, we should be able to build a self-sufficient industry. We are not talking about issues so I am afraid the comments of the Minister for Treasury and Resources were spurious and the references in the *Economist*. Of course the technology is transient but nothing in my proposition says, yes, electric cars. It just sets criteria that is currently there and if the criteria change, then simply it is just revised and he makes the point about insulating homes. Yes, we need to do that, absolutely right, and part of my proposition is part and parcel of such a proposal. I thank Deputy Martin, Deputy Rondel and I think from Deputy Lewis was support in favour of at least proposition (e). So I ask this, please think carefully here. This is an opportunity to do a simple pragmatic change to give a green element to this Budget to make a start on green measures, and proposition (f) particularly is I think absolutely so simple it should just be agreed, so I ask Members for support and ask for the appel separately please.

Deputy J.A. Martin:

Before we go to the vote, could I ask for a clarification from the Assistant Minister, Senator Routier, on the local and non-local under the new rules? There are no non-local companies working in Jersey. I think this is slightly misleading and he would be the one who would know to put people right before the vote.

Senator P.F. Routier:

There can be non-local businesses working in the Island. They apply for a licence and they can be given a short-term licence at any stage.

Deputy J.A. Martin:

Once they have got a licence, they are local.

The Deputy Bailiff:

Very well. We are now going to proceed to a vote. I would ask Members to return to their seats. The first vote is on paragraph (e) of Deputy Young's amendment relating to energy conservation measures and I ask the Greffier to open the voting.

POUR: 14		CONTRE: 33		ABSTAIN: 0
Senator A. Breckon		Senator P.F. Routier		
Connétable of St. John		Senator P.F.C. Ozouf		
Deputy R.G. Le Hérissier (S)		Senator S.C. Ferguson		
Deputy J.A. Martin (H)		Senator A.J.H. Maclean		
Deputy G.P. Southern (H)		Senator B.I. Le Marquand		
Deputy of Grouville		Senator F.du H. Le Gresley		
Deputy S. Pitman (H)		Senator I.J. Gorst		
Deputy M. Tadier (B)		Senator L.J. Farnham		
Deputy T.M. Pitman (H)		Senator P.M. Bailhache		

Deputy M.R. Higgins (H)		Connétable of St. Helier		
Deputy J.M. Maçon (S)		Connétable of Trinity		
Deputy G.C.L. Baudains (C)		Connétable of St. Clement		
Deputy J.H. Young (B)		Connétable of St. Lawrence		
Deputy of St. Mary		Connétable of St. Mary		
		Connétable of St. Ouen		
		Connétable of St. Brelade		
		Connétable of St. Martin		
		Connétable of St. Saviour		
		Connétable of Grouville		
		Deputy R.C. Duhamel (S)		
		Deputy of St. Ouen		
		Deputy J.A. Hilton (H)		
		Deputy of Trinity		
		Deputy S.S.P.A. Power (B)		
		Deputy K.C. Lewis (S)		
		Deputy E.J. Noel (L)		
		Deputy T.A. Vallois (S)		
		Deputy A.K.F. Green (H)		
		Deputy of St. John		
		Deputy S.J. Pinel (C)		
		Deputy of St. Martin		
		Deputy R.G. Bryans (H)		
		Deputy R.J. Rondel (H)		

The Deputy Bailiff:

The Greffier will now reset the system and we take a vote on paragraph (f) of Deputy Young's amendment and I ask the Greffier to open the voting.

POUR: 19		CONTRE: 28		ABSTAIN: 0
Senator A. Breckon		Senator P.F. Routier		
Connétable of St. Lawrence		Senator P.F.C. Ozouf		
Connétable of St. John		Senator S.C. Ferguson		
Connétable of St. Saviour		Senator A.J.H. Maclean		
Deputy R.G. Le Hérisssier (S)		Senator B.I. Le Marquand		
Deputy J.A. Martin (H)		Senator F.du H. Le Gresley		
Deputy G.P. Southern (H)		Senator I.J. Gorst		
Deputy of St. Ouen		Senator L.J. Farnham		
Deputy of Grouville		Senator P.M. Bailhache		
Deputy J.A. Hilton (H)		Connétable of St. Helier		
Deputy S. Pitman (H)		Connétable of Trinity		
Deputy M. Tadier (B)		Connétable of St. Clement		
Deputy T.M. Pitman (H)		Connétable of St. Mary		
Deputy M.R. Higgins (H)		Connétable of St. Ouen		
Deputy G.C.L. Baudains (C)		Connétable of St. Brelade		
Deputy J.H. Young (B)		Connétable of St. Martin		
Deputy of St. Mary		Connétable of Grouville		
Deputy R.G. Bryans (H)		Deputy R.C. Duhamel (S)		
Deputy R.J. Rondel (H)		Deputy of Trinity		
		Deputy S.S.P.A. Power (B)		
		Deputy K.C. Lewis (S)		
		Deputy E.J. Noel (L)		

		Deputy T.A. Vallois (S)		
		Deputy A.K.F. Green (H)		
		Deputy J.M. Maçon (S)		
		Deputy of St. John		
		Deputy S.J. Pinel (C)		
		Deputy of St. Martin		

[10:30]

1.2 Draft Budget Statement 2014 (P.122/2013): second amendment (P.122/2013.Amd.(2))

The Deputy Bailiff:

We now come to the second amendment, which has been lodged by the Connétable of St. Helier. I will ask the Greffier to read the amendment.

The Greffier of the States:

Page 2, paragraph (a) - after the words: “as set out in the Budget Statement” insert the words: “except that the estimate of income from taxation during 2014 shall be decreased - (i) by £989,000 by increasing duty on all categories of alcohol by the June 2013 R.P.I. (Retail Price Index) figure of 1.5 per cent and not by the percentages proposed in the draft Budget Statement; (ii) by £866,000 by increasing duty on all tobacco products by 4.5 per cent (being the June 2013 R.P.I. figure of 1.5 per cent plus 3 per cent) and not by 11 per cent as proposed in the draft Budget Statement; (iii) by £100,000 by increasing duty on fuel by the June 2013 R.P.I. figure of 1.5 per cent and not by 2 per cent as proposed in the draft Budget Statement.”

1.2.1 Connétable A.S. Crowcroft of St. Helier:

I hope that the new chair of the Privileges and Procedures Committee, who as we know is responsible for setting sartorial standards in this Assembly, approves of my tie with beer all over it. Not that I have been spilling my favourite tippie down it - who can afford to these days - but with its fetching pattern of pints. Speaking of beer, I feel I must wrest away from the Minister for Treasury and Resources the trophy he was clutching during a recent interview. He is not the champion of the working person's pint, nor is he a champion of the hospitality industry. The fact that he has consulted the drinks industry at the eleventh hour and proposed an amendment of his own to my already moderate and reasonable amendments to his proposed hike in duty on alcohol, fuel and tobacco smacks of the haggling you might see in a bazaar in Tangiers rather than a genuine attempt to engage with the industry. These amendments are not, as the Minister's report suggests, all about inflation. I understand that that is a one-off and relatively small factor in the rising cost of living, but the effect on people's pockets is lasting. Every drink, every gallon of fuel, every cigarette will cost that much more. Several years ago, the States adopted a policy of limiting increases in our charges for services. At the time the figure was 2.5 per cent, which was challenging given the rate of inflation at the time, but even then it was honoured more in the breach than the observance. The justification in recent times for inflation-busting duty increases is that these products are bad for us. We must be deterred from using them. That argument might be valid if the Government was not seen to be profiting shamelessly from our continuing misbehaviour. That argument might be valid if the relentless pursuit of above-inflation increases in duty worked, but it does not. There is plenty of evidence that it is simply driving up duty-free sales of tobacco and driving drinking underground, and if not underground certainly away from licensed premises where drinking is only a part of socialising and eating and where it takes place in a controlled environment towards off-licences and drinking at home. The health arguments about this subject are repeated every year. We have them in triplicate and the Council of Ministers' comments on these amendments and we will hear them repeated in spite of your valiant efforts to enforce

Standing Order No. 104 in the course of today's debate. If something is bad for us, we should be persuaded not to do it. We should be persuaded through health promotion, through advertising, through education, through campaigns, unless it is so bad for us that it should be banned altogether, and I do not think even the Minister for Health and Social Services is calling for a ban on tobacco. Simply making a commodity more expensive means that it is only the less well-off who are required to change their behaviour. Rich people in Jersey will not even notice an increase in duty on their drinking, smoking or driving. Sensible, moderate drinkers who like a drink with a meal in a restaurant or to pop out to the pub for a game of pool with a friend should not be penalised because some people drink to excess. We know that above-inflation increases in duty will not affect those with health or other problems related to excessive consumption. Yet again this year we have heard the Minister blame the various industries involved in the sale of dutiable products for the excessive margins. This has become something of a proverbial broken record. At Budget time for as long as I can remember we have been assured that the villain of the piece is the drinks industry, the fuel suppliers, the tobacco companies, and their allegedly unjustifiable mark-ups. This must really demoralise local businesses and I think particularly of the Island's brewery, which makes a small but significant contribution to flying the Jersey flag abroad. Not only does the firm win prizes for the quality of its ale, but in common with other businesses involved in the hospitality industry - it would be invidious to name names but we heard on the news this morning that one local hotelier is promoting gourmet Jersey at a luxury hotel event in Cannes - these businesses have continued throughout the recession to invest in their premises. There have been several new flagship restaurants in particular which are really putting our Island on the gastronomic map. Members will note that I have appended letters from the hospitality industry to my report and proposition. They may not find all of what they say convincing, but I believe that many of the arguments they make are well-founded. Since submitting the amendment, I have had another letter. I am just going to quote briefly from it, again from another hotelier who has invested considerably in the local economy: "Dear Constable, thank you for making this sensible amendment. I am very worried about the lack of real support for tourism in Jersey from the States. There is plenty of talk but all the actions seem to be the opposite. If the States of Jersey are serious about wanting a growing tourism sector, they need to reduce duty on alcohol to make us more competitive with our European rivals. Anything less than a total freeze on duty for several years will ensure a continued decline in tourism and hence our decision to no longer invest in tourism in Jersey following this Budget." I think the public have the right to know what to expect. Last year's Budget saw an already high increase in tobacco duty further increased by the Minister's wish to make the books balance following Deputy Baudains' successful amendment to remove the rise in fuel duty. As I mention in my report, I think that it is high-time the Minister for Treasury and Resources gave the public and the industry some stability. I would suggest that it is perfectly fair and reasonable for a cost of living rise to be applied to alcohol and fuel duty with an additional levy on tobacco unless, of course, a future Minister for Treasury and Resources wants to assist the travelling public and delivery companies by freezing the rise in fuel duty, for example, or to help the hospitality industry by freezing or even reducing duty on alcohol. To be clear, what I am seeking from the Minister for Treasury and Resources is assurance that he will stop coming to this Assembly with above-inflation duty increases and let us leave it to a future Council of Ministers that really cares about tourism to drive down duty rates. As an aside, at the Parish of St. Helier Roads Committee meeting last month I accepted a recommendation from members that charges we make for *al fresco* permits in 2014 should be frozen at this year's level. I had suggested a cost of living increase but there was general support for making no increase at all to support the Parish's restaurants and bars, which, through their investment in pavement furniture and attractive planting, do so much to create the kind of welcoming and vibrant streets that are enjoyed by locals and visitors alike. It is only a small gesture perhaps, but it sends out the message to the hospitality industry that we value their ongoing efforts to make a trip to town as much about socialising as working or shopping. What message

does the Minister for Treasury and Resources' proposals to increase duty on alcohol, fuel and tobacco send to the hospitality industry? We are not talking about taking the Island back to the days of cheap alcohol and cigarettes. That has gone and few would mourn its passing. But do we want the Island's reputation to include its having among the highest levels of alcohol duty in Europe? This is not so much a debate on impôts increases but a debate about supporting tourism. It is less about impôts increases than about supporting "our valued elderly community" that the Minister said he wished to help in his opening speech yesterday. It is about fairness, not attacking those things that the less well-off really enjoy: a Sunday drive, a pint or 2 of local ale, though not at the same time, of course, and even a smoke. Pegging duty increases to cost of living sends out a message not just of festive cheer but a year round commitment to supporting local industry, especially tourism and hospitality, and a year round commitment to stop punishing the people of Jersey for what is in most cases doing things which most of us enjoy in moderation. I make the amendment.

The Deputy Bailiff:

Is the amendment seconded? **[Seconded]**

1.3 Draft Budget Statement 2014 (P.122/2013): second amendment (P.122/2013 Amd.(2)) - amendment (P.122/2013.Amd.(2) Amd.)

The Deputy Bailiff:

Very well, we now come to the amendment to the amendment, which is lodged by Deputy Power. I will ask the Greffier to read that amendment.

The Greffier of the States:

(1) Page 2, amendment (i) - for the words: "£989,000 by increasing duty on all categories of alcohol by the June 2013 R.P.I. figure of 1.5 per cent and not" substitute the words "£1,254,000 by not increasing duty on all categories of alcohol." (2) Page 2, amendment (ii) - for the words "£866,000 by increasing duty on all tobacco products by 4.5 per cent (being the June 2013 R.P.I. figure of 1.5 per cent plus 3 per cent) and not" substitute the words: "£1,466,000 by not increasing duty on tobacco." (3) Page 2, amendment (iii) - for the words "£100,000 by increasing duty on fuel by the June 2013 R.P.I. figure of 1.5 per cent and not" substitute the words: "£399,000 by not increasing duty on fuel."

1.3.1 Deputy S. Power of St. Brelade:

I want to thank the Bailiff's Office for allowing the amendment to the amendment, even though it was a late submission. The background to this and the reason it was late as an amendment to the amendment was because I attended a series of meetings with the Constable of St. Helier, Senator Farnham and Senator Maclean, not always together, with the hospitality industry ...

Senator A.J.H. Maclean:

I would hope the Deputy would just step aside one second. I would rather hope he could pronounce my name correctly. **[Laughter]** Maclean rather than "Macleen". Giving promotion to the toothpaste, it is, in fact, Maclean if he would not mind. Thank you very much. I am sure he was going to be very kind in his comments and I hope that does not change the picture.

Deputy M. Tadier:

Sorry, while the interruption is being made, could Deputy Power clarify what he means by submitting the amendment late? Was it still in order or was it simply ...?

The Deputy Bailiff:

The position, Deputy Tadier, I can inform you from the Chair is that my information is that the Deputy is taking a problem on himself which does not exist and that he was not late in filing his amendment.

Deputy S. Power:

I have probably expressed myself badly on 2 occasions in the last 2 minutes. **[Laughter]** I apologise to Senator Maclean. I must have been thinking of toothpaste. It was not late. What I meant to say was the amendment to the amendment was submitted after I read the Constable of St. Helier's amendment. My main reason for lodging the amendment to the Constable of St. Helier's amendment was essentially to try and protect the hospitality industry in Jersey that has been, in my opinion, under siege for a number of years, essentially because of the operating cost of doing business in Jersey but also, from what I regard as unfair, unwarranted attacks on the industry by the Minister for Treasury and Resources. I take my hat off to those in the hospitality industry, as the Constable of St. Helier said, that continue to invest in Jersey's industry. I have spoken to a great deal of those that are owner managers or owners of hospitality businesses and all I can say is that it has been really tough factoring not only impôts increases over the last 5 years but also the effects of the recession in Jersey and the cost of getting to and from Jersey. That does have a knock-on effect on the hospitality industry. I also spoke in November to a number of those operating businesses in the hospitality industry in St. Aubin. Almost to an owner, they have all experienced serious trading difficulties over the last 4 or 5 years.

[10:45]

Very few of them in their opinion have made anything like a return on investment and 50 per cent of the restaurants or cafes in St. Aubin are struggling and at least 5 at the moment are for sale. The Constable of St. Helier has alluded to some of it. This Budget to a large extent is not about the figures. It is really a watershed Budget. We are emerging from recession. There is an expectation that the Minister for Treasury and Resources and the Minister for Economic Development have professed that they are trying to balance the economy. We are trying to diversify the economy and I feel that this particular Budget does nothing to help that. Budgets are supposed to encourage spending and cash flow. This does the opposite. I listened very carefully to the Minister for Treasury and Resources' speech and I wanted to hear the number of times he mentioned the hospitality industry. I was very disappointed in how rarely he did mention it and I will check with Hansard when it becomes available as to how often he did reference the hospitality industry and the context. Everyone is aware in Jersey of the need for diversification. Everyone is aware here of the need to encourage investment in existing businesses. I think more than anything else apart from my wish to defend what is the existing good hospitality industry and the ones that have survived over the last 4 years is to correct some of the inaccuracies that have been contained in some of the press releases in the context of health. I will clear these up as I progress through the points I make. It seems to me that every year the treatment of impôts is almost akin to a rite of passage for various Chancellors or various Exchequers. When the Minister for Treasury and Resources does leap to his feet and speak after me, I would like him to indicate to the Assembly now, today, where he thinks the limit has been reached or will be reached in the application of impôts to alcohol, tobacco and fuel. I will deal with our rates in context with other European countries later on. This proposal to deal with impôts is an attack on middle income Jersey. It is an attack on middle Jersey and it is an attack on lower income Jersey. There is a tension at the moment and I feel sorry for the Chief Minister in some ways. There is a tension here in that the Treasury wish to keep milking the impôts thing. The Treasury wish to keep jacking up the impôts on cigarettes, alcohol and fuel. The Health and Social Services Department tell us all about the health consequences of the abuses of these areas. The Economic Development Department want us to develop the economy and

diversify the economy and encourage expansion of the hospitality industry, and the poor Chief Minister is in the middle trying to deal with some of this. I will be very keen to hear from not just Senator Ozouf but also Senator Farnham and Senator Maclean. The Jersey Annual Social Survey produced some interesting facts in the publication that came out very recently. On page 16 it talked about confidence in institutions. It asked the public whether they had any confidence in 3 different institutions. That was the Government, the judicial system and the media. Their confidence in this Assembly was about 25 per cent. Confidence in the judicial system was 50 per cent and confidence in the media was higher than the States at 41 per cent. I find that a disturbing figure. When the Chief Minister talks about restoring the public's confidence in this Assembly, I do not think that is an easy task to carry out, particularly as the recent editorial in the *J.E.P. (Jersey Evening Post)* talked about the public's no confidence in this Assembly. I think this debate today on the Budget and this imposition of proposed increases in the cost of living does nothing for this Assembly. I managed to watch a Channel report last night after I got back in and they talked about a stark figure. I want to talk about health for a minute and some of the misleading messages that are coming from the Treasury, the Treasury and Resources Department and the Minister for Treasury and Resources. Channel Television reported last night that one death in 50 on the Island, or 2 per cent, 2 deaths in 100, is directly attributable to liver or kidney failure or directly as a result of excessive alcohol abuse. I have in front of me the latest report by the Health and Social Services Department, which talks about premature deaths in Jersey residents, 2009 to 2011. I could not get one for 2012 and 2013, but this was produced in September 2013. I will read the key findings. In Jersey, premature mortality, which is dying before the age of 75, was 258 people per 100,000. The actual death rate, the crude rate, was 823 people out of 100,000. Of those, the majority died of circulatory disease and cancers. Cancers rated ahead of tobacco. Then it says that liver disease in Jersey was worse than the average in England, coming out at 118 out of 150. The figure that Channel Television quoted was 2 per cent of the Island's population, but in actual fact when you look at the table that Health supplied, they are comparing Jersey liver disease with Hackney, which has a Muslim population of 35,000, and Leicester, which has a Muslim population of 64,000. So when you look at these figures, the actual figures are completely wrong. You cannot compare Jersey's figures to other cities in the U.K. because we do not have a difference in population like they have in other U.K. cities. There were 20 deaths because of liver disease in Jersey - I am looking at 2011 here - out of 829. That is 0.04 per cent of the total number of deaths on the Island. I just want to clear up that some of the stark figures that have been reported by the Minister for Treasury and Resources are wrong. He is not comparing like for like. I attended a twinning dinner last week at St. Brelade. I spoke to 2 medical doctors who were at the dinner. They reminded me that far from alcohol and alcohol abuse being a major issue in their practices, I would like Members to know what they indicate is the biggest thing to cause premature death under 75 in Jersey. It is obesity because obesity causes heart disease, diabetes and accelerated arthritis. I know that the Chief Minister and the Minister for Treasury and Resources do not have to worry about that problem but looking around the Chamber ... I say nothing, and I include myself in that observation. When we are talking about statistics, when we are talking about indications of causes of death in Jersey, please do not bash the drinks industry and please use in context statistics for tobacco and other issues. I wanted to make those points clear. Obesity in the U.K., obesity in the U.S. (United States); and obesity in Jersey is probably the biggest single cause of premature death on the Island. Having dealt with the health issues, I want now to come on to alcohol itself and my reasons for zero-rating and keeping duty at the level it is at. I think wrapping a health issue which is wrong around increases in impôts is flawed. Based on what I have said, I think it is dishonest. People who drink sensibly at home, as the Constable of St. Helier said, or in a pub, café, do so mostly in a moderate way. Drinking at home is convivial and normal. People who drink sensibly are price-sensitive to the cost of alcohol and will look for bargains in the supermarket or will pick a moderate wine in a restaurant. Those people out there who drink to excess or who drink to dangerous levels

are for the most part utterly insensitive to the price of alcohol. They will ruin themselves, their lives and those around them to feed that habit. Those people that are in the park or outside the hospital that are drinking strong lager or vodka at 8.00 in the morning are not doing it because it is a nice thing to do, they are doing it because they are ill. In my opinion, they are dying slowly. As the Constable said and as you have seen from the figures that have been produced, the sale of alcohol is down in the Channel Islands. Again, I take issue with the Minister for Treasury and Resources about the working man and his pint. There is another reason for alcohol abuse on the Island and that is because of the drink-driving laws. The predominant drinker in pubs nowadays is the younger single male. I would suggest to colleagues because of our housing system we have many in St. Helier that live in bed-sit land. These are the types of accommodation that are provided for entry-level people when they first arrive. When a young man or a recent arrival goes to a bed-sit fully equipped with a kettle, a microwave and a toaster, they go out for a drink or they go to the pub on the way home. They have some company. The public houses are safe but sometimes they do not eat properly. In my experience, the alcohol problem can be fuelled as much by our housing system as by anything else. I dispute the fact that Senator Ozouf in his speech yesterday said he was in constant contact with the licensed trade. I have been to meet the representatives of the hospitality industry and the licensed trade and he has not been in constant contact with them. I heard the Minister for Treasury and Resources say that he is going to set up a new consultative body to deal with all these ills and all these problems. I await the composition of that body to see whether I get an invitation, so we will see what happens there. So in some ways this Budget is worse than any Budget we have ever had because we have learnt nothing from what has happened in the last 4 years. In my opinion, this is an unimaginative Budget. When it comes to impôts it shows no innovative thinking, no original thought and nothing except the same old same old. Members will have seen some of the information that has been circulated recently, and there is a useful table that has been produced by the E.U. (European Union) which shows impôts duty on ethyl alcohol, which is the real name for alcohol. We are now third after Sweden and Finland in terms of duty. I would again ask the Minister for Treasury and Resources when he gets to his feet where does he think this will stop? My experience of dealing with men with problems, and I talk specifically about a charity I am involved in in St. Aubin, is that less than one in 5 has an alcohol problem. The rest have all sorts of different complex issues. It bears out my view that the problem with alcohol abuse is used as an excuse to increase impôts when I think it is not that strong an argument. I think if the States were serious about dealing with the perceived alcohol problem, the States would do something about the supply situation. Because those that have an alcohol problem tend to buy from a corner shop. They tend to buy from a supermarket and they tend to buy from a newsagent. There are certainly newsagents that do a brisk trade in alcohol at 6.00 and 7.00 in the morning, but we have made no attempt and the Treasury has made absolutely no attempt to deal with the supply situation. In my last speech in 2009 for the 2010 Budget I alluded to the system in Maryland and Virginia where the state controls the retail supply of alcohol. The state of Virginia does not allow any retail sale of alcohol except by Virginia-controlled state shops. Maryland controls all sales of spirits and supermarkets are only allowed to sell wine and beer. If the Minister for Treasury and Resources and the Treasury and Resources Department were serious about dealing with some of the alcohol abuse ... because people who abuse alcohol do not sit in pubs and are convivial, they drink normally alone. They drink publicly in parks and they drink in car parks.

[11:00]

They are trying to get their alcohol as quickly and as openly as possible. If they cannot buy it, they will steal it. I really see absolutely no evidence in anything the Treasury and Resources Department have said about controlling the supply. The reason the Treasury and Resources Department do not want to control supply is because it is a very nice earner. It is what the Treasury and Resources Department want to do. It is the enabling of impôts duty for the department. This

Budget damages the hospitality industry. I have a vast amount of statistics here which I am not going to read, Members will be pleased to hear. I am going to selectively quote from, again, some correspondence that I received from the hospitality industry. One paragraph: "We have seen our business decline over the past number of years partly due to a fall in tourism, the poor economic climate, unemployment, the smoking ban and the high cost of doing business in Jersey. We are really at a loss to find out where the Minister obtains his information on prices as quoted: £3.79 for an average pint of lager in Jersey when it actually is £3.30. Indeed, the rise in spirits of £1.27 a litre will bring Jersey to the third highest duty level in Europe with only Sweden and Finland ahead of us. This will doubtless encourage more drinking at home, more preloading and personal importation via duty-free. We believe that the issues related to alcohol abuse really need to be put into perspective. On most weekend evenings, when the majority of trade is done in various pubs, clubs and restaurants, there can be up to 7,000 to 8,000 people on the streets of St. Helier. If you take out the number of 10 arrested for drink-related incidents, the usual headline in the *J.E.P.*, that is a very small statistic and it is not out of line with any other town or city in the U.K. Most alarming is the amount of alcohol that is now sold at retail [that I have talked about previously from corner shops] for drinking at home when, as you are aware, it is uncontrolled and now seems to be the vogue of preloading before going out for the evening." Almost a final quote from another distributor who says: "Our prices for the last 11 years have not kept pace with inflation let alone duty." I make the case that not only has the Minister for Treasury and Resources misled the public and the Assembly about some or all of the statistics relating to health issues, but he has dressed up the impôts increases as a health issue when I do not think it is. There is a health issue but it is not what the Minister for Treasury and Resources is outlining. The Minister for Treasury and Resources said yesterday that there were 2,700 admissions related to alcohol at A. and E. (Accident and Emergency) and I think he said it was the last 12 months. Out of the total number of admissions to the hospital - I think it is over 40,000 - it is a very low figure. I remind Members that obesity is no good to the Treasury as it is difficult to tax. It is very difficult to tax. There is no direct line of taxation for the reasons causing obesity. I want to make some general comments about the whole tobacco thing. The Minister for Treasury and Resources said yesterday that he has difficulties with how we deal with impôts on tobacco and I absolutely agree with him. When he announced his Budget at the last States sitting and read through it, he held up as a great example the model that is Australia and how it works down there. He proposed perhaps duty-free allowances being dropped from 200 to 50. I will deal with that in a second, but my view is that impôts on tobacco has hit the buffers. It has been milked for as much as we can get out of it and I think that the law of diminishing return has seriously set in with regard to the approach that the Treasury has to tobacco. As Members will be aware from the media and from the papers that have been circulated, there is a great deal of evidence that personal importation of tobacco and more innovative legal and illegal methods now account for what we know to be over 40 per cent of all tobacco consumed on the Island. Increasing impôts duty would simply grow this figure and have no benefit to the Treasury. So the question now is: How much is the Treasury losing because of personal importation or smuggling? People choose to use tobacco products for whatever reason. Smoking is perfectly legal and is a great source of revenue to Government Exchequers across the world. Banning it would simply grow a thriving smuggling industry. Again, the question to the Minister for Treasury and Resources is: Do we want to be the highest tobacco rated impôts in the world? Is this the Minister for Treasury and Resources' aspiration? What will be the upper and final rate? Can he please indicate that? I simply do not understand the logic of trying to tax something where the law of diminishing return sets in. The Jersey Annual Social Survey on page 35 and 37 had questions about smoking and the figures are almost static for the past 5 years. Those that have smoked and those that have never smoked, the statistics are almost flat-lined to within 1 per cent across the 6 years. I do not know what that tells the Minister for Treasury and Resources, but it tells me that we are not progressing at all with our policy on reducing tobacco consumption.

In the proposals put forward in the Budget today, the amount of duty paid on a packet of 20 cigarettes will be £4.76 out of a retail price of just under £7.30, I believe. If you add duty and G.S.T. it accounts for 68 per cent of the value of the packet of cigarettes. The problem is that, as I have said, 40 per cent of tobacco consumed here now in Jersey comes from another source other than revenue generated for the Treasury. If that tobacco was brought through a dutiable stream, the extra income to Senator Ozouf's department would be £9.1 million. The enormous duty rises of the last few years have not reduced the number of people who smoke and it has not made any impression on States income. It has simply pushed more people into obtaining tobacco in a way that is not taxed to the extent that the average duty-free purchase is above the legal limit. There is absolutely no reason to think that the proposals in the Budget for an increase of 9 times the current rate of inflation will be any different. As the Constable of St. Helier alluded to, the States should instead aim for a policy-based approach such as the one taken by our sister island Guernsey, where politicians agreed some time ago that the duty on tobacco should rise by R.P.I. plus 3 per cent. In any event, it seems a possible course of action while we await the Channel Islands Regulatory Authority's report. Senator Ozouf said he wanted to have a debate about duty, but the time to have a debate is not on the eve of a Budget debate. It is long beforehand or in the middle of an annual year. I do not propose to go into detail, but the stats on the Jersey annual report and accounts that come from tobacco duty is also static, apart from one bump in 2012 because of a huge increase. The amount of tobacco that has been declared dutiable between 2001 and 2011 has halved, so the actual amount of smoking has carried on at a fairly consistent level but the amount of dutiable tobacco measured by Jersey Customs has halved from 107.2 thousand kilograms to 51. We are levying duty on half of what is coming through the Island. I make the point that on tobacco we have lost the argument for increases in impôts and that we need to restructure how we approach it. The Senator held up Australia as a shining model of how to do things in Australia. I am going to quote here from KPMG's report on illicit tobacco consumption in Australia, which was produced in 2013, this year. Essentially, what has happened, because the Australian Government has taxed tobacco in the manner they have and because they have threatened to bring in plain-paper packaging, there has been a huge shift into illicit tobacco coming into Australia. What that means is people in Australia are now smoking products which have greater amounts of contaminants in the mix that damages the smoker even further than the normal well-known brands retailed across the counter. Right across the Australian printed media and the New Zealand media a new phenomenon has developed in Australia and it is that illegal tobacco importation is now less risky and more profitable than drug dealing. The Australian authorities have a huge problem in trying now to deal with cheap counterfeit and contraband cigarettes driven by the excess increases on legitimate tobacco. There are also cheap products coming in from other countries which are dangerous and worse than the reputable manufactured brands of tobacco and the same thing is now happening in Europe. There was a report from the *Financial Times* on 1st September this year which says that Exchequers are now trying to smoke out the smugglers who are pouring illegal product into the U.K. and Ireland and these products are dangerous. The contaminants that are in the mix are very dangerous or more dangerous to health. The message is that if you increase impôts on tobacco, whether it is here, whether it is Ireland, whether it is Australia, you are increasing the problem and people will smoke other product which is less healthy. That is a major issue. The final comment is about plain-paper packaging. The criminal fraternity have found out in Australia that it is cheaper and easier to copy a plain paper pack than it is to copy a branded pack. That has also created its own problems. I do not know what the Minister for Treasury and Resources is going to say about this, but my view is that we have reached the buffers with regard to impôts on tobacco and if we are sensible we will heed the warnings of what has happened in Australia, New Zealand and other countries and we will not allow this to happen where people in Jersey who wish to smoke - it is their right - start smoking products which will cause even further problems for the Minister for Health and Social Services. I want to deal briefly with fuel because I do not think this needs to be

developed or I do not think I need to justify why I am against increasing fuel again. Out there again today in middle-income Jersey, people are struggling to pay bills, taxes, school fees, cars, petrol, holidays and, as Malcolm Ferey said in the C.A.B. (Citizens Advice Bureau), there is a lot of debt and there is a lot of pain out there. This is an Island economy and what happens here and how things are priced, traded and sold is different to a large jurisdiction. We do have limited choice. The nature of the internet in Jersey is probably more significant to buying products than elsewhere. These products have to be delivered and distributed. We need plumbers. We need carpenters, transport companies, tradesmen, freight distributors. All of Jersey runs on the motorcar and the van. Almost half of the forecourt fuel cost goes to the Treasury as it is, and I would suggest to the Minister for Treasury and Resources that middle-income Jersey and those struggling for years with the economic downturn will be demanded now and arbitrarily asked to dig deeper if the States approve this 2014 impôts increase on fuel. These rigid annual impôts increases simply cause more pain and disregard the difficulties of local businesses and what the public face in this difficult economic period. I would remind the Minister for Treasury and Resources, as he seems to pay a lot of attention to what happens in 11 Downing Street, that George Osborne did a complete U-turn on the fuel duty. He froze it after he had announced it because he found out that there was so much opposition to it last year that it undermined and damaged the Government's plans at the time. My suggestion is that there are solutions to impôts replacement. I find that what we have at the moment is bland and the suggestions are bland and non-innovative in terms of how we raise impôts for the Minister for Treasury and Resources. I have seen no suggestion from the Treasury and Resources Department or the Economic Development Department as to how you could raise impôts, but I have some ideas about impôts replacement.

[11:15]

I have for years asked myself and others why we do not have a duty-free at the harbour. I do not understand why we do not have duty-free at the harbour. If we have duty-free at an airport competing with the airlines, we should have duty-free at the harbour. I would also go so far as to say that at the harbour building itself, controlled by the States, what I would suggest further that the Minister for Treasury and Resources and the Council of Ministers investigate is duty-free fuel, a duty-free fuel forecourt for cars, vans and vehicles leaving Jersey, because that has to be a source of revenue to the Treasury. If a car queues for a ferry, the car is deemed to be leaving the Channel Islands for the U.K. or France and that has to be a source of revenue to the States Treasury. There are also hundreds of people trapped in the U.K. today at the 30, 40 and above tax rates. I would suggest that the Treasury and the Chief Minister consider increasing and adapting the mechanism by which we allow some not so much high net-worth individuals but people who have perhaps been caught within the U.K. on rates of taxation that they are not able to sensibly manoeuvre or mitigate. I think it would be good for the Jersey economy to look at having a more flexible approach for people to come down here. These people would need to be ring-fenced. They would need to have their own private health insurance and they would need to be obviously not a burden on society. I could go on for another half an hour. I have about another 40 pages, but I have made my points. I believe that these impôts increases are inappropriate. I believe they are damaging to the hospitality industry. I do not think it achieves anything for the reputation or the credibility of the Minister for Treasury and Resources and his team and I do believe that year on year it is simply inappropriate to keep heaping increases of impôts on the Jersey public. On that, I make this amendment to the amendment.

The Deputy Bailiff:

Is the amendment seconded? **[Seconded]** I call upon the Minister for Treasury and Resources.

1.3.2 Senator P.F.C. Ozouf:

This is going to be, I suspect, quite a long debate on duties and it is quite difficult to not be repetitive in terms of what we are going to have effectively now in the event that Members do not accept this proposal by Deputy Power but we are going to then debate an amendment, which I brought forward as an attempt at a compromise. If that is thrown out, then we are going to have another debate on the Connétable's original proposal. I have a few things to say and I will not repeat them, but they are common themes. I am anticipating and hoping that Members are going to reject this amendment. I hope that we will get on to the next amendment. We will see, but certainly I am assuming I am making some remarks about the general issues of tobacco and alcohol duties and petrol duties in the context of this overall debate, but I promise only to say them once if we do get to the amendment. This proposal is the most dramatic and its financial considerations ... and the Deputy in his last set of remarks attempted almost to begin to work out and to tempt Members with the alternative revenue raisers. This amendment is costing and I would like a signal from the Deputy now if he is going to have a split vote on this, if I may. Is he going to be prepared to take this as a package or is he going to take individual votes?

Deputy S. Power:

I am happy to take it as a split.

Senator P.F.C. Ozouf:

Okay, it is then important for me to say that the first vote will cost £1.25 million, the second vote will cost £1.5 million, and the third one will cost £4 million ...

Deputy S. Power:

That is not correct because he does not have the money yet. He is anticipating an increase. It has not cost him anything yet.

Senator P.F.C. Ozouf:

I think the Deputy understands that the argument is that in the event that no duty increases are put forward then effectively it knocks the M.T.F.P. (Medium-Term Financial Plan) estimate of income by these amounts. The M.T.F.P. has been set out in terms of matching income and expenditure. We have had a debate. I made my opening remarks yesterday about effectively a balanced budget. This is a very serious depletion of income. This is 3 times the amount of income that we are talking about for the additional education grant. It is virtually a third of the income on the debate we had on G.S.T. It is a very material amount of money and there has to be consequences to effectively reductions of income. The Treasury is not a magician. The Treasury cannot simply accept amendments from the Assembly without there being consequences when one is dealing with balanced budgets. The Deputy has not in any way come forward with any alternative revenue raisers. I will deal with the very weak, if I may say, attempts that right at the last minute he said. In his report he has come up with some potential ways to offset the revenue. The revenue fall will be real. It will be immediate and it will happen next year and it will cause difficulties. I will have to make difficult decisions on the back of that and I do not think that that is what we should be doing. Duty debates can be emotive. We also receive a lot of lobbying and I understand the emotion of it, but we have, in this Assembly, to have a high level of debate and we have to look at the facts. I would respectfully say to Members we must not be sucked into a vortex of lobbying and emotive language. There are high stakes. The lobbying from the tobacco industry worldwide, and we see it here, is absolutely forceful. I will not go any further than that but it is extremely forceful. I have asked the Minister for Economic Development, and I am grateful, that there should be an investigation into the tobacco industry retail prices and margins. They have not been able to produce their report because it has been so difficult to get the information. I will not accept the suggestion by Deputy Power that simply this is an annual rite of passage for the Treasury. That is just not fair. I also will not accept that we have not been consulting and trying to get to the bottom

of these issues. We have, but in terms of tobacco and, indeed, in terms of the alcohol industry, the lobbying and the forceful effects, the difficulties, the prevention mechanisms that they talk about - and I will come to Australia because I know a lot about the Australian issue - it is difficult. We are dealing with high-stakes, vested interests and people that are protecting their profits. That is why we are lobbied and that is why we are lobbied hard. We should not be, if I may say so, sucked into this world. The Constable of St. Helier, relevant to the Deputy's argument, painted a lovely picture. It sounded so good. It was about supporting tourism, supporting the elderly, supporting fairness, supporting the Sunday drive, going for a pint, lovely picture. Let us look at the facts of this. He also talked about festive cheer. Well, I will talk about the festive cheer and the duty increases that this Assembly makes in terms of what the festive cheer of the importers and other people are in passing on the prices in a minute. I am going to deal with Deputy Power and his zero increase in duties, which is the second time that he has persuaded this Assembly for duty increases, and I am going to speak about what happened in 2010. We have been consulting. This is not about haggling. This is not about hurting the poor. I am not the villain of the piece and I do not support gastronomy. I do not support tourism, and I do not support prohibition. I also do not believe that the Treasury has a rite of passage. I am being cast as this individual that thinks he has some divine right in order to raise duty. This is teamwork. This is a result of a teamwork budget and its relation to the fact that we need a teamwork approach. **[Approbation]** To say that this Budget had no original thought, well, original thought is cutting the marginal rate. It is about helping lower-income families. That is what original thought is. With a bit of passion, I reject comprehensively a lot of the accusations. I am going to invite Members to look at the facts in these remarks that I want to make. I say teamwork because I know the Deputy has some very strong personal views about the issue of alcohol abuse, and he is right. There are serious issues of alcohol abuse and I want to make it absolutely clear that the Minister for Treasury and Resources is not the silver bullet on dealing with the alcohol problems of Jersey. We are but a partnership with other agencies. One of the partnerships is raising money to put the amount of money into the Health and Social Services Department to help solve some of the addictions that people have in terms of alcohol and tobacco. It is not enough and we need to do a lot more in relation to that. I want to hear the case by the Health and Social Services Department to do more in terms of educating and preventing people with alcohol problems and indeed the smoking issues, *et cetera*. We do need to do a lot more and I am not for one moment saying that this is the silver bullet that is going to mean that people with alcoholism issues or the alcohol problems of Jersey can be solved. But my goodness me, they are made an awful lot worse effectively if we do not have the revenue to enable putting these issues forward. I am told that I look at No. 11 Downing Street and I am told that No. 11 Downing Street is the model. I want to ask Members in their Budget book to look at page 43. I want them to look carefully at whether or not it is this Assembly, the Treasury or whatever the villain is, where the actual problem in relation to alcohol costs are. Because at the heart of the arguments of Deputy Power is that by not putting any duty increases through we are going to make it better off. This is going to be just the medicine for the tourism industry, just the medicine for the country pub, just the tonic that the hospitality industry needs. Now, can Members look, and I say this in the context of the proposed increase that we are now making of putting a penny on a pint. Let us look at the baseline figures. The Jersey retail price, page 43 of the Budget, the average price of a pint in Jersey is £3.29. The so-called rite of annual passage for duty is 33p per pint. G.S.T. at 5 per cent is 18p. Stripping out duty and tax, that standard pint is £3.28 in Jersey. I think there is some variation in prices and I am going to come on to the variation price issues in Jersey. I accept, of course, that there are some variations of prices, but let us look at that net price in Jersey versus the net price in the U.K. £3.30 average price, 49p; ever so nice that Mr. Osborne is, is he not? 49p, he took a penny off it, but his V.A.T. (Value Added Tax) went up by 17.5 to 20p, which is 55p of V.A.T. on rates. The Deputy is partial in his arguments when he talks about high rates of duty. He knows exactly the case that we are looking at the combined effect of G.S.T. and duty. He may well

cite duties being very high. He is right, but that is because we are trying to put the overall taxation on high levels of alcohol effectively because we are offsetting the low cost of G.S.T. Let us have the complete argument and let us look at the net price of a pint in the U.K. at £2.26. Is it really the case that there is a £1 difference in getting a pint and a keg to Jersey? Also, in 2010 when the Deputy was an extremely eloquent debater, he obviously tugged at the heartstrings and convinced Members across the board not to put any duty increases in. Can Members remember what happened in 2010 and 2011 as the prices went? Was the benevolence of this Assembly in the majority passed on to beer drinkers, those nice Sunday afternoon trippers who are going around for a couple of pints in their cheaper petrol car, no doubt, because they had no duty increases? Was the benevolence passed through? Absolutely not. In fact, it was made worse. I stand by all of the comments that I have made and this is the 14th Budget that I have been involved in. I was asked by former Senator Frank Walker in the Finance and Economics Committee - and I know I am going to wind up my good friend the Connétable of St. Clement - in 2000, when I was a young, more passionate member of the Finance and Economics Committee, to look into the issue of duties because the then Senator Norman proposed I think taking duties off everything because we had some extra money. I then started and it sparked my interest in understanding what the underlying costs were. Senator Walker asked me to lead the debate on that particular proposal to take away all duties because it was going to solve all our problems with hospitality and tourism.

[11:30]

I have looked at this for many years and this issue has to be tackled. The good news is we are tackling this issue. We are understanding. The J.C.R.A. (Jersey Competition Regulatory Authority) is going to come out with their report. I do not know what it says, but I certainly expect and I certainly stand by my political reputation in saying that the issue on tobacco is going to be capable of resolving. This issue of the standard pint, I think we now have a better understanding of some of the issues to do with the licensed trade. I certainly thought it was a very constructive meeting that we held with both the off-licence and the licensed trade and the working group. This is not just simply a promise, this is something that the Minister for Economic Development, with his colleagues, the Minister for Health and Social Services and the Minister for Home Affairs, with the Chief Minister, are going to work on and they are going to put forward a new working party as a result of the alcohol and tobacco strategy. We have not been doing nothing as a Council of Ministers on alcohol and tobacco, we are progressing it. The Council of Ministers have met twice in relation to the alcohol and tobacco strategy and we are progressing this issue well. So I say that there is a discussion to be had with the licensed trade and there are changes that we have to make. I do not know whether I am treading on any particular sensitive issues, Sir, as a former H.M. Attorney General, but there is an issue of the Licensing Assembly itself that has made a ruling, an understandable ruling, that there should not be price competition, as I understand it, on pubs which deviates more than 10 per cent. I understand that that was brought in when there was a problem with certain licensed premises effectively doing deep discounts of alcohol, in doing “drink all you like for £10” promotions or happy hours, *et cetera*. I am afraid, again, a well-intentioned policy not to have irresponsible drinking in licensed premises has resulted in probably a cartelised market in Jersey. The lack of competition I think is probably due to that Licensing Assembly decision and I think we need to look at it. I think it is even more important that we look at it now because the licensed premises’ argument is now less important in overall alcohol consumption because of the split. The majority of alcohol consumed in Jersey is now at home as opposed to being on licensed premises. There are issues. I took great exception to the criticisms of our Statistics Unit, not the Treasury, in relation to the average prices. The Treasury, Assistant Minister and I do not just draw up a list of comparisons. These are from the Statistics Unit and I think we all have a very high regard for our Statistics Unit and the accuracy of their figures. **[Approbation]** But I did some research myself because I am told effectively that this U.K. retail price is wrong. The £3.30 is

wrong. It is apparently too low. I put around on my Twitter account a price list from a Central London pub chain which was in High Holborn, East London and South London and they were dramatically lower than these prices. Effectively, the comparison could be made even worse. I think the Statistics Unit is giving the local industry quite an easy time in terms of its comparison. I say all these things because is it really appropriate to be putting a zero increase on alcohol duty? Do Members really want not to effectively do a balance of increased duties which is designed to support low-strength alcohol as our amendment is, support a penny on a pint, a reduction for good measure, for showing that we are listening with 2 pence? The evidence in the U.K. of taking the penny off a pint for George Osborne with these very high issues has been mixed in terms of what has happened. It has been mixed. There are people that say it has had no effect. It has made him very popular with the licensed industry. I saw that at the Tory Party Conference because there were nice beer mats with nice George Osborne on them. I am not seeking a beer mat with nice Philip Ozouf on. **[Laughter]** I want to have a sensible and rational debate about these issues. I am afraid to say on alcohol I urge Members to reject this proposition and to revert back to the sensible proposal that we have brought forward which does reflect the damage of higher-strength alcohol and spirits, particularly in relation to the harm that they do for society. In relation to tobacco, I have talked about the report that is out next year. I stand by my comments that there is a problem and an unexplained margin issue which we have to get to the bottom of. But I say also that simply not putting the duty increase is not going to translate through into effectively stagnant tobacco prices. As much as we can hear the lobbying that it will, the past experience, and you have to judge people on past experiences, is it will not again. Also, the Deputy in his remarks says: "Oh well, just solve it by sorting out a duty-free shop at the terminal at Elizabeth Quay." Well those are not issues for the Treasury. I have no doubt that the Minister for Economic Development, if he thought that that was a good idea in his team, and the excellent work of the Chief Executive and the Shadow Board, would do that and I have no problem with it. I do have a problem, however, with the tobacco issue, not putting any increase through on tobacco at all. Deputy Power really thinks that that is going to mean that we are going to have nice people, nice smokers buying more cigarettes in Jersey as a result of not putting duty increases. I am afraid it is unrealistic. The difference between the dutied and non-dutied rate is too high. The real issue is the duty import. I do accept absolutely the fact that the policy of tobacco consumption is effectively being undermined by the duty-free allowance and that is why I think we should look at it. But the solution is not putting an additional duty price on cigarettes, we are coming to the pip-squeaking in relation to the tobacco price because the price of a packet of cigarettes in Jersey is going to be the same as the U.K. but of course dramatically less, as I would ask Members to look at that comparison on page 43 of the packet of cigarettes. We are now going to get at a position where the actual retail price of tobacco in Jersey is going to be at the same level as the U.K. but we are not collecting anything like the revenue for the protection of it. So, yes, there is going to be a fierce debate about it and we are going to listen and have to implement the results of the J.C.R.A. report. Yes, we should look at the duty-free issue and, yes, we should do like Australia. If the Deputy wants to take me on in relation to Australian tobacco policy, then he can. Because Australia is regarded as the leading jurisdiction in the world together with New Zealand on putting in place tobacco prevention policies. They were the first ones to ban, as I understand it, smoke-free; they were the first ones to put tobacco retailing below the counter, not to have the temptation behind every single tobacconist shop of people trying to give up smoking and seeing all the branding. Yes, they have gone into plain packaging and, yes, it is working. Of course it is hurting and that explains the lobbying. I am afraid to say that it is because there is going to be lots of counterfeit cigarettes. I am afraid that is because of the proximity of China to Australia and that is the reality. Are we really going to see a massive amount of counterfeit policies? I believe we should be doing everything we can to prevent people from smoking. Not prohibiting it but preventing it and not temptation. I understand it is extremely addictive and we should be commercialising, de-branding

and we certainly should be looking at these issues. Yes, we should be looking at the 200 import limit. It is difficult, it is tough, but it is the right thing to do. Most people, according to the social survey and other surveys on smoking who smoke, would like to give up. They must be given every assistance in order to do so. If that means removing the 200 limit increase of duty or removing it down to 60 or 40 as Australia did ... and, by the way, the whole of the European Union has done away with duty-free. There is no duty-free between the Isle of Man and the U.K., there is not between France and Germany; it is gone. It is, you could say, a relic of the past, and it is certainly a 200 limit which was set at a time where we had no idea of the damage of smoking on people's health. Deputy Power is suggesting not a penny of increase on tobacco at a cost to the Treasury of £1.5 million. Again I say, if Members want to have £1.5 million, not that we can afford it, but would they spend £1.5 million on improving health care or giving a discount to smokers? I am afraid it is a clear case for me. In relation to fuel duty, and I will be quiet now, I think we have been reasonable on duty. Deputy Power is saying that we should have absolutely no increase on duty at all. I would just remind Members that we have had no increase for fuel duty in 2009 and 2010. We put 2 pence on in 2011, we did nothing in 2012 and we did nothing last year. Here I declare an interest as an owner of a petrol station, I get a rent that is all. It is not relevant but the relevance is that the market for petrol retailing is also not working in Jersey. This Assembly's benevolence in not putting fuel duty does not translate through to the pump. What is working is competition in petrol retailing and that margin is still stickily high on average but because of competition, because of price marking it is working. I am proposing a penny on a litre of fuel. That is a reasonable duty increase. In fact, the duty increases on fuel, we had a debate about a green budget, but apparently fuel is anti-green. We have Deputy Tadier wanting a green budget. We have other Members wanting a green budget. The difficult message, the difficult reconciled issue that Members have to deal with, is whether or not they should be appropriately taxing, effectively, petrol. As a result of per mile expansion of more fuel-efficient vehicles, fuel duty has become dramatically less expensive per mile. I think a 1p duty increase is viable. I feel very strongly about this amendment. This is an awful lot of money, it sends the wrong signals, there is no evidence and we should take out the emotional and the partial arguments that are being put forward by Deputy Power. I urge Members to reject this amendment so that we can go to perhaps a compromised amendment. Some Members might not even agree with what is being proposed by Treasury. I understand that but let us get on to that debate which is, I think, a sensible compromise in reconciling effectively the requirements of business, low-income families, *et cetera*. I urge Members to comprehensively reject Deputy Power's amendment.

1.3.3 Senator S.C. Ferguson:

The Minister for Treasury and Resources has made great play of the fact that this Budget is a vital part and is tied back to the Medium-Term Financial Plan. As part of our review, our C.I.P.F.A. (Chartered Institute of Public Finance and Accountancy) adviser came up with the following discussion. He said it is difficult to accurately track and test the 2014 Budget income tax position because he could not track it through. He said that there is a potential tax yield gap of £5.5 million from the M.T.F.P. baseline position. This lack of transparency on tracking baseline figures does not provide the level of confidence which we would expect in the overall financial modelling surrounding the £475 million used for the 2014 Budget. So obviously if there is this deficit which nobody can find and there is a disparity between the M.T.F.P. and the Budget, then obviously every single jot and tittle that the Minister for Treasury and Resources can get out of the impôts is absolutely vital. As we may or may not know, impôts have always been regarded as a source of income by whichever government is in power. If I recall correctly (from my history books, not in person) I believe it was incredibly generous of Charles II to transfer impôts to Jersey to pay for a jetty at St. Aubin and hôpital for the poor of the Parish. No doubt I will be corrected by all the history buffs but that was my understanding. So impôts are always very important. But when I

look, we have been given a very useful set of figures from the Assistant Minister for Treasury and Resources but as we all know a picture is worth a thousand words. I have a picture here and I have plotted the impôts from 1996 to 2012.

[11:45]

Since 2004 they have been flatlining. There is no growth in them at all. The Minister for Treasury and Resources will be desperate to put them up so that he can get his extra revenue but in actual fact he will not get much more, it will be chugging along at round about the £50 million level, so I just throw that in. We talk about fuel; fuel is particularly flat-lining and in actual fact the increase in the number of cars has far exceeded what one would expect as an increase in the fuel revenues. Last time I looked, the number of cars had gone up something like 26 per cent and fuel revenues had only gone up 5 per cent which is classic Julian Simon economics, obviously greener, and no doubt the value of the oil will go down when the U.S.A. (United States of America) starts exporting it. The Minister for Treasury and Resources says this is all for our own good but he does come clean, as I would expect, and admit that he is doing it for the revenue. But when we talk about looking after the people who have alcohol problems, we are collecting something in the order of nearly £17 million for alcohol impôts so I think that is a pretty good amount of money to be dealing with that particular problem. But what is so awful is that the Government is trying to take away our freedom of choice. We hear about the “drinking problem” and it is a bit like the 41 per cent of duty-free cigarettes. There is an estimate, there is no evidence. Do these drinking figures include visitors? Do visitors perhaps drink more than most locals? There are a lot of fallacies attached to the whole set-up and I am not really very happy about it. The Minister for Treasury and Resources says if he cannot get money from the impôts, where is he going to get it from? You do not look at getting more tax but you just start looking at spending less. Before anybody says anything I will admit to an interest in tourism because I am a director of the Biarritz Hotel but as we do not have a licence I do not think anyone can say I have a conflict.

1.3.4 Deputy T.M. Pitman of St. Helier:

I do not have a petrol station, I do not have a hotel and I do not smoke, so I do not feel very conflicted at all. I only want to make a short speech. Indeed, I am only going to make a speech once, although I do support the Constable of St. Helier’s amendment as well. The Minister for Treasury and Resources said about getting the complete argument and that is really what I want to focus on. Yesterday I spoke to a fair degree about, which has been echoed by the Constable of St. Helier, education being the key to turning people away from overindulging in any particular vice. It does not need a nanny state to do it so I am not going to go on about that. I also do not want to go on about the cost economically of obesity which Deputy Power touched on because that is well-known and I think it is inarguable and I would hope all Members support that. But the key issue here for me is that, until Members face up to the necessity of finally confronting the inner qualities upon which the dominant faction in our government over many years have faced their financial plans, these Budget debates and these arguments are just going to happen again. The Minister for Treasury and Resources said it was the 14th Budget that he had been involved in and I bet he has heard this nearly every time. That will continue until Members are big enough to grasp the fact that the dominant faction in this Government leave us so few options because they will not do anything about what really underlies all this. This is the fact that they treat those who have the most, whether it is finance, the finance industry that makes huge, vast profits, various strands of big business and ultra-rich individuals, they keep treating them with kid gloves. The obvious impact of all this is that the ordinary man and woman in the street who do only drink moderately or smoke moderately will continue to pick up the tabs. They will always be the cash cows. Have I any confidence that most Members will ever face up to that and do something about it? No, I have not but I hope I am wrong. So that is what underlies all these propositions. I am not a smoker; I wish

people did not smoke, but it is still their right to smoke if they want as long as they are not impacting on my life or some child's life. I think it is a bit of a shame, we have heard these ordinary people out for their Sunday drive going to the country pub have been a bit ridiculed today. These are the ordinary people and this goes to the core of what I am saying. It is that Government attitude. It is the Council of Minister's attitude that ordinary people will be cash cows. I am going to support Deputy Power on this. I do not agree 100 per cent with what he is doing on the smoking issue. If we get there, I will be supporting the Constable of St. Helier. But let us try and think ahead for next time. Let us try and change the policies that undermine all this nonsense. Let us stop hitting the easy targets as Ministers for Treasury and Resources. It is not just down to Senator Ozouf, it will be any Minister with this mindset. I make this point really not for Members but for those listening because I do not think it will be reported in any other medium. Really, the ordinary people who are going to be unhappy that their moderate drinking is hitting them in the pocket, their moderate smoking, their driving, well I am sorry, members of the public, but you basically deserve it if you are going to keep voting for the same people who follow these same blind 2-tier society policies. So get out and do something about it if you are not happy. If you are happy, keep voting for them and you can keep carrying the tax burden for the big boys. I am not going to make that other speech. I will support Deputy Power, I will support the Constable of St. Helier if we get there, and I will let people go on about the little minutiae of whether we should have duty-free shops down at the harbour. It seems common sense to me but it is not going to solve the problem in its own right. Solve the 2-tier taxation problem and then we can avoid these debates every year, or our successors can.

1.3.5 Deputy R.C. Duhamel:

I had forgotten that in the year 2000, apparently, according to our Minister for Treasury and Resources, that it was the Constable of St. Clement who had the foresight to challenge the system in terms of pointing out the sense, or non-sense, of our impôts system. I think it is a shame that it has taken 13 years of repeating similar arguments but without effect to end up today in exactly the same position. I think no one can be in any doubt that there is an element of hypocrisy in the impôts and duty-raising issue, in that on the one hand we are trying to raise monies to be put into general pots to pay for other projects but yet in these modern enlightened times, particularly with respect to health problems, we are suddenly realising that perhaps encouraging people to pay more through higher duties on their alcohol consumption, only to pay out greater sums of monies to deal with those persons who cannot drink sensibly or responsibly, is an odd argument. We have heard from the Minister for Treasury and Resources that he suggested indeed the duties raised by way of the impôts on alcohol do not sufficiently deal with the problems of over-alcohol consumption in the Island. I think it would have been useful had we had those arguments clearly outlined. In essence, I think really what we are dealing with is that we are looking at impôts as an old-fashioned measure while wanting to see it as a new measure. There was some discussion in a previous debate on green taxes and I think I should repeat one thing: that green taxes tax in order to achieve a behavioural outcome, not to raise monies to be put into a general pot to pay for other issues. I think that raising duties on alcohol consumption must be considered as a green tax, if indeed we are going to use a taxation system to try and modify people's behaviour. Unfortunately, though, we are not today in that debate and it is a matter of some concern that time and time again this House does not nail the issues on the head and strictly sit down at regular intervals to look at the bigger picture issues under which the taxation system operates. Maybe one day this will happen but I am not particularly encouraged by our past record. Why am I worried and why would I support Deputy Power in suggesting that there should be no duty increases, in particular on alcohol and in other respects by way of duty? I am hearing at the moment that as the point at which duties raised becomes a disincentive for people to purchase their alcohol in public bars or other public places or indeed in supermarkets running discount schemes, then they will look in other directions for providing

themselves. I am already hearing on the grapevine, no pun intended, that certain private stills are already in operation in this Island. I do not want us to be in a situation whereby because of the requirement on behalf of the Minister for Treasury and Resources to raise monies to pay for other things that we are going to find ourselves repeating the stories in the history books where we drive drinking underground. Already home-brewing kits are achieving high sales but maybe the Minister for Economic Development and Minister for Treasury and Resources might suggest that this is a positive fiscal stimulus scheme and where you lose on one, you gain on the other. But the key issues must be that if we do have a general long-term aim to allow responsible drinking and to try to help people who cannot help themselves for various addiction reasons and medical problems, then we really need to have the mature debate as to what are impôts for and what should green taxes be for? When that point comes, I think we will be able to move ahead with a better scheme which might well pick up on the point that the Constable of St. Clement indicated by the removal of all the impôts duties for the right reasons. It was also suggested by the Minister for Treasury and Resources that Deputy Power had not done his homework in terms of finding monies in order to come forward with a balanced budget. I have been in this House a long while, as people know, and other people have been in the House for a similar period of time, and we do know that year in, year out the usual way things pan out is that we are reminded earlier on in the year that there are not enough monies and we have to pull in our belts. Then come the tax receipts being returned to the Income Tax Department. We get into the autumn of the year, or perhaps a little bit later, around about Budget time or perhaps even after, and we suddenly find ourselves with cash surpluses. Indeed, it was some £18 million we found last year for increased tax receipts and of course everybody then breathes a sigh of relief and the cost-cutting measures that we were all going to deliver are suddenly reconsidered and surplus monies spent.

[12:00]

In that sense I am not convinced that the Minister for Treasury and Resources' assertion that the £1.25 million would not be on the way, if we do agree to an increase in duties, to his financial pots within the Treasury. I do not consider that that £1.25 million would be anything but small beer in terms of the £18 million that we found as surpluses. I am in no doubt that come next year we will find good news stories and other monies will be returned through the taxation system. People will then begin to again breathe sighs of relief in that the economic recovery is on its way and we are doing better so we can perhaps spend our monies in a different fashion. One last point, those of us who take an interest in foreign countries will know that Brazil for many years, and indeed other countries, have run a programme of adding alcohol additives to their fuel in order to eke out the petroleum imports that those countries would have otherwise needed to have imported. Indeed, under our energy strategy we are suggesting that perhaps we should be considering, or giving better consideration, to the allowance of importation of alcohol, or the generation of alcohol from surplus agricultural products - in a similar way to our surplus potatoes being converted or at least in part into a high-class vodka - into an alcohol product which would decrease the reliance that this Island has on the importation of petroleum fuels. If by way of taxation through duties through the impôts, we find ourselves pushing the economic arguments towards the point that the purchase of those fuels is discouraged because we are making them too expensive, then indeed a similar thing will happen and people will be encouraged to perhaps start distilling alcohol in larger quantities to provide their own fuel. If we do that then I think there are going to have to be more radical policies brought to this House which would interfere more greatly in people's rights and freedoms to look for the services that they want and to express a choice as to how they acquire them. I think in all these things we have to be reasonable. We have to have the right reasons for imposing duties and we have to look to make sure that in any course of policy actions that we are implementing that we do these things for the right reasons. I think although not going for an increase this year on alcohol and perhaps also on fuel might not be seen as solving the problem in the way that I have perhaps

outlined earlier. I do think it would send out a very strong message to Islanders and the people who vote for us to act reasonably in this Chamber that perhaps the other ways that Deputy Power suggested, perhaps the more innovative thinking in terms of delivering rights and freedoms and customs and best behaviour in terms of alcohol consumption in one form or another, might be considered by this House in a way that they would support. I think on the face of it I am inclined at this point in time to support Deputy Power and urge this House to do so as well and to send a strong message to all of those engaged in raising duties, or dealing with the medical health problems, to work together in a more active form to sort out the problem once and for all at a future date. Thank you.

1.3.6 Senator B.I. Le Marquand:

I want to start with some comments in relation to the link between the cost of alcoholic drinks and health issues and law and order issues. As a general statement, all serious studies that I have ever heard of have indicated that there is a direct link between the level of consumption of alcohol in a community and social problems at all levels. That is, health issues, domestic violence issues, public order issues, drink-driving issues, *et cetera*. Next year this Assembly will be debating an alcohol and licensing strategy. Although the levels of consumption per capita have come down, they are still unacceptably high, as are the resultant health and law and order issues. I would expect this Assembly next year to approve a policy which aims at reducing consumption per capita through a combination of a number of different things: through improved education, including health education who are working more closely with the licensing trade. I have been proposing that for some time, following a meeting which took place at police headquarters, where we in fact discovered that there were a number of areas of common interest and areas in which both government and the licensing trade could help each other in trying to achieve common goals. Finally, I would expect this Assembly next year to agree that tax increases and targeted changes to taxation should be made to encourage the consumption of lower-strength alcoholic drinks and to discourage the consumption of higher-strength alcoholic drinks. I want now to focus on the tax regime and the link with prices. Firstly, I want to very much applaud the introduction of the lower tax band for low-strength beers and lagers. This was in fact suggested by the trade some time ago; we have been a bit slow in taking this up. But hopefully with their help we can see a move to increased sales of low-strength beers and lagers and a decrease in the consumption of high-strength lagers and beers. The debate in relation to this whole area which we are looking at today is very often confused by the confusion in 2 areas. Firstly, the lumping-together of off-licences and on-licences or, worse still, the attempt to focus entirely on on-licences. We in fact have seen that very skilfully done so far by those who are supporting this amendment. But the second area where there is considerable confusion is on what is meant by a problem drinker or a person who is drinking at dangerous levels. I will come back to that later. The real hope for impact on consumption from taxation increases is in the area of off-licences. That is where people can buy alcoholic drinks cheaply; that is where a percentage increase in tax is going to have a greater effect in relation to the percentage increase of price. There is a concern about cheap drink deals and promotions being offered by off-licences or supermarkets. I believe that we should be talking to the trade in this area, indeed, rather than going for complex legislation in the short-term, that we would be seeking to agree a Memorandum of Understanding with the trade to ensure that they will not be offering cheap deal offers which have the tendency to cause increased consumption. I believe that they are highly open to this sort of approach. As Senator Ozouf has already said, at a recent meeting the trade confirmed that the balance between on-licences and off-licences had changed over recent years. It is now in fact 65 per cent of the sales which take place through off-licences. This is the area that I believe we should be seeking to target for health and for law and order issues in relation to price increases. The working person's pint, so I am avoiding the male here, is in my view a complete red herring. As Senator Ozouf has said, if we look at what happened last time when this Assembly was

persuaded by the arguments put before it not to increase taxation at all on alcoholic drinks, there were price increases anyway. Let us look perhaps at some of the arithmetic on this. I was in a country pub last night **[Interruption]** ... yes, yes, I am there more often than people realise, having a meal with a group of friends and I did a survey of the prices there. I have discovered that the prices of pints of various things was between £2.85 and £3.95. In my view with those sort of price levels, I would expect next year to see price increases of the level of 10 pence a pint. Maybe more. Maybe 10 to 15 pence a pint in those areas. I have to ask Members to seriously consider what effect a tax increase of one pence a pint is going to have on that. At the moment if we have a drinks price of £3 and they decide they want to increase the price by 10 pence for their own profits and costs, are we seriously going to see them saying: "Oh yes, but we must increase it by another penny" so we end up with £3.11 rather than £3.10. That is a ridiculous suggestion. It will have absolutely no effect on the decisions which are to do with costs and profit margins. So, with respect, the working person's pint is irrelevant. That is part of the problem with the argument which is being put forward by the on-licence trade in relation to this matter that price increases are not going to be affected at all by these minor increases. My own view is that, apart from the binge-drinking culture which is sadly part of our St. Helier nightlife, a binge-drinking culture which incidentally is driven primarily by pre-loading. That is, by people buying alcohol at relatively cheap prices in the off-licence and then is only topped-up at the higher prices. I would prefer to see the balance shifted away from home consumption to consumption within a controlled environment. I say that subject to the binge-drinking problem. In my view, a flat-rate tax increase, which is what we get, because it is the same increase on off-licences as on-licences, assists with that because we want to see the prices increasing in the off-licences and we want at the same time to see a more competitive approach, which I will come to in a moment, in the on-licences so that the balance starts to shift back. I come now to the confusion about the issue as to what is or is not a problem-drinker and this is highly relevant to the debate upon reduced consumption per capita leading to improved health and law and order benefits. When some Members of this Assembly or some of the licensing trade say that the increased price will not help the problem-drinker, they are referring there to a person with a fully-developed problem, a person who is regularly drinking much too much, who has developed alcoholism or repetitive binge-drinking. The Medical Officer of Health does not agree with them on this. She maintains that for the highest problem-drinkers whose income level has been massively reduced by loss of work, home, *et cetera*, that increased off-licence prices will reduce their consumption. But that is not the main issue because there is another definition of a problem-drinker or a person who is drinking to an extent which is potentially dangerous, and that is that adopted by health professionals. That is a person who is drinking regularly above the recommended weekly limit. The point here is that a person who does that regularly is at risk of getting into a spiral of increased consumption.

[12:15]

People do not suddenly go from drinking moderately to completely out of control. There is a process very often and that process is one of drinking above the recommended safe levels which leads on, tragically in some cases, in many cases, to a full-blown problem. It is a descending road which may take many years. What we are trying to do from a health point of view is to reduce the number of people who follow that route, who go down that descending road, and to reduce, therefore, the health damage of those who are at different points on that descending road. The amended proposals of the Minister for Treasury and Resources are, in my opinion, very good, very sensible and very practical and I urge Members to reject the other amendments and to support his amendment. I move on now to cigarettes. I do not need to speak about the health-related issues here that are so well established or about, therefore, the corresponding need to seek to reduce consumption. What I do want to speak about is in relation to areas of enforcement, which is partly my area through the Customs and Immigration Department, and areas in relation to the duty-free

loophole. I start with the latter. The Customs and Immigration Department in the summer, when they are under greater pressure on the Immigration side because of increased movement from France, have been struggling to enforce the law on cigarettes. This problem is caused partly or substantially by the fact that duty-free shops, and indeed aircraft, regularly sell packs of 600 or even of 1,000 cigarettes. People are arriving in Jersey with these packs. Now, before I seek to castigate the duty-free shops at airports or the airlines or the boats, I have a corporate confession to make. We, at the airport duty-free shop, are just as bad because they are also selling these larger units. I am afraid there is an element of hypocrisy in relation to arguments in this area while we continue to do that and while we continue to take a cut. What I am going to do about this Customs and Immigration situation and enforcement is this, indeed what they are planning, with financial help from the Treasury, is to employ additional enforcement staff during the summer that is not full-blown Customs and Immigration officers, but additional enforcement staff during the summer to police the existing exemption limits. That, we believe, will save a lot of money because although there will be additional staff costs, we will save money by ensuring people are not coming in with the 600s or 1,000s. People who have bought their larger limits will need to declare them and know that they will need to declare or will face appropriate penalties. That will not help with the lawful amounts issued within the 200 limit and I welcome the indication of the Minister for Treasury and Resources that he will be reviewing this, for 2 reasons: firstly, because I want to see the cost of smoking increasing for health reasons and, secondly, if people want to buy cigarettes I would rather they bought them in Jersey with the profits being earned locally. But we must have a level playing-field approach to this if we are going to be seeking, as it were, to change the situation apropos people bringing in amounts from outside; we have to play it clean, as it were, ourselves in relation to these areas, particularly duty-free sales. Therefore, I urge Members to support the proposed increases in cigarettes. Finally, even if Members do not agree with a word that I have said, and there may be some in that position, there is another important pragmatic issue, the public purse needs these increases in order to balance the budget. Frankly, I am wholly in favour of the approach of the current Council of Ministers which has been seeking to expand services as much as it can within the available funds. We need this money to be able to continue this. This Budget with the annual 1 per cent reduction in income tax, in relation to those currently paying the 27 per cent, which will benefit five-sixths of those who pay income tax, is offset partly by these increases. It is part of the package and I would ask Members, even if they do not agree with a word I have said about the health issues and law and order issues, to support it in order to support the whole package.

1.3.7 Deputy G.C.L. Baudains:

I am pleased to follow the previous speaker. I think I know the Minister for Home Affairs well enough to know that he is well-intentioned and he means well, but maybe he is a Methodist, I do not know, but I warned him of the dangers of unintended consequences. I do not know if he is aware there is already a private distillery in Jersey. Do we really wish to encourage the making of potentially lethal alcohol? Talking of unintended consequences, just look what happened in the United States when prohibition was in full swing. Deputy Power in his opening speech spoke of his wish for a duty-free establishment in the harbours. I wonder if he could use his influence to have one in our Members' Room here because I do think it may help us to endure these budget debates. Following on from Deputy Duhamel as another long-standing Member, I think an appropriate place to make the comment that has been troubling me for a little while and that is since we moved away from our previous Budgets and now split it into a medium-term financial term in a separate Budget, we have lost the connection. We have lost the ability to marry the 2 together as well as to hold departments to account as well as we used to. I think that is creating a bit of a problem and I am seeing that again in the debate over these few days. What I want to address, going back to the Minister for Treasury and Resources' comments, and I say also that I will address

very briefly the 3 amendments in one so I do not have to speak again on these issues. My comments relate mainly to fuel because the Minister for Treasury and Resources spoke of teamwork and he spoke of margins and what I ask him, in relation to fuel, is to look at this holistically. The reason I say that is because, as we learned during the withdrawal of super unleaded petrol, there are issues here and one of the main reasons why wholesale prices are high in Jersey is as the result of the tanker arrangements at La Collette. For example, the fuel consortium has to buy special fuel from such places as Norway instead of importing from places that would be cheaper, such as the United Kingdom. That is a direct result of the limitations of La Collette which is, therefore, helping keeping the base price higher. I wonder if the Minister for Treasury and Resources, perhaps in conjunction with Minister for Economic Development, would give more thought to that area. I will be supporting Deputy Power because it is my understanding that taxes have little effect on consumption; those who wish to smoke or drink will continue to do so and it just means that they will be spending less on other items, if necessary, in order create the funding for their habit and that may well include buying less healthy food. We really have to be mindful of unintended consequences.

Deputy E.J. Noel of St. Lawrence:

A point of clarification from the previous speaker, if I may. Is Deputy Baudains suggesting that we move to a 3-year Budget to coincide with the M.T.F.P.?

Deputy G.C.L. Baudains:

Not necessarily. What I was suggesting was with the previous system, one had a greater understanding of what one was raising money for. The raising of money and the spending of money was married together and more easily understood and, at the same time, it was easier to hold departments to account on the expenditure. I am not suggesting whether it should be one year, 2 years or 3 years.

The Deputy Bailiff:

A point of clarification, the Assistant Minister was very close to making a speech. Senator Breckon.

1.3.8 Senator A. Breckon:

The issues we are talking about here, with the tobacco, I should say I met with the Chief Executive of the J.C.R.A. a couple of times. There are 2 investigations which are both nearing completion: one on tobacco and the other one is on the supermarket shop. It is a shame really because if we had that report before us today then it might inform our thinking on this because it could reveal things that would be helpful. But as that stands, that is a matter for another day. Having said that, if there are things within that report, then it does not need to go on the shelf. If action is required then action needs to be taken. In regard to alcohol, there have been prices quoted for an average pint in the U.K. but there are many towns and cities where they are promoting branded beers and lagers for about £1.50 a pint. A very large pub chain is doing that. Interestingly, when they indicated about having a presence in Jersey there was a bit of a chill wind that blew through the trade because of the fear of the competition that might bring because they have got some serious buying power, they have got over 800 pubs and they are fairly aggressive in marketing. How that went down with the licensing venture, I do not know, but that is their strategy throughout the U.K. The other thing, Senator Le Marquand touched on something there and I remember when we did not increase the duties a number of years - and I think Senator Ozouf touched on this as well - what happened in about March or April, an increase occurred with about 10 pence on a pint and so much on spirits and whatever else, and I think some people in this House at the time felt a little bit betrayed at that because we gave our side of the bargain and then the trade said: "Well, this is an annual review, there are things like wages, utilities, running costs". It was as if the freeze on duty or the lack of

increase had not happened at all. As Senator Le Marquand rightly says: "A penny will be not a penny at all if this is what this Assembly approve." With the price of spirits, it is a very competitive market and off-licence sales are a very big part of that. Anybody going through an airport, wherever that may be, will be able to buy 2 litres for around about £20. Obviously some of that is duty-free but what has happened recently, there is an excerpt from a national newspaper from last week and there is some very serious competition in the U.K. between the supermarkets for spirits and these are all litres, apart from one which is an American whisky. We are talking about a litre of vodka, there are 2 different brands of whisky, Bacardi and gin. One supermarket led the charge and their prices were between £18 and £20. Another supermarket undercut that to say it would be £17 across the board for each of the products, there are 6 of them there, and then another one trumped that to say they would sell it at £15. That also brings into question the duty-free because we carry things around. If we can go into supermarkets throughout the U.K. and buy it for that price, why would you bother carrying it from an airport? So it is a really competitive market but it also relates to what we have here because if you look at what Senator Ozouf mentioned on page 43 of the Budget book, the retail price in Jersey, on average, was £20.18. In round terms, it is £5 more than you can get it in the U.K. Obviously, locally there will be some variations on that with offers in smaller shops, which will go up and down, but it is relevant because when people are in and out of the Island and they view things then they do look at this sort of thing. It is not like looking at a shirt or a jumper, it is a branded good of a certain size which is directly comparable and sometimes that has an effect when people say: "Well, how come it is so much more than it is in wherever else throughout the U.K. even?"

[12:30]

When you look at the duties and the V.A.T. again in the Budget book on page 43, nobody's making much money on that; maybe it is a lost leader, , but the fact is you can buy it. The same thing applies in supermarket sales in the U.K. and, to an extent, it happens here where you can buy 2 cases, a mix of beer, lager, cider and other things for £20-£22 and that includes a mix of cans and bottles of different sizes and different volumes. That is the market where some of this is, so it is very competitive and, governments all over will take an opportunity to cash in on this. It is fairly easy, as other Members have mentioned. There have been various pressures on the Government in the U.K. to keep various taxes and charges down because of how people's living costs will be affected and that especially applied to fuel. What I have found useful is Deputy Noel who provided us with some figures and in there I want to look at the fuel because I am old enough to remember queuing up at the Chelsea Hotel to get car tax in. Usually the later you did it in the January, the more people that were there. Looking at the figures that Deputy Noel supplied, it looks like that the car tax was scrapped in 1998, which is a jump there from £5.7 million to £8.4 million. The reason I say that is I think at the time there was a promise, well if we put a penny on a litre of petrol, or a gallon, then this will cure it. But if Members look at the figures you will see that in 1994 - and again I thank the Deputy for his figures, they are very helpful - the impôts raised was £4.3 million and in 2012 it was £20.4 million. So that is from 4.3 to 20.4. That is in 19 years. That is roughly about an increase of fivefold. It looks like we are really hammering the motorist one way or another and it is easy to do. A penny on a litre, what is that? Not a lot. That is really where I have a problem with this but having said that, it is an easy way to do it, it is an open door and it does raise money. The question is who pays in the end and, of course, we do. It will be an increase that passes straight through with maybe a little bit added on. There is some competition out there so that is something that did not happen a few years ago but is there now. There are some serious differences between the highest price and the lowest price, it is enough to insure your car if you go for the cheapest one for the year, the difference is significant. In old money, in gallons and things like that it is a serious difference. There are some opportunities there but my fear is the basic impôts increases will go through and it will not be held by anybody, it will come out the other side.

We have got prices on display now, so that is a bit of a help, but people no longer just drive in and put £20 in their car, they know where they are going and they know why. So they are looking around and that is a good thing. Senator Ozouf and I both know because it is something that we have both looked at for many years, this is what we would call “unexplained price differences” when you strip out all the taxes and duties. Well, why is that? When we looked at the price of cigarettes or petrol, or something like that, it has not properly been explained yet. It is something I am still looking at but it needs to be looked at in some greater detail because if there is an explanation then we pay, if there is not, if we have been used as a captive market then some action needs to be taken. Also, the public deserves the answers and we are in a position to provide that. The other thing that concerns me is if we look at impôts it has been an easy target, it is easy to do, penny on a pint, penny a litre of fuel. You sneak it in, it comes in. It comes out as inflation as well. Nobody has spoken to any figures, but looking at this it could be 0.6 on the ... it will not be in the January inflation because that is taken around 15th December, but it will be in the March one. So there will be something in there that reflects these increases. The Minister for Treasury and Resources said Deputy Power has not suggested anything else to make up for this revenue and I think it was something that the Deputy of Grouville raised a number of years ago, and others have raised it before, and that was about some companies still no paying any tax. Then it has been a case: “Well, this is difficult to do.” What do we do? We talk about rates or taxing the companies and the employees and nothing has come out of that. That is a piece of work that has been in progress for 5 or 6 years, I suppose. But if somebody is looking for something to do then that might be a way of doing it. Of course, there are still some organisations that do not pay any G.S.T. Most of us do but some people still have a vehicle that gets them round that. Maybe we should look at that again. I know it is in there, it has been mentioned. The consultation said: “Well, do not do it now because it increases our costs.” It increases our costs as well but we did not all necessarily get consulted on that. I would ask the Minister for Treasury and Resources to take that on board because it has been talked about for years and if we needed to do something and if we do approve any or all of these amendments then that is the way it could be used to fill the gap and raise some revenue. If companies are happy to trade here then there is a cost of doing that and they should not be getting a free ride, they should be paying like others, paying their dues and that is the way they could fill the gap.

Senator L.J. Farnham:

I am mindful of the time, I need to speak for 5 or 10 minutes. I know some Members are going to the Chamber lunch where wine will be served, coincidentally, so I test the mood of the Assembly and, if Senator Routier will excuse me, propose the adjournment.

The Greffier of the States (in the Chair):

The Constable of St. Clement was going to speak next. Are you likely to speak at length, Constable?

Connétable L. Norman of St. Clement:

I never speak at length.

The Greffier of the States (in the Chair):

I call the Constable of St. Clement.

1.3.9 The Connétable of St. Clement:

Senator Le Marquand said one penny may not make a lot of difference to the cost of a pint and, of course, he is absolutely right. But what does make the difference is the accumulative effect of increases over decades and also the message that it sent out because the message that is coming out from the Treasury or from the Minister for Treasury and Resources, is that he will want to put the

price of alcohol up again: “But we do not want you, breweries and importers and pubs, to put them up, leave it to us, we will do it for you, it is the Treasury that needs to make the money from this, not you.” In the report, the draft Budget Statement, the Minister for Treasury and Resources claims that a standard pint of beer, whatever that might be, in Jersey costs £3.79. I do not know where he drinks but I can tell him that a pint of Liberation Ale, 4.5 strength, an excellent brew, if I may say so, costs £3.05 in Le Hocq Inn Lounge Bar, an excellent public house, if I might say so.

The Greffier of the States (in the Chair):

I am sure you will be getting a free drink this evening!

The Connétable of St. Clement:

In the United Kingdom he claims that a pint of this standard beer is £3.30. Well, in some places perhaps it is, in others it is certainly a lot more and elsewhere it is a lot less. For example, last week in the northeast of England I enjoyed a 4.5 strength beer for £1.75 a pint. This was in a Wetherspoon pub, a pity they were so discouraged from opening up over here when they indicated they wanted to [Approbation] because it is real competition from organisations like that that will have the real impact on prices. But why does the Minister for Treasury and Resources continue to criticise or appear to criticise the local breweries and outlets for apparent high prices? He keeps telling us that he wants higher prices to reduce consumption. So by putting the prices up the breweries and pubs are doing their bit to support what the Minister for Treasury and Resources wants to achieve. [Laughter] He really wants to have it both ways and even he, the Minister for Treasury and Resources, with his wonderful memory of this wonderful proposition I brought 13 or 14 years ago, cannot have it both ways. It will not come as a surprise to him or to anybody else, I imagine, that I am going to support Deputy Power. But even if I had been doubtful about supporting Deputy Power, it was something the Minister for Treasury and Resources said which makes me absolutely certain that we should support Deputy Power, because the Minister reminded us that most alcohol nowadays in Jersey is drunk outside of licensed premises, in the home. That is not good because drinking in the home or outside of a licensed premises is uncontrolled - uncontrolled measures, uncontrolled amounts - and what you are doing is building up greater health problems for the future. What we need to do is to encourage people to drink in licensed premises where the drinking is controlled. That is why I will be supporting Deputy Power. Just as an aside, he has made some threats about duty-free and, indeed, Senator Le Marquand raised the issue as well. There is nothing wrong, there is nothing illegal, nothing improper about an individual buying a pack of 400, 600 or 1,000 cigarettes. What they cannot do is bring them in duty-free; they can only bring 200 in duty-free. If they declare them at Customs and pay the duty, very often they are still a lot cheaper than they would be in the country that you are going to, including Jersey, particularly if you buy them at Jersey Airport, take them back and bring them back again, you can make a few bob [Laughter] and by paying the duty. But remember, if you start reducing the impact of the duty-free at Jersey Airport, for example, Jersey Airport do make a fair amount of money out of that duty-free and that helps to keep the landing dues to a reasonable level and think, if it made a serious impact on the car ferries and, indeed, the airlines, what that would do to air fares and to boat fares? I think we need to think very careful before we start trying to dismantle the duty-free apparatus.

LUNCHEON ADJOURNMENT PROPOSED

Senator P.F. Routier:

I propose the adjournment. I know it was a pre-lunch speech but it is a better after dinner speech usually.

The Greffier of the States (in the Chair):

Very well, the Assembly will reconvene at 2.15 p.m. this afternoon.

[12:42]

LUNCHEON ADJOURNMENT

[14:15]

The Deputy Bailiff:

We now resume debate on the second amendment by Deputy Power. Senator Farnham, I think you are next to speak.

1.3.10 Senator L.J. Farnham:

I am pleased that Members rushed back for my speech from lunch. I had a sense of *déjà vu* coming in to another Budget debate this morning and it was helped by the fact coming up the stairs ... we are quorate, I presume?

The Deputy Bailiff:

We are just quorate, I think.

Senator L.J. Farnham:

And seeing at the top of the stairs our former much liked Usher back helping us out, I thought I had gone back in time and then, we had the very same Budget speech in relation to duties from the Minister for Treasury and Resources. Then I had a look at the figures and lo and behold we have raised about the same amount of impôts duty every year for the last 8 years, give or take a couple of million pounds here and there. That led me to look at the figures the Assistant Minister for Treasury and Resources kindly circulated this morning. I was awoken by a very refreshing speech given by the Constable of St. Clement which, as well as being humorous, was rather poignant and he raised some good points and I am ever so pleased that my strategy of letting him go before me just before lunch, but he did raise some very good points. But referring back to the figures, if you look at the total impôts received, the amount received between 1994 and 2004 more than doubled but it has been largely static since then, which is an interesting statistic. I have a tremendous amount of sympathy with the Minister for Treasury and Resources and previous Ministers for Treasury and Resources who have to juggle this year after year because our Island is not the same as many other jurisdictions around the world or specifically in Great Britain. We have a number of key industries and we have to balance our society with the interests of finance, tourism and agriculture. So it is a bit of a “damned if you do and damned if you don’t” situation and I recognise that, so I am reluctant to be too critical. But I have to stand up for the tourism industry. Members will know of my interest; I am a director of a hotel and President of the Hospitality Association and very proud to hold that position, if I may say. The Minister for Treasury and Resources referred to Deputy Power’s idea of a zero-rate as a tonic. But it is not really a tonic. None of the amendments are tonics; they are more of a gasp of oxygen to keep the hospitality sector competitive and vibrant. I say that because I am not sure if many of us realise just how much of a struggle it is, especially for the smaller businesses in our economy. The Minister for Treasury and Resources has brought an amendment and I want to ask him - but of course when the time comes he does - why he brought that amendment. He started off with the well-researched figure that he wanted to put in and then he changed his mind. Happy to give way. I just wanted to say ... well I give way.

Senator P.F.C. Ozouf:

He has asked me the question: “Am I happy to give way?” So the reason was is that it is the amendment which I judged is likely to command the support of the Assembly with the least amount of revenue impairment and just to express some symbolic support of 2p on a pint instead of a

penny, but maintain the principles of revenue raising and the damage that alcohol has in society. That is the reason.

Senator L.J. Farnham:

Thank you, Senator. I do appreciate the difficult job he has but he has come to the table ... it is not a game of poker, the Budget, this is a serious issue. We have to help businesses here in these difficult times and I think it is a sensible policy to, wherever we can, keep the increases in taxes and duties to as much in line with our cost of living as possible. We are still getting a good slice of the cake; impôts duties will still raise well in excess of £50 million and unfortunately the figures given to us this morning did not include the Budget estimates compared to the actual. It would be interesting to do the sums to see how far apart the estimates and the actuals are, from time to time. They are probably reasonably close but there is also some margin of manoeuvre now and again. Also, we must not get confused with duty revenue, impôts revenue, compared to consumption because I do not believe in this day and age that the 2 are correlated that closely together. Year after year we have the well-intentioned health debate and there is no argument against that. But the Constable of St. Helier in his very good opening speech talked about education. Education is what we need here. We need more of it. We have a very good support system for people with problems, whatever they may be, but I do not think we are doing enough to persuade and educate our younger people. It is going to take generations; it is not something we are going to achieve, we have to achieve a cultural shift in the attitude and we need to do more there. Also we have to balance the fact that we are having this debate while we are encouraging duty-free sales. Is that appropriate that we do that? It is difficult because I am anti-smoking, not quite anti-drinking, but I am certainly fortunate enough to be rather ... not blasé but I do not have to rely on any substances, I consider myself to be lucky. But we have to ask is it appropriate that we continue to balance like that because it is rather hypocritical that we are playing the health card with one hand and relying on income from rents for duty-free outlets? Deputy Power also said that he did not know if the Minister for Treasury and Resources mentioned the hospitality sector in his opening address on the Budget and he did not mention the word "tourism" once, which was, I thought, rather disappointing. I want to talk briefly about another statistic that the Minister for Treasury and Resources raised, and that is the night-time economy and he said that night-time assaults were up 2012 over 2011. They were but I think 4, a very small amount, but 2001 was down on 2010 into a trend of decline and I am pleased to say that the figures are down this year. Night-time assaults are well down, a double figure percentage. I think it is approaching 20 per cent. There is no correlation between the amount of duty we charge on alcohol and the behaviour of people in St. Helier, which I am pleased to reiterate, it is getting better, thanks to some responsible licensees and policing, some good work by the Police Licensing Unit, a general shift in community to behave more responsibly. In relation to profit margins, the industry did not ramp up prices in 2010. They did not. There is and there always will be manufacturers' increases in commodities, and that will happen whether we have a reduction in duty, a big increase, they will always be on top of that and other increases. The importers over here, very few of them manufacture their own product. I am pleased when we do manufacture a product, it does tend to be award-winning, but of course if a distributor for Guinness has passed on a manufacturer's price increase, it has to be passed on. They cannot always soak that up. I am going to read in a minute an extract from a letter that I received from a leading member of the Jersey Hospitality Association. On the subject of profiteering, I would like to ask any Member to go and speak to almost any member of the hospitality industry and accuse them of profiteering. I am sure you could go to any of them. I am happy to arrange visits with any businesses, small or large, and I am sure many of them would open their books to you. There is no profiteering in tourism sector. If Members are concerned that the larger groups might be too profitable, then we have the J.C.R.A. and we have guidelines on market share. Many

of them have made acquisitions recently and everything has been in line, so we do have means of addressing that.

Deputy R.G. Le Hérissier of St. Saviour:

I wonder if I can ask a point of clarification? The speaker made a very broad statement: "There is no profiteering in the tourism sector." Could he identify, does he mean all aspects of the tourism sector or does he mean the selling of alcoholic drinks? Is he able to separate out those factors?

Senator L.J. Farnham:

I was responding to comments made over recent weeks by the Minister for Treasury and Resources that he was concerned at the high level of margins being made in the sector. The tourism sector, businesses are there to make money, to make a profit to continue to survive, but there are very few businesses that could consider themselves lucky enough to be making very large profits in these straitened times. Price comparisons with the U.K. are always very difficult and you can be as broad and as long as you want with them, but we have a very small margin. Senator Le Marquand, when he was in a country pub last night enjoying a meal and was taking the opportunity to ... I am not sure if he was doing some homework when he was checking the price of pints for today or just being thrifty. But there is a reasonably small margin, whereas in the U.K., depending on where you are, in which part of the country, I am sure you can buy promotional pints of beer from £1.50 to a half a pint of premium lager on Park Lane for £12 or £14. There is a huge difference in prices wherever you go in the country, and here the Licensing Bench have a policy which controls prices to a certain extent and do not allow promotions. I believe the guidelines are that licensees have to stay within a 10 per cent band of the pricing structure. I know a number of premises have been stopped from reducing prices too much - I am not saying that is a bad thing - while trying to avoid this cut-pricing, because it does not work. Sadly, the off-licence trade in supermarkets - this is not just Jersey, but the U.K. and Europe as well - are using alcohol, they are selling it at below cost and piling it high and pushing it out the door as quickly as they can to drive footfall. They are prepared to sell at a loss to bring people on to their premises. What a shame they cannot do that with fruit and veg. I would be straight around to Marks & Spencers if I could buy 10 apples for £1, preferably the cider-making type. But that is just the way the retail sector is working at the moment and that is because of the tough trading conditions, and they are all fighting for market share.

[14:30]

The Chancellor announced a duty cut on beer in 2012 - I think it was 2 pence - and that did not mean there was a 2 pence reduction in the price of a pint of beer, which is largely irrelevant, and I will come to that in a second, because there were still manufacturers' increases to pass on, but there was a scheme in pubs across the land in the U.K. that every time somebody bought a pint, 2 pence went in a jar and I think many millions of pounds were raised for charity. But the important thing is that message of confidence in the industry created hundreds of millions of pounds of investment in the hospitality sector and tens of thousands of new jobs. That is documented and very well-recorded. I am not saying that would be right for here, but a gesture of confidence by the Government in the hospitality sector is definitely paying dividends in the U.K. I will just read briefly from a letter I received from a hostelry who has premises not only in Jersey but in the U.K. as well. In it he says: "We now pay more than twice the duty on beer than other major tourist destinations, including Spain and France, and more than 6 times the duty in Greece, Italy and Germany. Spirits are in a similar state, where we pay double to 3 times the level of other European countries, and to this end we are also more taxed on beer and spirits than the U.K." In regard to the statements also contained in the Budget about the pricing of alcohol in Jersey before tax is applied, he goes on to say: "I am not an importer of alcohol and I also complain at the prices. We own a hotel and bars in the U.K. and know we pay more for a keg of beer or bottle of spirits in Jersey than

the U.K.” but hear me out now: “excluding tax, so I have and still in some cases import my own drinks direct, but I find that the cost of doing so, mainly shipping a pallet from Portsmouth to Jersey and the cost of the bulk storage in Jersey, make it uneconomic to do so and we end up buying locally again in most cases. If there was, as the Budget states, large profit margins being enjoyed by the importers, I would be in competition with them. Everybody would be bypassing the importers and bringing it in themselves.” I thought that was quite an interesting point to make. I am not being critical of the Minister for Treasury and Resources and the department, because they have this conundrum to deal with year after year, and the price, whether it is 2 pence on a pint or 3 pence, it is not that relevant. The important thing that I ask Members to think about is we have a tourism industry that is very important to us and every time we increase duties over and above inflation or R.P.I., it is just an extra burden. It means that prices have to go up a little bit; it means that margins are eroded slightly as the pips begin to squeak, in some instances, as the duty rises have been quite large for some time, with the odd exception. It just means Jersey becomes a little bit less competitive, a little bit less attractive, and it is time probably for us to act and show the tourism industry that we do support them and we do want them to grow, we do want them to continue to invest in their businesses and we do consider tourism as a valuable and important part of our economy.

1.3.11 The Connétable of St. John:

Like my colleague, the Constable of St. Clement, we have several excellent hostelries in our Parish and I have used them all at different times, very rarely on the same day. I do not agree with the Connétable that we should not be going for a penny or a tuppence on tots of beer or spirits because at the end of the day - and contre to what the previous speaker said - it appears to me year on year the years that we did not put an increase through the tax on beer and wines and spirits, we still had a 10 pence, 15 pence increase on a pint of beer the following February, March or April, and they claimed that they still had to add this on; it was to cover the cost of running the operation. When you think the majority of the people within the tourism industry are on the minimum wage or just above it, but what worries me is when you talk to different landlords in different parts of the trade, they tell me that they have to pay - shall we put the figure at - £170 for a cask of beer if they are a tied manager or operator of that particular establishment or tenant, yet they have to compete with a free-house who will pick up that same cask of beer for approximately £100 less. This is what really concerns me. It means therefore that we have got a monopoly being run in the Island, or a couple of monopolies, and they are working close, these cartels. It is worrying me, because we should be looking at the way these companies are operating and possibly bring something to the House, maybe through the Treasury and Resources Department, where these cartels, monopolies - call them what you will - are not allowed to have more than X tied free-houses to their product. That way, we would have a lot more free-houses and I am sure we could probably get a lot more people from within the tourist industry using our places of refreshment, because that is the only way, through free competition, that you will get people into these places at greatly reduced figures. The Licensing Bench needs some steering from this Chamber, because if we do not do it from in this Chamber, they have their own parameters they have to go by. I would ask the Minister for Treasury and Resources and the Minister for Home Affairs to get a group together and look at this. They have got a number of tools within their toolbag, i.e. the J.C.R.A., *et cetera*, to get a lot of this information and make these things happen. But there are one or 2 other things that need to happen to try and get rid of these monopolies, because unless we do that we are not going to really find out the true cost of any of the products, because the shareholders within these companies, yes, they want a good return. I have not been a shareholder myself in one of these companies until several years ago, and we did have a reasonable return, I must say. But that said, if we are trying to get to the bottom of this, I think the Minister for Treasury and Resources has got it about right in what we are trying to do. We have got certain taxes to raise to make sure this Island keeps running and

therefore it is not the penny or the tuppence that we are going to be putting on a pint of beer that is going to stop the likes of myself or other people going and having their pint. It is when I walk into my local, or one of my locals, and I pay £2.85 for a pint of my local ale, then come down into St. Helier and I can get it for 10 pence, 15 pence a pint cheaper and I thought: "Wow." Of course, I am just thinking of the Southampton, which is now closed, but coming into town, I thought: "Oh, I will have a pint. I will go to the Southampton. I know they sell the right product and therefore I will go in there and I will save myself 10 pence, 15 pence on that particular drink" being a typical Jerseyman, if I can get a good deal. Then I go to Weymouth hotels there a couple of weeks ago - I was catching the ferry back and the night before we spent the night in Weymouth - and I went into a local hostelry and I was buying a pint of the local beer for under £2. I thought: "Wow, 85 pence cheaper than in Jersey." I thought: "There is something wrong when we are getting this kind of differential." Therefore I hope my little bit of contribution there will be of help to the Minister for Treasury and Resources and to the Minister for Home Affairs.

1.3.12 Deputy A.E. Pryke of Trinity:

As you would expect, I am coming with the health warning. I make no apologies to remind Members and I shall be doing it just once in this debate. Together, alcohol and tobacco cause the highest level of preventable harm to health in Jersey and are responsible for the most deaths. This represents a real impact on our population's health and our health services. The key aim of the Health and Social Services Department is to improve the health and wellbeing of all the population. International evidence shows that increasing price is a key measure, proven to reduce tobacco and alcohol consumption and improve our population's health. Some say it is the most effective measure. I therefore fully support the continued upward pressure on prices through impôts duties. Before I move on, let me make one thing clear: these are not anti-smoker or anti-drinker measures. They are anti-tobacco and anti-alcohol and they are measures that target the industries behind these relatively new industrial epidemics. Let us get down to some specifics. Alcohol: one in 4 of Jersey adults who drink alcohol report their consumption as a hazardous level. We thought we had the highest alcohol consumption per capita compared to the U.K. and European neighbours, but a recent European health inequalities report shows that the populations of Belarus, the Czech Republic and Luxembourg drink slightly more, while people in Moldova drink a lot more. We, however, are worse than all the rest. Our Island's high level of consumption is why we have: an annual death rate for conditions caused by alcohol that is twice as high as the average rate in England; a rate of admissions to hospital for alcohol-related conditions that is ranked third-highest behind the north-east and the north-west regions of England; a death rate for chronic liver disease, much of which is caused by alcohol, and the years of life lost due to alcohol-related conditions that ranks among the worst-deprived areas of England. Our mortality rate for liver disease is among the worst compared to the average in England. We rank 118th out of 150. These are not the sort of high performances that we can be proud of. The reality is that we should be, and are, ashamed. We have been tackling alcohol on a number of fronts, but we need to keep the pressure on and do more. Our shocking statistics represent a huge impact on health resources and real human cost. On average every year, our Island loses approximately 307 years of life to alcohol-related premature deaths. Mention was made about obesity levels, that they were increasing. Yes, they are. One in 10 are identified as obese, and a third are overweight.

[14:45]

But just stop: alcohol contributes to obesity. Of adults who drink, 10 per cent of their calories come from drink. Alcohol and tobacco remain the 2 top causes of preventable death. It has been estimated that harmful levels of alcohol cost Jersey between £45 million and £75 million per year. We must combat these terms where we can on all possible fronts at the same time. We know that alcohol at a population level is sensitive to price and here I quote from N.I.C.E. (National Institute

of Clinical Excellence) in their comments: “Making alcohol less affordable is the most effective way of reducing alcohol-related harm. There is extensive international and national evidence within the published literature and from economic analysis to justify reviewing policies on pricing to reduce the affordability of alcohol.” When prices go down, drinking increases. When prices go up, overall drinking goes down. Increasing the price of alcohol is closely related to reduction in alcohol among the young people and those who drink the most heavily. This approach is not about putting pressure on middle Jersey. The majority of us who enjoy sensible drinking within recommended limits I think will feel little impact from the impôts duties proposed. On to tobacco: there is no such thing as a safe cigarette. It is the only product on the market that, when used as intended, kills half of its long-term users. As I say, this is not about anti-smoking measures; it is certainly about anti-tobacco. Smoking remains the biggest preventable cause of premature death in Jersey. Locally every year, an estimated 355 years of life are lost prematurely due to cancers of the respiratory organs, mostly of the lung, which are closely related to tobacco use. Children are most likely to take up smoking during their teenage years. It is estimated that someone who starts smoking at the age of 15 is 3 times more likely to die of smoking-related cancer than somebody who starts in their late 20s. In Jersey, the number of young people who describe themselves as smoking regularly doubles between the ages of 13 and 16 years of age. Economic models show that a 10 per cent increase in price leads to a 2 per cent drop in smoking across the population. Again, there is good evidence to show that making tobacco less affordable is an effective way of reducing smoking, particularly for children and young people. Deputy Power’s amendment is sadly misguided. It will not, if it is adopted, help those struggling with alcohol addiction or dependent drinkers to drink less. All the evidence points to impôts tax increases being one of the most effective measures to help curb drinking in the heaviest drinkers, if not the most effective. We know that compared with moderate drinkers, the overall impact on heavy drinkers is considerable. It is meant to be. For some, it may be the tipping point, the final threshold that brings with it a recognition, an acceptance that it is time to get professional help. Obviously, I will not support this amendment, even though the Deputy as an individual has much to be thanked for in helping to raise the awareness of the perils of alcohol on his personal journey, when things became out of control, and I thank him for that. To summarise, both alcohol and tobacco represent the greatest threats to our community in terms of preventable illness and avoidable death. It is not just the Health and Social Services Department saying that, but there is evidence worldwide. Increasing pricing through impôts taxes is a key anti-tobacco, anti-alcohol measure. This measure complements then with many other measures we use to fight back against those industrial epidemics for which Jersey suffers more than most. Supporting an increase in impôts is not simply going the easy option. I agree with the Constable of St. Helier, it is not just a one-armed approach, but in the Health and Social Services Department we do have a significant investment in the Budget and resources to tackle the problems in many different ways with our tobacco and alcohol strategies. The Budget spends £1.2 million on alcohol and drug services. We have invested in the White Paper. We have started an alcohol prevention programme and we have smoking cessation programmes to help Islanders stop smoking. A further £70,000 has been identified as an investment in stop-smoking services to support those that have Chronic Obstructive Pulmonary Disease. These measures are to protect smokers and those people who drink to hazardous levels. It is a team approach. The only people who have good reason to oppose them are those who stand to make less profit, the manufacturers at the root of it all. Some of you may well be lobbied by them, but as an Assembly, we cannot surely condone any step that would prioritise profit-making over saving lives. This is not the time to hold back on effective measures and the fight against tobacco and alcohol and the lives they ruin. Increasing prices will lead to reductions in the amount that people drink and smoke. It is why, of course, alcohol and tobacco industries are always so set against these measures. I will be supporting the Minister for Treasury and Resources’ proposition, but voting against this amendment, and urge people to do the same, because simply it is the right thing to do.

1.3.13 Deputy M. Tadier:

The Minister for Health and Social Services, who I believe is now in a second term of office as Minister for Health and Social Services, has told us how bad the situation is in Jersey: we have very high rates of alcoholism and of smoking and this leads to morbidity and high death rates, so clearly a successful department that she is running in her second term. In that litany, she has not told us anywhere why. Why is it that Jersey has such a high rate of alcoholism? We know about Sweden. Sweden has very high alcohol prices, it is very difficult to procure alcohol with the strict licensing laws. Does that mean that the Swedes do not drink? Goodness, no, can the Swedes drink. We know that they can. So it is not so clear-cut to say there is a correlation between price and a reduction. Even if there were a correlation, it does not mean that the correlation implies causation. We know that there is a big drinking problem in Jersey, but boy, does it not help stave off the misery for a few hours each evening? We have not been told exactly why and what are the causes. I would like to hear from the Minister for Health and Social Services, where has the analysis been in the last 5 years? We are being asked to have a blind leap of faith here, saying: "We know there is a problem. We do not really know what it is, or if we do, it is beyond our control, but we are sure that this is the best way to do it, only putting prices up." Deputy Power alluded to one of the causes may well being the bedsit culture. Quite frankly, if you are living in substandard accommodation - which the Minister for Health and Social Services is supposed to be regulating, certainly on the lodging house front - and you have got damp and cold, why not just go down the pub instead for a few hours, where it is warm, where you have got a television, you do not have to pay for your licence and your minimum wage might stretch a little bit further and you can enjoy it in the nice surroundings? Is it not disappointing that some very valid comments have been made that the issue is off-licences? The issue is, quite rightly, you can go into an off-licence, buy your 6-pack of Special Brew in the morning, drink a couple before you come to work, if you are so inclined, more likely before you do not go to work, go to the park, sit at home? That is the issue here. We could very easily bring in that kind of regulation. We could say, for example, if the Minister for Health and Social Services is so concerned, you cannot sell alcohol before midday, because we know you cannot sell it after 10.00 p.m. at night, even if you are a 24-hour garage, so we are already restricting those types of hours. But no, that is not featured anywhere. It is simply impôts, indirect taxation and over-reliance on indirect taxation and G.S.T. There are 2 problems with it: it is regressive, because we know that the lower quintiles tend to smoke and drink the most. I am not going to be supporting the smoking aspect of this. I think anything we can do to discourage smoking, and as the Minister for Health and Social Services quite rightly said, there is no such thing as a moderate smoker, one cigarette is bad for you, lots of cigarettes cumulatively will be very bad for you. But it is regretted, because those are the ones who rely on it, the ones who perceive it as an outlet, an escape from the stresses of life will be the ones who tend to put into the coffers. But it is also indiscriminate, insofar as those who do enjoy a moderate drink will be penalised. It has not been explained to us why the spirits are going up by 11 per cent this year. What if whisky is your tippie, you do not like to drink beer, it makes the waistline a bit fat? Have we ever seen a fat whisky drinker? I am not sure that I can recall one, but I have seen lots of beer bellies hanging out in the various town bars and bars around the Island. Maybe I should switch my drink on that basis as well. So it is indiscriminate, absolutely no reason why spirits should be going up by 11 per cent for perhaps those who appreciate the finer things in life, along with a cigar. This really does not make sense. We have not seen the working from the Health and Social Services Department to keep on going on about that this is to change behaviour, especially since she used words that I was using in my speech to encourage Members and encourage the Minister for Treasury and Resources to adopt green initiatives: "Let us reduce G.S.T. on green vehicles." "Oh, we cannot use the tax system to engender change in behaviour." So what are we trying to do with impôts, which is a form of taxation, an indirect taxation? "Oh, because we know when a certain threshold is reached" my words earlier: "a tipping point is reached." Exactly, then that is going to

engender some kind of change in behaviour, but not when it is for things like green initiatives, so again, we are using selective arguments here to say when it is something that ideologically and financially we rely on as a government. Why does the Minister for Treasury and Resources not just come clean and say to us: “The reason I am doing this is primarily for financial reasons”? I think he has alienated 2 sides of this Assembly, those would like to see more spending as a Government, higher spending on Social Services, because we are targeting the wrong people for it, and those on the other side of the Chamber, who are saying: “Minister, you have not met your C.S.R. (Comprehensive Spending Review) yet. You have not reined in your spending like you promised to ages ago in 2005.” Successive Assemblies have not met their spending cuts, so both sides of the Assembly are not particularly supportive of these propositions for different reasons, but quite rightly, because over-reliance has been put on this and no health policy or drink strategy has been forthcoming. I certainly see this as, yes, a nail in the coffin for the hospitality trade and I do not think that this can be supported, the principles coming forward from the Treasury and Resources Department. So I would ask the Members in the Assembly, probably just for practicality, let us support Deputy Power, let us get this amendment through. We do not want to have to go through exactly another one. But just to finalise, we do need to be thinking about the differentiation between off-licences and pubs. We should, if anything, be reducing prices in pubs, making it more affordable for people to drink in that milieu, discouraging people, minimum prices of unit for alcohol, restricting the sales in off-licences. Where are those strategies? They have not been brought forward. It was touched on earlier: “You can never top the speech by the Constable of St. Clement” but why is it that our Minister for Treasury and Resources bangs on constantly about the high prices of alcohol when the duties are stripped out?

[15:00]

Essentially it is like pushing on an open door, because we know we do not have the economies in scale. We also know that one of the reasons must be because Jersey is a more expensive place to live, therefore, the profit drive must be more. You would need more to make more money in order to survive in this Island and also we do not encourage things like competition to come in from abroad where we know that will necessarily drive down prices. The Minister should be pleased, again, to quote from the Constable of St. Clement, that prices are going up for alcohol, we cannot have it both ways. We have got a very confused message coming out from both the Health and Social Services Department and the Treasury and Resources Department here and I think Members on both sides of the House are saying: “Enough is enough”.

1.3.14 Connétable J. Gallichan of St. Mary:

I have listened to the arguments on all sides and, of course, I understand the health issues raised by the Minister for Health and Social Services and I understand the social order implications. I do not dispute these concerns. But I will say that this year-on-year increase in impôts is a very blunt knife with which to exercise these particular problems. It is blunt because in the case, for example, of alcohol, looking at alcohol problems, it takes no account of the different types of licensed premises and the different roles they play in our society. I felt that for a long time. Those are the words I spoke in 2009 when we were discussing Deputy Power’s amendment at that time and I went on to support that amendment. I still believe that this is a very blunt tool with the impôts increase. We need to drill down and see why there are these problems. We need to look at what other factors there are involved. I was very interested in the speech of the Constable of St. John and agreed with much of what he said because this time I am not going to support Deputy Power in his attempts. Last time, when I did support him, I looked at what happened and I saw that the people I have wanted to help did not receive the help that I had wanted to give them. Once bitten, twice shy. But I say this also, I am dismayed that all these years further on, my concerns about the licensing laws, *et cetera*, have not been addressed. I know there are reasons why that has happened but that does

not make that any more acceptable. This is it, this is the last time. I do not want to be having this debate if I am in the Assembly in 12 months' time, looking at reasons why something has not happened and looking at perhaps how we can do this in future, we need to address this and we need to address that. This is my line in the sand because what came home to me was that I very much believe in education of the risks. I do not believe in the nanny state, I believe we put the risks on the table and once people are adults we trust them to make the right decisions. But for me and looking at what I have experienced in other countries and I have been to Moldova, it may have a very great excess use of alcohol but they tackle that in different ways. As a parent I wanted the ability to teach my children first-hand that you can have a jolly good night out with one drink or 2 drinks or, surprise, surprise, no drinks at all. For me, that involves having a meal in a pub or whatever and then letting them, when they reach a certain age, obviously not as young children but late teenagers, to have that glass of beer or that glass of cider with me as a parent. Any chance I had, the potential opportunity for me as a parent to educate my children in that way, has gone because in the time I have been in this Assembly they have grown up and made their own decisions and, luckily, I think I guided them in other ways. But I want action now on this licensing. The Minister for Treasury and Resources is nodding his head, I know he wants that too but we cannot make any more excuses, this is the very last time. **[Approbation]**

1.3.15 Connétable S.W. Pallett of St. Brelade:

Like Deputy Power I think we have got one or 2 things in common, that we play a large part in running a charity that deals with people that have got issues with drinking. I have got to say Deputy Power does an awful lot of work to help in that regard. Thankfully, in this Island we have got an awful lot of services and charities available to assist those people and I think they do a fantastic job. But this is where I part company with him, I am afraid. By not wanting to increase the impôts duties this is not going to stop them drinking. He is quite right in saying that they will find any way to buy alcohol but they are only a very small minority of people in Jersey. I know a lot of people have alcohol problems but, in terms of real serious problem-drinkers it is a small minority. There are an awful lot of other people that I think we need to be very careful about and I think these impôts duties will help. Deputy Power was clear that this will harm middle-income Jersey. I think it will be harder on middle-income Jersey but I have seen middle-income Jersey in action, both as a Centenier and in more recent times when I have been out and about in St. Helier and it has not been a pretty sight at times. Also, I am going to mention a club that I was in, I am not going to mention the name of the club and it is a club that has been belittled in the media recently because the owner wanted to stop certain people going to his club because of unreasonable behaviour. I was in that particular club some 3 or 4 months ago and with my eldest son, who is disabled, at 7.00 p.m. in the evening, and got covered in urine in the toilet, which was not a very pretty thing to have happened. That was from, what I would consider, middle Jersey, going out on a night out enjoying themselves, all inebriated beyond belief. I received a document yesterday from one of my Centeniers and I brought it with me. It highlights some of the issues we have had in just one premise in St. Aubin. I am not going to mention the premise and I am not going to mention names. But just a few things here that I think we should remember about middle-income Jersey and middle Jersey when they go out for a night out. There are 6 incidents; a brawl outside a bar, St. Brelade's Honorary Police, 4 S.O.J.P. (States of Jersey Police) units and an ambulance. The manager who should have been on duty was not on duty, he was drunk. Two people evicted whom the Centenier considered should not have been in there because of the state of their drunkenness. Another incident where St. Brelade's police were called, a lady intoxicated behind the Parish Hall, drunk and incapable, contacted her father who agreed to come and get her. This is one premise remember or linked to one premise. Man lying in the road, female trying to assist the man, both were intoxicated, tripped, fell, banged his head. He had a large bump on his head that was bleeding, both had been drinking in a hostelry and they returned to that same hostelry to collect

their coats before going for the bus. A States unit attended the same premise and found persons highly intoxicated on the premise, vomit in the road, people arguing on the steps. Another one, I could go on and on and on about people that ... these are not problem-drinkers, these are people that go out for a night out to enjoy themselves and get into a quite horrendous state. To be honest, anything that will help in trying to reduce this sort of behaviour that our officers, and I am looking at the Constables here, have to deal with I am all for. If pricing does that and increased pricing over a period of time does that then I am fully in support of it. We have to send the right message out. We have a responsibility to lead and I think especially show young people that these types of negative habits are unacceptable and should not be encouraged. Senator Farnham previously mentioned that the number of night-time assaults are down. He may be right. Reporting of night-time assaults are down but I can assure him the problems still exist. I get reports on a weekly basis from my St. Brelade officers about the sort of behaviour that they have to deal with on a regular basis. He also mentioned the responsible attitude of licensees, helping to reduce incidents. I do not doubt that is true. Also, the Constable of St. Clement brought up concerns in regard to drinking away from the controlled environment of pubs and moving into uncontrolled areas of people's homes. Again, the question I would ask is whether licensees are controlling the responsible way of drinking, it is happening within their pubs and establishments. The majority are, I am not going to fault the majority. The majority are but there are some who fail to adhere to the licensing law and the Constable of St. Mary has already brought it up today. I would urge the Minister for Home Affairs to ensure that checks are tightened up with the States of Jersey Police and the Licencing Unit to identify the problem managers and licensees and the ones that sell alcohol to those that are heavily inebriated and the people that cause the majority of problems on the street. Licensees have to show responsibility and abide by the law. In regards to tobacco, I am in total support of the duty rises. I applaud the Minister for Home Affairs' statement, they will be clamping down on the illegal importation of cigarettes into the Island. As he knows, I have mentioned to him on several occasions, my concerns over Customs and the number of checks and the recording of Customs' checks and I hope that that will improve in the future. In terms of young people, I am Chair of the St. Brelade Youth Club and, again, I can keep on saying that I want this Chamber to send out the right message. In terms of both alcohol and tobacco, yes, education is vital. I see great work done in our youth club and in Les Quennevais School and all the schools in terms of educating young people into the evils of tobacco and alcohol and it is something we need to hit home. But pricing, I think, is another major tool to stop people or attempt to break down people's drinking habits. I think to say pricing will not reduce alcohol consumption is complete and utter nonsense. Increases over time will start to show dividends, as the Minister for Health and Social Services has already said today, which is why I cannot support this amendment. The only part of this amendment I have some sympathy for would be limiting or stopping any increase in fuel duty. This will undoubtedly have a negative effect on business generally, as well as the average man and woman in the street. Getting back to my final point, alcohol - I have seen it both working in a charity and as a Centenier - in this Island is a problem. Unless you have dealt with it day-to-day, week-by-week in the street a lot of people will not understand the real issues. I urge Members to send out the right message and reject this amendment.

1.3.16 Deputy E.J. Noel:

To be clear to Deputy Tadier and to other Members, the Treasury and Resources Department's primary aim with any budget is to raise revenue to deliver a balanced budget. However, we do try, and indeed do, work with other department colleagues to assist them in their own priorities and that is what we are doing here with impôts. Our primary aim is to raise revenue. Our secondary aim is to assist in reducing consumption of certain types of alcohol and tobacco. We are not providing the silver bullet, as the Minister for Treasury and Resources said, but duties are an important part of the solution. I refer Members to the information sheet I distributed earlier. Our revenues from duties

are not diminishing, we are maintaining them. We have not yet reached that ticking-point that Senator Ferguson quite often refers to. Senator Breckon asked: "What was the impact on the cost of living figures of the impôts duties?" We have already advised that the Treasury and Resources Department's original proposal was to increase the cost of living by 0.25 per cent. Our revised proposal has yet to be debated and will take that down to 0.24 per cent. Senator Ferguson made reference to an unexplained difference between the revenue figures in the Budget and the M.T.F.P. She is correct. This Budget has projected income figures, some £5.5 million less than those set out in the M.T.F.P. for 2014. The difference is very easily explained. That £5.5 million is the net position of our proposed marginal relief rate cut by 1 per cent and the higher education grant and is a combination of our balanced package. Just before lunch the Constable of St. Clement unfortunately implied that duty rates affect behaviour between on-licence and off-licence drinking and I do not believe that he meant to do so. Senator Farnham says that our duty is high and he is right. Our duty is high, it is higher here than in other places. But you cannot just look at the duty rates, you have to look at the combination of the V.A.T. and G.S.T. rates to give you the correct comparison and that is just what the Minister for Treasury and Resources has done.

[15:15]

In Jersey, yes, we do have a 10 per cent band, although that band was brought in to be well-meaning to stop adverse promotional activities in some of our on-licensed premises. It has, inadvertently, created a barrier to reasonable responsible competition. The Constable of St. John is correct in his research. The difference between landlords that are tied and those that are untied is quite substantial in the cost of their product that they sell. But duty rates are not the problem. Duty rates are in fact agnostic. They do not affect where people choose to consume their alcohol. We all must admit that additional work needs to be done in this area and I am sure that the trial Ministerial working group will be looking at ways to encourage more responsible drinking on Island. Senator Power's idea of a duty-free fuel station based at the harbour is simply flawed. It is in fact illegal to use duty-free fuel on the roads of both the U.K. and France, as it is on the Island. We cannot, therefore, have a duty-free fuel station at the harbour. However, what we could have is a fuel supermarket that sells at competitive prices that will bring down the cost to all Islanders at La Collette and this is something that Property Holdings is considering when we are looking at the new lease to be granted to the fuel farm operator. This will increase the competition in the local market and, therefore, reduce the cost to consumers. In summary, a lack of duty increases, as proposed by Deputy Power, although perhaps popular, will achieve nothing other than give away a much needed revenue, revenue that is needed to deliver a balanced package of measures that we are proposing, a package that is targeted and affordable, not just for now but for the foreseeable future. May I suggest to Members that they vote against Deputy Power's amendment?

Deputy M. Tadier:

Sir, may I ask a clarification point from the last speaker, which I think is salient? Could he say who would own this fuel farm, the fuel supermarket at La Collette? Would it be States-owned or ...

Deputy E.J. Noel:

Ownership is not something that would have necessarily an effect. If we managed to get this through the planning process we would probably put it out to tender.

1.3.17 Deputy G.P. Southern:

What I want to do here briefly is to cut to the quick. Here we are, it has been at least 5 years, probably nearer 10, when impôts increases have ridden on the back of the health argument, so we have to keep putting impôts up. But it is 5 years, 10 years in which, as the Constable of St. Brelade has graphically illustrated, behaviours and binge drinking and smoking has not markedly reduced. The theory that putting up prices by affecting impôts is the way to fix things, I do not believe is

correct. What it is is the way to salve your conscience and put away those issues for another year until the next Budget comes along and you can say: "I will back raised rises in impôts to change behaviours". We have no evidence at all that those behaviours are changed, that is the reality. But I remind Members that this is a Budget debate. As I was listening outside and in the Chamber I lost track of what we were debating almost. A Budget debate, it is about the money. It is about the fiscal issues. It is about how you raise funding to resource services, that is what it is about. In the words of the Assistant Minister for Treasury and Resources, it is about how you balance that. The reality is we live, and have done for many years now, in a low-tax, low-spend environment. That economy, as I have been reminding Members time and time again over the years, is broken. We can no longer have a low-tax, low-spend economy. If you just look at the rising numbers, demographic change of the elderly, you will see at least one reason why we cannot have that economy. We have to strike a balance between direct taxation and indirect taxation. The differences are that direct taxation, income tax, can be made progressive. Ours is vaguely progressive, it could be more progressive. But direct taxes, in whatever form, whether it is G.S.T. or V.A.T. or impôts, are regressive. They impact most on the poorest in society proportionately than they do on the wealthiest in society. Regressive taxes hit the poor. Impôts are regressive taxes. You can only drink so much, you can only smoke so much. In fact, you can only eat so much. You can only spend so much on heating your house but we did not allow tax incentives to ameliorate the conditions of the poor on food and heating oil just yesterday. How can we here be saying: "Here is another tax and, by the way, we will not give you relief from this, we will make it worse because we are going to raise impôts, which is direct taxation, so your cost of whisky and your beer and your fags and your petrol are going to cost more, so we are going to make your life worse". That is the reality of what we are saying today. This concept, this pretence that raising impôts will change behaviours and, therefore, is justified is incorrect. The fact is the balance between direct taxation, indirect taxation is, I believe, wrong and to illustrate that, yet again, I will just remind people that just slightly over a decade ago companies paid £400 million in taxation on this Island. Now they pay around £17 million and it is us, the individual taxpayers, who pay the £400 million plus. The balance is wrong. The economy cannot be made to work staggering on like this and we do not make it any better by over-reliance on raising indirect taxation like impôts. For that reason alone and the regressive nature of what we are proposing, I would be supporting this particular amendment.

1.3.18 Deputy M.R. Higgins:

I am going to speak only in this particular debate on this amendment, although what I am saying refers to all other proposals. Firstly, I am going to state that I am not going to be supporting Deputy Power on this amendment and for 2 reasons. In 2009/2010 I did support him with a very similar proposition that he put forward because I wanted to help ordinary people who drank, drove and smoked, although not necessarily in that order, whereas we all know the drinks industry at that time did not match the States generosity and used the opportunity to raise prices. I am afraid once bitten, as the Constable of St. Mary said, twice shy. The point is I have been bitten once, I am not going to be bitten again. I am not going to repeat the generosity in that particular case, especially if the industry are going to pass on costs plus increases, as I suspect they would. Secondly, and it is a pity he is not in the Chamber because I am going to agree with Senator Ozouf, which is most unusual for me, when he says: "The price of alcohol in Jersey is too high, taking into account the level of duty and G.S.T. in the Island compared to the U.K." I also agree with him that it needs to be looked at. I am pleased, in fact I am absolutely delighted, that the J.C.R.A. is going to do so. Where I do disagree with Senator Ozouf though is that I question, why now? He has been the Minister for Treasury and Resources for 5 years. This problem has been here for that 5-year period and it is just convenient that it comes now. I am also going to take issue with the Minister for Home Affairs. Again, he raised issues about alcohol-related crime. He has been in office such a

long time, why has he not done anything about it? We have problems in First Tower. We have a takeaway in First Tower that is breaching their licensing laws and I and other members of the community in First Tower have been complaining to the police about it. Yet, the police do not come forward and deal with the matter, not important to them. If we are not enforcing the laws we have got, I am not surprised we have got problems. That is dealing with Deputy Power's amendment. Secondly, I am going to state that I will not be supporting Senator Ozouf's proposals either and in fact I shall be supporting the Constable of St. Helier. My reasons for doing so are linked in part to an inflationary argument. I hope Members will bear with me for a moment. I am going to give you a brief economics lesson. Inflation is defined as a sustained and appreciable rise in the general price level and although there are many causes of inflation, they can be basically categorised into 2 types, demand-pull and cost-push. Demand-pull is where excess demand oversupply causes prices to rise. If we think of the Jersey housing market, there is your example. We saw the excesses a number of years ago where prices were going up by something like 20 per cent or 30 per cent in such a short period of time, demand outstripping supply and prices going up. With cost-push inflation it is the cost of land, labour and capital pushing up prices and this includes higher import costs, something that we have very little control of because we have to get our raw materials and supplies from outside the Island. I laugh when I hear Ministers talking about how well they are doing in controlling inflation. The reason why is when the figures are low they are claiming credit for it, when the figures are high they will keep very quiet. But the truth of the matter is they have few, if any, economic instruments to control inflation. The normal methods of dealing with inflation are monetary policy. Monetary policy is conducted by the Bank of England. They are the people who are responsible for the cost and availability of credit. They raise and lower interest rates to suit economic conditions in the United Kingdom, not in Jersey. We take the interest rates that are determined by them, in exactly the same way as the quantity of easing methods taken by the Bank of England have got nothing to do with Jersey. We are benefiting by the measures they have taken there or we could be suffering from measures they take there. The second technique is fiscal policy that relates to taxes and spending. In Jersey we have got a long-established policy of keeping income tax at 20 per cent. If you were going to try and control demand-pull inflation you would raise taxes, you would raise income tax. We do not do that. In the same way you would not raise V.A.T. because that is inflation because it will add to the price of all the goods. If we look at the other method that is used, which are direct controls. Direct controls are things like price controls or income policies. Price controls go against the free market instincts of the majority of people in this House. As far as incomes policies are concerned, the only time we use those are in pay negotiations with the States workers to try and force them into making concessions. But the States does affect inflation through its policies and this policy is one of them. By raising impôts duties, in the same way as we raise car-park charges and we raise States rents, we are attributing to inflation in this Island directly. The measures that are being put forward, the increases put forward in the original Minister for Treasury and Resources' proposal, of 11 per cent on spirits, 5 per cent on table wine, 5 per cent on weaker beer and cider, 11 per cent on strong beer and cider, 11 per cent on tobacco, are well in excess of the inflation target that was set by this House in 2008 on the recommendations of the Treasury and Resources Department, which was 2.5 per cent. All these increases that they went through on the original form are inflationary. We heard the Assistant Minister for Treasury and Resources tell us: "It is only going to add 0.25 per cent." But bear in mind rents are going up in line with the policy of bringing up to 90 per cent of private sector rents, car-park charges and other charges, as well as utility charges, are going up all the time and people are being squeezed.

[15:30]

We are adding to the squeeze, we are adding to the misery of ordinary members of our society. We have heard lots of arguments that the price increases are to deal with health issues. I do not buy

into that. Yes, I know that people do get lung cancer, and I do not smoke myself, my son does, I wish he did not. I hate what it is doing to him but at the same time I believe people should have the right to choose for themselves. The same as drinkers. Why should we penalise every citizen in this Island who drinks for the sake of a small number of people who cannot control their drink on a Saturday night or who drink in the parks or whatever? The point is, why should we pick on everyone because of the excesses of a few? Basically the Assistant Minister for Treasury and Resources set it out. These are revenue-based policies. As he said, the Treasury and Resources Department are here to raise money. I might add, by the way, what they are doing is no different to any other government. Alcohol, tobacco, fuel, are the standard things that they go for. Why, because they have what is called price inelasticity of demand. You can put the price up quite considerably and the demand will only fall off a small bit. In the same way, I am surprised that the Minister for Treasury and Resources has not brought in more passenger duty charges, because that is their other favourite one at the moment in the U.K. But I do not really want to give him the idea because I want to encourage people to come here. I see even the Minister for Economic Development agrees with me. We do not want to damage tourism and also I do not want to add to the cost of people leaving the Island. But these are the same things they go for every time. I think it is time that we started looking at our tax system afresh and, as Deputy Southern has mentioned, we have it totally skewed the wrong way. Businesses are not paying their share of taxes and, in fact, we are being told these days companies should not have to pay taxes, after all they employ your citizens and they pay taxes. So it comes down to the individual experiencing the burden of our tax system. We have it wrong. In the same way I also happen to believe that our tax system is wrong because it is either regressive, as Deputy Southern has said, in terms of impôts duty and also G.S.T. Our tax system - despite everything they tell us - is not a progressive tax system, it is largely proportional.

The Deputy Bailiff:

Deputy, I do not want to interrupt any Member but this really is straying an awfully long way away.

Deputy M.R. Higgins:

I have almost come to the end anyway. What I am trying to say is I happen to believe, forget the health argument, this is revenue and it is inflationary and I do not support it. But I will support one allowing for inflation. So, as I say, unfortunately I will not be helping Deputy Power this time but if the industry had responded I would have done, and I will go with Constable Crowcroft on this occasion.

1.3.19 Senator I.J. Gorst:

Hopefully we are coming towards the end of this particular amendment and I am not sure whether some Members - as sometimes can happen during the course of a long debate - thoughts are straying sometimes away from the subject of the debate. Perhaps even to warmer climes our thoughts might stray. The reason I say that is not that my thoughts strayed during the course of this debate, but I felt in the opening remarks of the mover of the amendment that I had been transported to the American Deep South. That is because I found it quite remarkable that we had such a robust and what I can only describe as positive defence of the tobacco industry. I know that in this Assembly we have some who are sceptical about global-warming and the issues there, but it seemed to me that some of the arguments made by the mover were taken straight from the letter that an organisation called C.I.T.I.M.A. (Channel Islands Tobacco Importers and Manufacturers Association) produced themselves. I think we need to remind ourselves that big tobacco is big money and we should not be taken in by their arguments. They are one of the most aggressive lobbying organisations - that is big tobacco, I am not commenting on the local branch - and successful lobbying organisations probably that the Western world has ever known. Perhaps if I

could just comment on the local organisation. As I have said, they represent tobacco importers and manufacturers and yet at the bottom of their letter they tried to say to us that they were in existence to give a balanced and informed debate. I hesitate to use the word “spin” but that is the spin that lobbying by big tobacco has put on its numbers and on its arguments from the very start. Therefore, I hope that Members just understand what it is that organisations coming out with the sorts of arguments that we heard are trying to achieve. I would remind Members that last time - I think it was last year - when this Assembly did decide to increase impôts on tobacco there was what can only be described as profiteering by those importers of tobacco. The numbers look something like this: 78 million cigarettes are imported per year, that is around 39 million packs of 20, that equates to 325,000 packs of 20 sold per month. Last year’s duty increase was 50 pence per 20 pack, that means the time between the packs that were already here and the actual increase sale price, profit was made from retailers from that duty increase - because they were already here, they were not imported - of £162,000. So there is profiteering certainly in that sector and we must be in no doubt that is what has happened. Tobacco is bad for us. Tobacco is bad for our health and we must remember that when making our decision this afternoon about whether we agree with this particular amendment which says that we should not increase impôts at all. Perhaps if I could then move on to alcohol. It was some hours ago, it now seems, that the Minister for Treasury and Resources reminded us to turn to page 43 in our Budget books. I hope that Members have still got their Budget books open on page 43 because once again we have heard a number of speakers try to distinguish and say that they have tried to separate out the U.K.’s duty rate from the U.K.’s rate. That is not a sensible way of dealing with it because in Jersey we would put together duty and G.S.T. and recognise that is what Government is taking out of those products, so that is exactly what happens elsewhere as well. When we do that we see that our duty rates are below that of the U.K. and yet still we see increased prices in Jersey when we look at the duty inclusive price. So it is disingenuous for Members to suggest anything other than that and try and separate out the duty and the tax added in Jersey, along the same lines as it is in the United Kingdom. Once again, Senator Farnham tried to say that when this Assembly was once bitten - and I hope is going to be twice shy today - in 2010 on a proposition of the same mover of this amendment, prices did rise. Prices did rise in 2010 and I have just looked again at the report on the BBC that confirmed that and the interview with a local, I will use the word “producer”, or “brewer” might be better. I want to talk for a short period about the Connétable of St. Mary. She said once bitten twice shy, but this was the last time that she was going to accept such a proposition from the Minister for Treasury and Resources. Also the Connétable of St. John. I think the Connétable of St. Mary was absolutely right to lay that challenge before this Assembly to the Council of Ministers. A number of meetings ago I was asked - I think it was by Deputy Vallois but I might have not remembered that correctly - about the alcohol strategy and why it had taken so long with Ministers and departments working together. That strategy combines what the alcohol strategy will be and it also brings together the Licensing White Paper for changes to the Licensing Law. That was approved at the last sitting of the Council of Ministers. We have agreement now to take that forward and there will be consultation on that in the New Year. The Connétable is absolutely right that these issues have to be addressed. The licensing law is long overdue for change, but we should do that with an updated alcohol strategy framework and that is what we are proposing to do, so that Members of this Assembly will be able to understand what the package is at the same time as members of that community. Other Members have said that the only answer to this problem is education. In that strategy there is a healthy focus on education and that is absolutely as it should be. Finally, I simply do want to remind Members that if we accept Deputy Power’s proposition today it will not ensure that prices do not rise because history shows us that they will, but what it will do is mean that the Treasury foregoes £3 million in revenue and, therefore, the Budget will not be balanced. I hope that Members will see that is not a sensible position to place ourselves in. Thank you.

1.3.20 Senator A.J.H. Maclean:

What a colourful debate already. We have had views from all ends of the spectrum, from almost touching on prohibition to those that might wish to see markets rip. I think there has also been plenty of opinions that have been dressed up as fact as well. It is always good to have a debate like this, which we seem to have on an annual basis, but I would like to start if I may at the beginning. I just briefly touch on the Connétable of St. Helier. He was passionate when he spoke, I enjoyed the content of his speech, in particular the support that he clearly gave to hospitality, to the tourism sector. I applaud him for his words and his sentiment. I know that Members of this Assembly are also great supporters of that industry. I also listened with interest to my friend and colleague, the Minister for Treasury and Resources, who was - I think Members will agree - quite excited earlier on today about this subject. He was bouncing up and down, clearly trying to preserve his revenues, and getting excited about matters around margins and what have you. All of course very worthy items to be concerned about, and I have to say quite an amount of the revenues that will be generated through the Budget, the various measures contained, do find their way into the Economic Development Department to support the economy. So part of these revenues, indeed one could argue, go in that direction as well to help the economy and small businesses. I enjoyed, as I am sure many Members did, the contribution from the Connétable of St. Clement. He reminded me about when he was one of my Assistant Ministers in a previous Assembly. His sound grasp of economics, especially relating to alcohol and tobacco, is something that I miss. But in all seriousness, the Connétable mentioned Wetherspoon's and that was something that had my ears pricking up because he suggested that they had been discouraged from coming to Jersey. For the avoidance of any doubt, the Economic Development Department was certainly not discouraging Wetherspoon's from coming to Jersey, however, policies that are in place are a discouragement because effectively we do not have a competitive and open market to attract an organisation of that note that would, without doubt, create pressure on prices and address some of the issues. I will come back to that in a moment. So here we are at this annual event, long as it has been. I am sure Members will join with me in wishing that it was not necessary. I strongly believe that it is not in the future, but we need to do something about it. When I say "we" I am referring to Ministers, to the Council of Ministers, with the support of Members of the Assembly. It is my view and it is certainly my objective to ensure that this is the last such debate. In future the subject of impôts specifically on alcohol should be resolved as the result of a clear Government alcohol strategy. **[Approbation]** I was pleased to hear the comments from the Chief Minister, which obviously I was familiar with, that Ministers have been working very closely to try and deliver on both an alcohol strategy and also a new Licensing Law that will help to polarise the position, because without a clear policy it is very difficult to move forward.

[15:45]

It is a strategy that would come to this Assembly and be approved and, more importantly, it would give a clear guidance to a future Minister for Treasury and Resources on the way in which impôts should be dealt with. I think on an evidence-based approach, working with Government and industry together, that is a constructive way to go. In fact it is the only way to go, in my view. Earlier I congratulated the Constable of St. Helier and his support for tourism. I should emphasise that clearly with my role as Minister for Economic Development I am naturally a big supporter of the tourism sector, but so is the Council of Ministers. It should not be viewed that the proposals within these impôts are there as a situation that would hamper in any way, it is not designed to hamper the tourism sector or hospitality. That sector is clearly a vital contributor to our economy. It is also a part of a global industry, tourism, that has to be competitive to be able to survive, and indeed grow. I should add that global tourism - as many Members I am sure are aware - has been identified as a growth sector over the next 10 years. We can, and indeed we must, be part of that growth opportunity. To do so we need to ensure that we have a competitive package to offer. That is competitive prices in all areas, hotels, retail, attractions, and of course it includes the price of

consumables like alcohol, like food, and so on. Members will appreciate it is not business and leisure visitors choosing a holiday destination or a business destination based on cheap alcohol, tobacco, or fuel. Those days are long gone. They did exist of course but they are not certainly a driver now. But what we must be mindful of is that the overall experience of somebody coming to the Island will be driven by their experience. If they think that the food and the alcohol has been too expensive it certainly will not give them a good impression and they will not be minded to recommend us and they certainly will not be minded for a repeat visit. We have to be competitive compared to other places. I would like to just briefly touch on - changing direction slightly - comments made by Deputy Power about duty-free. Clearly the market has changed dramatically. An inbound duty-free shop is something we have debated long and hard at the airport. Clearly it is at odds with the health objectives of reducing consumption, but there needs to be a pragmatic approach to this. What we need to realise is the fact that people buying in the U.K., whether from airports they are departing from, or indeed from shops, all we are simply doing is displacing that purchase into those areas, that is business that local shops at the airport, or whoever it happens to be, could have and we need to be realistic. As we drive up duty prices, as we see with tobacco, we are displacing those sales into the U.K. and supporting the U.K. economy. I am sure that is a jolly nice thing to do. Frankly, I would like to support our own economy and deal with the problems of tobacco in a different way, and education certainly is part of that. We are not seeing necessarily less people smoking, what we are seeing is that they are buying - because the duty rises - outside of Jersey and I do not think that is in anybody's interests at all. The issue of impôts and, in particular, as I have said, the alcohol strategy and Licensing Law and pricing, all of which is clearly a complex issue. But as the Chief Minister has said, and I have already commented on, work is being progressed between Ministers and I am very hopeful that the existing 2003 alcohol strategy can be updated and the other Licensing Law brought to this Assembly early next year. The overarching principle, by the way, of the 2003 strategy is to reduce the harm of alcohol, excessive alcohol consumption, and I am sure again that is everything that would be supported by Members. Part of the strategy is about increasing impôts duty. What that strategy is silent on, is the level of the increase and that is the critical point and it has allowed successive Ministers for Treasury and Resources to use the mechanism for revenue raising in the intervening period. That is why the strategy is absolutely clear, it needs to identify what level is acceptable in terms of increases and whether indeed it should be above inflation. Certainly it should not be excessively above, or there are other economic issues. There is a clear lack of clarity there, which in due course will be addressed. I have also consulted, Members will not be surprised to know, with industry on this matter and I have also agreed with industry that, aside from the development of the alcohol strategy and the Licensing Law, we will set up a joint government and industry group to ensure a co-ordinated approach to identifying the true extent of the problem in terms of alcohol. By working together we can deliver, I believe, a more pragmatic solution in order to help to protect young and vulnerable people from excessive alcohol while not penalising the majority of sensible social drinkers, especially those that choose to drink in a regulated environment such as the on-licence trade. On the subject of potential problems of alcohol consumption, it is oft' said, and we heard from the Minister for Health and Social Services earlier on this afternoon, that Jersey has one of the highest levels of consumption, but I think we need to put that into context and this is something I hear often but there is an important point I believe to make here that we are comparing like-for-like, which is not always the case. We compare for example with the U.K. as a whole as opposed to looking at something like an affluent area in the U.K., a seaside town whose major economy is tourism, clearly where you have tourists in a particular area you have a higher level of consumption, as indeed Jersey has. It drives up the consumption. So I do not think that we are looking in the statistics on a like-for-like basis and we need to be realistic about that. I am not saying there is not a problem, but we need to be absolutely clear to what extent it is and what the driving factors are behind it. We must also be clear about the purposes of impôts duty. I think the

Assistant Minister for Treasury and Resources was, and I thank him for that, quite clear, there are obviously a number of different ways, and certainly this debate has been quite confusing. There is revenue-raising, and the Assistant Minister was clear that was the main driver and I thank him for that. There are health policies; there is law and order, we have had the Minister for Home Affairs, and where I would like to consider I sit is a more fair and consistent balanced position in the middle also considering the economic impact of decisions. We cannot be clear on our co-ordinated approach until we have the clear strategy that I have referred to, but I am sure that we are moving in that direction. Much is made about the price of a pint versus the U.K. or elsewhere and from an economic point of view we need a competitive offering as I have already pointed out. Our duty is lower on beer and wine and we therefore should quite naturally draw the conclusion that the retail price of those items should also be much lower. It is a point the Minister for Treasury and Resources often quotes when he describes excessive margins by businesses, but if these margins are as excessive as claimed it is not strictly or solely the fault of industry, in my opinion, and I think that point needs to be made absolutely clear. There was the much-debated extra costs of doing business in Jersey, the land, labour, freight, matters which the J.C.R.A. rightly turned their attention to, and others have an influence over, such as the Consumer Council and the media. But there are other causes for the higher cost of alcohol in Jersey and it is this issue that drives to the heart of the point I made earlier about Wetherspoon's deciding not to set up in the Island. I think it was a contributory factor, and it drives back to a period when decisions were taken on policy about the price differentials between the tied-trade and free-houses within the Island. The tied-trade is much more expensive in the U.K. as well. In the U.K. there is a balance because free-houses provide a competitive market and therefore keep a price differential that is acceptable to consumers. In Jersey, a decision was taken or policy advice was given by H.M. Solicitor General dating back to the 1980s to inform the Licensing Assembly and that was driving and ensuring that prices for all establishments were within 10 per cent of each other. So that meant that the competitive cheapest element of the free market, the free-houses, were tied to the most expensive, pushing up prices and maintaining an artificially high price level. It also had the effect, and this was clearly the rationale behind it, of ensuring that special offers like 2-for-one, happy hours and such like, were no longer allowed and there were very laudable reasons for that, the unintended consequences are that we have seen prices rise in that way and I do not think that issue is fair, it is inequitable and it is certainly something that needs to be addressed in the rounder scheme of considering an alcohol strategy altogether. So what do we do? When the Budget proposals were discussed at the Council of Ministers I presented what I thought was a balanced view that I could accept increases provided they were not excessive, provided we created a clear policy to support the economy, specifically the vitally important hospitality sector, while ensuring of course that we protected the vulnerable and the young from alcohol abuse. Working with industry we can achieve a balanced outcome, I am absolutely convinced that is a key element to the future. I have had a number of healthy and robust debates with the Minister for Treasury and Resources on this subject and the result, I am not sure that "pleased" is the right way of putting it, but certainly I am encouraged that as a result of it we have seen the amendment that is before Members now, if we indeed get to it, which I hope we do, or a more modest increase. Some Members, obviously Deputy Power, the Connétable of St. Helier, are seeking other levels, and this is the problem with this debate, we are doing it in this Assembly on the hoof; it is not necessarily thought out in the way that it should have been and I accept that as a Minister I am partly responsible; the Council of Ministers is certainly partly responsible, but at the end of the day the Minister for Treasury and Resources and the Treasury and Resources Department have created what I think Members generally believe is a good Budget, a Budget that has to be funded and this is part of the funding mechanism, and indeed part of these revenues that are coming in as a result of this Budget are being diverted into the economy, economic development and the various programmes that we run, so businesses are being supported as a result as well. On the basis that this is the last time that we have a debate of this nature, on the basis that

we get an alcohol strategy out, that we get the Licensing Law that I have been pushing, and I can assure Members it is through no lack of trying but it has been difficult with diametrically opposed views, but we are making progress and I think we are going to get a pragmatic result and it should lead to a position where a future Minister for Treasury and Resources is properly informed and we do not have wildly fluctuating rates of impôts proposed in different areas in the future. On that basis, I would encourage Members first of all to reject Deputy Power's proposition where there is no revenue generated at all. I think it is unreasonable, even the 2003 Alcohol Strategy said that we should be seeking to raise impôts above the rate of inflation. What it did not say is to what extent. What Deputy Power is saying is we are not raising it at all and clearly that is a problem and so I do not see that we can support that. There is of course the seductive proposition from the Connétable of St. Helier, who is a very astute political war horse, he has pitched at a seductive level, but again I would encourage Members to go with the Minister for Treasury and Resources who has reduced his original take to a level that I think is more acceptable, it provides the funding necessary for the Budget that is being distributed in ways Members hopefully will support and so that is the position that I would hope Members would take. Thank you.

1.3.21 Deputy J.H. Young:

As I think we are getting towards the end of this debate I am going to be very brief. I am not going to support the amendments of Deputy Power; I certainly align myself very much and praise the comments of the Constable of St. Brelade. I think clearly as the second or the primary out-of-town centre of the evening economy, the circumstances that our Honorary Police have to deal with are fact and I think we have to give our honorary service servants our support.

[16:00]

There are the costs of that, and on the issue of costs that also leads to the Minister for Health and Social Services' comments. I am entirely behind what the Minister for Health and Social Services told us, both as a former smoker myself in my young years, which I regret, and having worked in the health service for a number of years, it is astonishing the proportion of admissions to the hospital that are health-related, I think the Minister for Treasury and Resources spoke about a third, it may well be higher. I do not believe they are all tourists, I think they are locals, and so I do not accept the argument that was just advanced. I am still waiting on the amendments; I am still hoping this amendment for no change at all will be rejected and we will get to the Minister for Treasury and Resources' amendment because I want to hear in particular why circumstances have changed since his 4-page statement on 8th October where he set out a very cogent set of arguments as to why a set of tax increases were proposed on both smoking and on alcohol and in that list it says 7p for a bottle of wine. I find it really quite difficult to think that we are going to ruin our tourist industry by putting 7p on a bottle of wine when restaurants and so on are charging anything, £20, £25 for a bottle, and so I do not think this debate is about our tourism industry, we have to have cognisance of that, but primarily it is about the health of our community. So those are my comments. The one area of the amendments that I think is a little bit different is the fuel. I think there are separate arguments about fuel duty and I hope that those parts of the amendments will be taken separately. But as a whole I cannot support Deputy Power's amendments I am afraid.

1.3.22 The Connétable of St. Helier:

I must say I was intrigued by Senator Maclean's speech, the Minister for Economic Development, because I thought for some time that he was going to follow the Minister for Planning and Environment and jump ship from the Council of Ministers' vessel, but he did not in the end, but I do thank him for his comments about my speech. I know we are not here to talk about my proposition, but I do want to say something about some of the interventions on Deputy Power's amendment. First of all, some Members have accused him of being financially irresponsible in not

seeking to increase the already considerable amounts of money we take from the public in the form of impôts and when he began the responses the Minister for Treasury and Resources said it would cost X million, I forget the exact figure: “A very serious depletion of income” he said. Of course, as I think Deputy Power pointed out, the Minister for Treasury and Resources does not have the money yet and certainly, although some Members think that this is the right way to behave with public finances, I know that the Constables, to a man and a woman, know that if the ratepayers cut their budget at the rates, they have a very simple response, they spend less in the course of the year. I think it was Senator Ferguson who made the wise comment that of course this money is not in the pot yet, we do not know exactly how much is going to be raised, at the end of the financial year there is always money sloshing about in the Minister for Treasury and Resources’ float and of course we see how he spends it, money here, money there, all kinds of very good causes receiving sizeable chunks of money and I do not blame him for doing that but I think to say that at the start of the process that money is in the bag is wrong because it is not in the bag, it is up to this Assembly to agree it. As far as I understand it, Deputy Power’s amendment does come in 3 parts, most Members have focused their nightmare vision in some cases on the evils of some of the commodities that are being taxed, smoking in particular and alcohol, very few Members have spoken about fuel duty and if Deputy Power is to emerge with any victory from this amendment I would hope that a freeze on fuel duty increases would be supported by the Assembly. Where are the evils of pegging fuel duty at this current year’s level, where are the people who will not benefit? Business will benefit, hospitality will benefit, delivery companies will benefit, taxi drivers will benefit. The benefits will be spread across the public and I would urge Members not to throw out the baby with the bath water, if you like, and to bear in mind that they do not have to reject the entire amendment because there will be money there at the end of the year, which the Minister for Treasury and Resources will be able to recoup any money he loses from there being no increase in fuel duty. During the lunch break, certainly 2 States Members were in a fairly packed economics lunch lecture hosted by the Chamber of Commerce and I saw Senator Ferguson there and I am sure she would have referred to some of the comments if she had not already spoken before lunch. When the President of Chamber set out his Christmas list, one of the things, in fact the single most important gift he said that Chamber members would like, is a return to economic growth. I wrote that down because I thought that was something that most Members would agree with and I think one of the questions about this amendment is, is there any part of this amendment that will help those business representatives at that lunch get back to economic growth? He also said business is the solution, not the problem. The way some Members have been speaking in the Assembly this afternoon, you would think that business was the problem rather than the solution. A final stocking-filler the Chamber President referred to was: “Misguided process of consulting the industry after the Budget proposals have been fixed.” So what I found myself wondering over lunch was, if the 200-plus business leaders and representatives were in the gallery now, or as many as we can fit upstairs, how would they be urging us to vote this afternoon, because some Members have been painting the industry as the villain of the piece and I do not believe that and - I said this in my opening speech - I do not believe that they are. I believe that almost all of our business leaders and business operatives are trying to make a living in a difficult time. I did also want just to pick up a couple of other points. Deputy Higgins, I do not want to lose his support because he says he is going to support my amendment, but I have to pick him up on something he said about the States of Jersey Police not doing anything about alleged licensing infractions. The Licensing Unit has been recently beefed up and with the Honorary Police assistance they are doing a great job. In fact some would say they are doing too great a job in making sure that licensed premises keep within the law. That, I would suggest to some of the Members who painted this nightmare vision out of almost Hogarth’s gin-soaked London streets, is the solution to the behaviour that we are seeing in some of our establishments, not to relentlessly put up the cost of alcohol, which hurts everybody, including those who, as I said in my speech, enjoy a quiet pint. Last year when I

proposed reducing the impôts levels, the first speaker who rose to his feet was the Constable of St. Martin, it was one of his first speeches I think, and this debate of course we did not have the Constable of St. Martin, at least not yet, he may be as I speak preparing to rise up, but this time we had the Constable of St. Brelade whose view of what is going on in St. Aubin certainly matched the views of the Constable of St. Martin's view of St. Helier last year. I do not deny that these problems occur in licensed premises, goodness knows we see enough of these problems in town, but I must urge Members not to be swayed by them because this is not the norm, these are exceptional behaviours that we see and, as I say, most people who go out to drink will resent being punished for the excesses of the few in this way. Deputy Southern, I do not often say this, and he is not here to hear me say it, but Deputy Southern made an excellent speech and he pointed out that years of above-inflation price increases have led us to the situation so eloquently described by the Minister for Health and Social Services, and indeed by the Constable of St. Brelade, in other words the price increases are not working, they are not producing the changes in behaviour. I would suggest, as I said earlier, that it is education, it is promotion that is working, and indeed the activities of the Licensing Unit; that is the way to tackle the abuse of alcohol, not by simply putting up these limits. So I will be supporting parts of Deputy Power's amendment, I think that there is a good case for sending out a message to the industry and to the public and indeed I did not write down the name of the speaker at lunch, who was an economics guru, but he did talk very interestingly about the effect on business of messages sent out by Government. He was referring to some of the messages coming out of the American bank, and I think that it is important we send out a message from this Assembly today that we do not believe that we are living in Hogarth's London, we are living in an economy, which is getting back to work, which is investing locally, and we should therefore be supporting the idea that there will be no increase in fuel impôts and possibly that there should be no increase in alcohol impôts, although I do accept the arguments about smoking. Thank you.

The Deputy Bailiff:

Does any other Member wish to speak on the basis it is something additional to add to the debate? If not, I call on Deputy Power to sum up.

1.3.23 Deputy S. Power:

I feel almost guilty that I caused this in the first place because 4 and a half long hours later we are still debating an amendment to an amendment and then we have to debate the further knock-on consequential effects of the result of this one, but I do say ...

The Deputy Bailiff:

We are going to be much quicker on that.

Deputy S. Power:

I am going to be quicker, you are going to be surprised how quick I am going to be. But I do feel, having said that I feel guilty, it is also one of those emotions that is not particularly useful. I mentioned this morning, it seems like a long time ago now, that my personal view on the impôts is that it was inappropriate and to a certain extent it was another unstructured, crude, blunt grab for cash that so many Members have spoken eloquently about as being inappropriate. I think what this particular part of the debate today on the Budget has achieved is that we will not be having this type of debate again because certain parameters, if anything has been achieved from what has happened in the amendment to the amendment, we will not be here again debating impôts. We will have a structure in place that I aspire to and indeed the Constable of St. Mary eloquently expressed that the system here is broken and we have to deal with it, we have to fix it. I said earlier, I think I alluded to an image that the impôts train has now come to a complete stop and has touched the buffers and we are going to have to find a new way of dealing with impôts and impôts duty and how it is

justified for the future. What we have been doing since 1994, and I thank Deputy Noel for the figures he has given us, is a very simple picture of what has happened here, and if Members look at the £56 million that comes in on impôts receipts, the £57 million, £36 million; that leaves almost £21 million comes from fuel and almost £16 million comes from tobacco and I say that we have reached the limit on these for the moment until we have another way of doing these things. I really was a bit upset with the Chief Minister accusing me of almost promoting the tobacco message. I did a lot of research and I was not canvassed by the tobacco industry, I asked to go and see those people that the Chief Minister has represented, but I also tried to describe to Members how the system has failed in the Southern Hemisphere, particularly in Australia. I am not going to go through that now but there are massive pitfalls for jurisdictions if they keep hiking duty increases on tobacco and the Australian Government is so concerned that at the moment about 13 per cent of tobacco consumed in Australia is coming in informally, illegally. Ours is 40 per cent at the moment and we do not seem to get the message that the system is broken. So I just say that because it is important that you understand that; that our system is far worse than the Australian system and the figures I quoted are real figures. I mentioned that we could sell, I probably expressed myself badly, duty-free goods at the harbour; that is alcohol and tobacco, and I also suggested that we could sell fuel with a fuel forecourt at the harbour for departing cars and vans and trucks.

[16:15]

When I said the word “duty-free” what I really meant was discounted fuel, because there is absolutely nothing stopping this Government, this Exchequer, from selling lower-rated fuel that is leaving the Island; there is nothing against that, there is no regulation, there is no U.K. or E.U. regulation to stop us selling and setting our own duty rates, and that is what I meant. That has to be a source of revenue for the Treasury, which has not been explored. I found it irritating this morning that the Minister for Treasury and Resources dismissed it as if it was a silly idea. I do not think it is a silly idea and I would like to see something done about it; I would like some investigation carried out in that. One of the consequences of the way we structure impôts duty on alcohol, and it has been addressed by a number of Members and I will briefly refer to it again, was that there has been a shift from drinking in licensed supervised premises to drinking at home, so drink-related incidents have dropped in the Magistrates’ Court but incidents of domestic violence across the Island have increased, and that is cause and effect; that is a direct link from the way consumption of alcohol has changed. I asked the question of the Minister for Treasury and Resources in my speech: “Where will the impôts duty levy stop?” and I did not get an answer. I hope that in the next 12 months that the Council of Ministers will come up with a policy whereby we know long before the 2015 Budget where the rates are going to be set. I still feel, and I think a number of speakers have said that penalising the sensible drinker for the delinquent drinker is not fair and that has been repeated a number of times. I do not want to repeat what everyone has said; I do not want to repeat it because I do not think it is necessary. I think everyone has expressed clear views. I do not think there was a lot of repetition. One point that was made, I think Deputy Higgins probably made it very clear, is that the 2010 price increase as a result of the 2009 freeze on duty in the Assembly; that price increase was unfortunate, unfortunately it was outside the control of local suppliers because it was caused by Guinness who put the price up and there was absolutely nothing local distributors could do about it. I have a sheet of figures here from one of the importers and it confirms that excise duty has gone up 88 per cent since 2008 and duty on a pint of Australian lager has gone up 62 per cent, or if you add G.S.T. it has gone up 70 per cent, so duty increases have stayed ahead of price increases for the past 5 years. I am not going to get into the argument about the free houses and licensed premises because it is not relevant to impôts. I did speak to the owner of a very large nightclub that the Constable of St. Brelade attended or visited, and he was saying that Fridays and Saturdays; 3,000 people go through his doors on a Friday night and a Saturday night and less than

300 between a Sunday and a Thursday, which illustrates the polarisation of drinking patterns in the Island and it would be better if that was spread. The Minister for Health and Social Services talked about comparing Jersey to the northeast and the northwest regions of the U.K. and Senator Maclean picked up on this. That is not a fair comparison. The northeast and the northwest regions of the U.K. have cities with high Islamic populations, Leicester, Bradford, Stockport, Middlesbrough, Doncaster and Wakefield, and I looked at those myself and we cannot compare Jersey's statistics on alcohol abuse or alcohol consumption to these areas because there is a disproportionate comparison comparing Jersey to these other cities. I also would suggest that some of the London boroughs with large Islamic populations, we cannot compare Jersey to those either. Did the Chief Minister want me to give way?

Senator I.J. Gorst:

I think he was slightly misrepresenting what the Minister for Health and Social Services was saying. Those areas that she quoted have high levels of problems and she was only making that comparison with them, they have high levels of problems despite the mitigating factors, which the Deputy seems to be suggesting there that we cannot compare them with.

Deputy S. Power:

My answer to that would be that comparing Jersey to any of these big urban cosmopolitan areas in the northeast and the northwest is not relevant. Senator Maclean is right, we should be comparing Jersey to small comparable seaside places, maybe in Somerset or whatever. Deputy Tadier made an interesting point that in Sweden and Finland, the rates of impôts are very high, but yet Finland has one of the highest alcohol abuse problems in the E.U., which bears out that sometimes price increases are not relevant. The impôts system in my view is broken; I think the Constable of St. Mary laid down a benchmark that this has to be changed, the way we approach this has to be changed. I was really disappointed with the comments of my good friend the Constable of St. Brelade because I attended a Parish Assembly where we discussed in some detail the unfortunate incidents that he relayed about the licensed premises where the landlord was allegedly intoxicated and the issues to do with that premises and given that he has voiced his concerns openly in the Chamber about that, I would have said that it is the Parish that should have taken the proprietor of that premises and dealt with it in that way rather than criticising middle-income Jersey. That was not a typical situation to criticise the whole of middle-income Jersey because of some badly-run licensed premises in St. Aubin. I do not think the Assembly is in any mood to listen to any more of my summaries. **[Approbation]** I thank everyone for their contributions; I thank everyone for their patience; I thank everyone for taking the interest they did, and I think if we have achieved nothing else today the way we approach impôts will change and this is the end of the present system as of today. We have put a marker down and so on that basis I would like to conclude my remarks and ask for the appel separately on the 3 separate areas.

The Deputy Bailiff:

Very well, I would invite Members to return to their seats. The first vote to be taken is on amendment one, which relates to duty on categories of alcohol, and I ask the Greffier to open the voting.

POUR: 15		CONTRE: 33		ABSTAIN: 0
Senator A. Breckon		Senator P.F. Routier		
Senator S.C. Ferguson		Senator P.F.C. Ozouf		
Senator L.J. Farnham		Senator A.J.H. Maclean		
Connétable of St. Helier		Senator B.I. Le Marquand		
Connétable of St. Clement		Senator F. du H. Le Gresley		
Connétable of St. Ouen		Senator I.J. Gorst		

Connétable of St. Saviour		Senator P.M. Bailhache		
Deputy R.C. Duhamel (S)		Connétable of Trinity		
Deputy G.P. Southern (H)		Connétable of St. Lawrence		
Deputy J.A.N. Le Fondré (L)		Connétable of St. Mary		
Deputy S.S.P.A. Power (B)		Connétable of St. John		
Deputy M. Tadier (B)		Connétable of St. Brelade		
Deputy T.M. Pitman (H)		Connétable of St. Martin		
Deputy J.M. Maçon (S)		Connétable of Grouville		
Deputy G.C.L. Baudains (C)		Deputy R.G. Le Hérisssier (S)		
		Deputy J.A. Martin (H)		
		Deputy of St. Ouen		
		Deputy of Grouville		
		Deputy J.A. Hilton (H)		
		Deputy of Trinity		
		Deputy S. Pitman (H)		
		Deputy K.C. Lewis (S)		
		Deputy E.J. Noel (L)		
		Deputy T.A. Vallois (S)		
		Deputy M.R. Higgins (H)		
		Deputy A.K.F. Green (H)		
		Deputy of St. John		
		Deputy J.H. Young (B)		
		Deputy S.J. Pinel (C)		
		Deputy of St. Mary		
		Deputy of St. Martin		
		Deputy R.G. Bryans (H)		
		Deputy R.J. Rondel (H)		

The Deputy Bailiff:

Could the Greffier now prepare the system ready for the vote on the second amendment, which relates to tobacco products, and I ask the Greffier to open the voting.

POUR: 8		CONTRE: 40		ABSTAIN: 0
Senator A. Breckon		Senator P.F. Routier		
Senator S.C. Ferguson		Senator P.F.C. Ozouf		
Connétable of St. Clement		Senator A.J.H. Maclean		
Connétable of St. Ouen		Senator B.I. Le Marquand		
Connétable of St. Saviour		Senator F.du H. Le Gresley		
Deputy G.P. Southern (H)		Senator I.J. Gorst		
Deputy S.S.P.A. Power (B)		Senator L.J. Farnham		
Deputy G.C.L. Baudains (C)		Senator P.M. Bailhache		
		Connétable of St. Helier		
		Connétable of Trinity		
		Connétable of St. Lawrence		
		Connétable of St. Mary		
		Connétable of St. John		
		Connétable of St. Brelade		
		Connétable of St. Martin		
		Connétable of Grouville		
		Deputy R.C. Duhamel (S)		
		Deputy R.G. Le Hérisssier (S)		
		Deputy J.A. Martin (H)		

	Deputy of St. Ouen		
	Deputy of Grouville		
	Deputy J.A. Hilton (H)		
	Deputy J.A.N. Le Fondré (L)		
	Deputy of Trinity		
	Deputy S. Pitman (H)		
	Deputy K.C. Lewis (S)		
	Deputy M. Tadier (B)		
	Deputy T.M. Pitman (H)		
	Deputy E.J. Noel (L)		
	Deputy T.A. Vallois (S)		
	Deputy M.R. Higgins (H)		
	Deputy A.K.F. Green (H)		
	Deputy J.M. Maçon (S)		
	Deputy of St. John		
	Deputy J.H. Young (B)		
	Deputy S.J. Pinel (C)		
	Deputy of St. Mary		
	Deputy of St. Martin		
	Deputy R.G. Bryans (H)		
	Deputy R.J. Rondel (H)		

The Deputy Bailiff:

I would ask the Greffier to clear the system, we can then open the voting on amendment 3, which relates to fuel.

POUR: 22	CONTRE: 26	ABSTAIN: 0
Senator A. Breckon	Senator P.F. Routier	
Senator S.C. Ferguson	Senator P.F.C. Ozouf	
Senator L.J. Farnham	Senator A.J.H. Maclean	
Connétable of St. Helier	Senator B.I. Le Marquand	
Connétable of St. Clement	Senator F.du H. Le Gresley	
Connétable of St. Lawrence	Senator I.J. Gorst	
Connétable of St. Ouen	Senator P.M. Bailhache	
Connétable of St. Saviour	Connétable of Trinity	
Deputy R.C. Duhamel (S)	Connétable of St. Mary	
Deputy R.G. Le Hérisssier (S)	Connétable of St. John	
Deputy J.A. Martin (H)	Connétable of St. Brelade	
Deputy G.P. Southern (H)	Connétable of St. Martin	
Deputy of St. Ouen	Connétable of Grouville	
Deputy S.S.P.A. Power (B)	Deputy of Grouville	
Deputy M. Tadier (B)	Deputy J.A. Hilton (H)	
Deputy T.M. Pitman (H)	Deputy J.A.N. Le Fondré (L)	
Deputy T.A. Vallois (S)	Deputy of Trinity	
Deputy M.R. Higgins (H)	Deputy S. Pitman (H)	
Deputy J.M. Maçon (S)	Deputy K.C. Lewis (S)	
Deputy G.C.L. Baudains (C)	Deputy E.J. Noel (L)	
Deputy J.H. Young (B)	Deputy A.K.F. Green (H)	
Deputy of St. Mary	Deputy of St. John	
	Deputy S.J. Pinel (C)	
	Deputy of St. Martin	
	Deputy R.G. Bryans (H)	

1.4. Draft Budget Statement 2014 (P.122/2013): second amendment - second amendment (P.122/2013 Amd.(2)Amd.(2))

The Deputy Bailiff:

Very well, we now come to the second amendment, which is that of the Minister for Treasury and Resources, and I will ask the Greffier to read the amendment.

The Greffier of the States:

For paragraph (i) substitute the following paragraph: (i) by the amounts shown below by amending duties on alcohol for the items listed below in the following manner and not as proposed in the Draft Budget Statement (A) increasing the duty on wines by 3.6 per cent (a decrease of £101,000); (B) increasing the duty on beers and ciders exceeding 2.8 per cent abv but not exceeding 4.9 percent abv by 3 per cent (a decrease of £85,000); (C) introducing a new lower band of duty on beers and ciders exceeding 1.2 per cent abv but not exceeding 2.8 per cent abv (a nil decrease), with this new band of duty being calculated at 50 per cent of the duty rate for beers in the 2.8 per cent abv but not exceeding 4.9 per cent abv band.

The Deputy Bailiff:

Minister, I was not sure from your earlier speech whether you have not said everything in support of this amendment that you wish to say, but perhaps there are additional things.

1.4.1 Senator P.F.C. Ozouf (The Minister for Treasury and Resources):

I will do my best to do so, Sir, and I realise that we have had a substantial debate on duties, but the Assembly is clearly finely balanced and so I think I need to just rehearse very briefly the arguments. I need to say that the reason why I brought the amendment with the very helpful co-operation of the Minister for Economic Development, Chief Minister, the Minister for Home Affairs, and the Minister for Health and Social Services, was that we did not take a quick trip to Tangiers and sit in a souk and have a bizarre debate, and it was not a negotiation, it was after a helpful meeting that we had with the licensing trade. Also, I need to do a job; I need to preserve public finances revenues and I know that other Members will say that we simply can ignore the fact that we have had an M.T.F.P.; we approved an M.T.F.P. with an estimated target of income that we were going to be raising and it is my job with the Council of Ministers every year to bring forward a Budget, which meets that revenue expectation. So I stand by the fact that it is absolutely right that we bring a Budget that respects what we have previously agreed and I am afraid it is a little bit rich to say that we can just simply pay for the underlying amendments by contingencies; we cannot do that, and I stand by the decisions that we have made on contingencies, coin hoard, absolutely one-off expected, sports grants to be paid parallel by withdrawal from the Criminal Asset Confiscation Fund, which will ultimately pay it, although indirectly, which I have made very clear, and I do not think there is one Member of this Assembly that would not support the Prince's Trust work in relation to that, so I am afraid the Connétable is going to have to justify why he will not go and respect this amendment and say that we can impair revenues by effectively £200,000 safely. My amendment is designed to effectively impair the revenues we set by £200,000. It is important that we listened to industry; of course it is right that this Assembly supports economic growth and supports business and we support the night-time economy and we support the on-licence business. Markets however are always best served by low barriers to entry and competition; that is always the right thing to do and I hope that Members in supporting this amendment will believe that is the right thing to do, but also recognise, and I take the warnings that have been said in the previous debate, that we need to make the market for on-licensing work and work better. I have only ever

criticised markets that in my opinion do not work. There are markets that do not work and it is not simply right to say that I should be criticised and am anti-business and anti-the Chamber of Commerce; all politicians have a responsibility of making markets work and markets can work better in the licensing trade and this amendment is designed to certainly give us a breathing opportunity to work through some of the issues of the licensed trade. The underlying amendment is simply not the silver bullet that is going to mean consumers in Jersey are better off. I think it is true to say that in grocery retailing and off-licences there is more competition; there did not used to be, but there is a problem in relation to the licensing trade, which we need to deal with. So I have not amended any of the tobacco and alcohol duties; that issue remains. Those are important revenue arrangements and this amendment does not affect in any way any of the proposed increases on tobacco, which we will come to in the later debate.

[16:30]

Frankly, the fuel duty issue, if ever there is a light-oppose it is that one. But I hope Members will go with it. To the detail of the amendment: we are not proposing also to not increase duties on spirits. The arguments for that are very clear. The health issues on higher-strength spirits are clear, the market research, health advices all that is the most dangerous area of alcohol consumption. We have tried to be really pragmatic; we have tried to listen to the industry and what they had to say about beer and cider and that is why the new low-strength duty, which is 50 per cent of the current duty, is being introduced by this amendment on low-strength beer, and I hope that Members will see that as a welcome move. In relation to the standard pint, whoever drinks it, we are proposing a reduced duty of a penny. I do not think it is going to make the difference massively but it is certainly a gesture if ever there is one, and a holding gesture while we really get under the skin of the issue of why it is as the Connétable of St. John said, I do not always agree with him, but he is absolutely right, a keg of beer I am told, after having attended a Licence Assembly in St. Helier 2 weeks ago, the non-tied pubs can get a keg of beer for £100, completely unsolicited I had this information. One hundred pounds as opposed to tied breweries of £170. There is an indication of a market not working here and we need to deal with it. But a penny on a pint I think is reasonable. I ask Members to support that particular initiative but we need to do some more work on this. We need to get businesses, small businesses, working in a free market in a way that can compete and, yes, we need to deal with the Licensing Bench ruling, well-intended, but is probably also not helping that competition in terms of pubs and licensed premises. I think that is all I really have to say. Sorry, we are also reducing the duty on wine, we propose 7p. I am a wine drinker, I think there has been more competition in wine than I can see than ever before whereas there have been accusations of perhaps sticky prices in food retailing when we saw the purchase a few hours before the Competition Law of Safeway in the old supermarket business. We have real competition in grocery retailing now and I can certainly see how that is functioning through into alcohol sales. Senator Breckon, I am confused about how he voted in the last amendment because he was speaking about the importance of competition working in consumers' favour and what we are proposing effectively is a gesture; it is a gesture of 5p on a bottle of wine instead of 7p. You can buy 3 bottles of wine for £10, and not gut-rot either, you can get good new world wines for substantially less numbers than you could ever before. You may only drink fine French wine, I am not sure, but the fact is that 5p on a bottle of wine, but it really is not unreasonable and if people have a problem with 5p on a bottle of wine then can I suggest they reduce the quality of the claret or they increase the amount of years, and a 2002 costs less than a 1987 and maybe they should not buy bottles of Ekem and then they should get some nice English table sweet wine. Frankly, 5p is reasonable; this is not a bazaar, but I am trying to bring Members' attention to the fact that these are reasonable revenue increases. I move the amendment to try and preserve revenues and I hope Members accept the amendment. We will be going on however to resist even the cigarettes most strongly later on. I move the amendment.

The Deputy Bailiff:

Seconded? [**Seconded**] Senator Farnham.

1.4.2 Senator L.J. Farnham:

I just rise quickly because this is part of the problem with this process. Senator Ozouf has spent half of his addresses on this subject talking about the importance of health and protecting health. He has just spent 5 minutes selling us wine and how we should be promoting it, introduce competition to sell more of it. I wish the Senator would make his mind up. It is wrong. The Constable of St. Mary made a very poignant speech about this whole setup of agreeing that this has to be looked at. I would urge Members the Constable of St. Helier rightly pointed out the concern in the economy that our economy has been shrinking. There are signs of it coming back but, please, in these times, there are times ahead when we have sorted out how we do this for higher duty increases, but right now in the current economy I would urge Members to support a sensible duty R.P.I. level of increase in the duty. I know Senator Ozouf has a difficult job. Thank you.

1.4.3 The Connétable of St. Helier:

I only rise really to correct a seductive error made by the Minister for Treasury and Resources. He said that this proposal would reduce the duty on wine, which of course it does not. I am sure he did not mean that. It reduces the proposed increase on the duty. I would just remind Members that while part (C) of his amendment to my amendment one is seductive, it proposes this new band of lower duty on low-strength beer, and that is absolutely the right thing to be pursuing as part of this long-awaited review of the Licensing Law and our licensing arrangements, which we still have not seen, although we have been told it will be debated next year. That is a good thing for next year, but it is not for now. What the proposals amount to is more than double the cost of living, the rate of inflation, and I think that is wrong in the current climate. I think my proposals unamended by this Minister for Treasury and Resources offer a real shot in the arm for local business and I would urge Members not to be seduced by this. Because he has come back and reduced his own initial proposals, it might be tempting to go with them, but I would urge Members to look back at my amendment, which offers cost of living rises on alcohol, tobacco and fuel and vote separately on those without allowing this one to get through.

The Deputy Bailiff:

It is straightforward for Members. Deputy Le Fondré.

1.4.4 Deputy J.A.N. Le Fondré of St. Lawrence:

Briefly, to endorse exactly what the Constable of St. Helier just said, which I know is repetition, but the increase in inflation, or the proposals by the Minister for Treasury and Resources are just far too high, so I will not be supporting it.

1.4.5 Deputy J.H. Young:

I would like to hear further maybe in the Minister's summing-up as to what has changed between 8th October and the statement that he made to this House when he set out a very cogent set of arguments for a set of balanced decisions, including for example 7p on a bottle of wine, which, as I said earlier, I really do not think is going to break either local bank or break our tourism industry. The Minister has now reduced it to 5p. Much as I admire his flexibility, obviously it seems that flexibility perhaps is reserved for Ministers able to produce new out-of-the-hat proposals, particularly on this item (C) at less than a few days' notice, requiring changes to legislation, which of course is not available in other matters and put forward as reasons why we should not adopt *sur le champ* amendments such as this. So I would like to hear a little bit more on that and in particular, his statement in the front of this amendment says that: "After consultation with officers

from the Health and Social Services Department ...” and I thought we heard the Minister for Health and Social Services make a very clear statement of her very strong view about our policy, which is backed up by his statement on 8th October, what has changed? Could I hear from him and I will make my decision on whether I support this once I hear that answer.

1.4.6 Deputy G.C.L. Baudains:

I have noticed in the last 15 years that the amount of spirits consumed in Jersey has gone down by 50 per cent, the amount of beer by 30 per cent and the amount of tobacco by 66 per cent, so I am glad we are back to talking about the revenue from this and not the health benefits of increasing tax. One thing that interested me, and perhaps the Minister for Treasury and Resources would address in his summing up, is talking about a cheap wine. I am afraid I would put it more like vinegar at that sort of price, but I wonder if that is more of a health hazard than a more expensive wine.

1.4.7 Deputy M. Tadier:

We may joke but there is a serious point because the lower wines, your Lambrinis, *et cetera*, will probably have a higher sugar content and so we are trying to stop obesity on one hand and also it tastes rubbish; that is another issue. So that is an issue and it has been alluded to but to give the fuller argument: we have been told about the complexities of the system, we are told that we cannot tinker around with G.S.T. even if it is for something very narrow because we did not come up with the idea essentially, but here at the last minute we can add an extra band, wow, where did that come from, we have a whole new extra band coming in simply, which would not have even been conceived, it was nowhere in the Budget before, simply because the Minister himself is trying to come up with his own pragmatic practical solution. I am wondering if there is a complication because what happens if you are one of those good old Jersey landlords, the good old frugal landlords, who likes to water down his or her beer before they serve it, so you might be buying it at 2.8 per cent or 3 per cent but by the time you have watered it down it might be going down to 2.4 per cent. If you have a shandy, is that an issue, because you might have a full pint shandy, by putting half lemonade in it you are bringing it down, but if you are a shandy drinker you have to pay the full price on that half a pint that you have bought even though you are filling the rest of it with lemonade, so there are conundrums here. But the big issue is that this has just been presented to us at the last minute, very complex, not necessarily a bad thing, it needs to be thought through, needs to be tied in very much with the Health Strategy. Should we in fact be taking duty off completely on low-alcohol drinks if we want people to be drinking them, a carrot and a stick approach, should we be imposing or just reducing the duty, certainly where increasing it at all, the very complex issue, which cannot simply be debated now. This should be the subject of wider discussions across the board and with Scrutiny Panels, *et cetera*. Just to talk about the issue of balanced budgets, it came up before, and that really is the last resort in terms of arguments, saying: “It does not matter whether or not this is a good thing to do, we have to present a balanced budget.” Clearly there is flexibility in here from the Minister for Treasury and Resources’ point of view; he has tried to come up with a compromise, but there surely has to be contingency. Any part of this Budget is subject to amendment; any of the amendments that have been laid were subject to being approved if the correct arguments were made on the day, and let us at least maintain that illusion of consensus politics that is supposed to exist in this Assembly. So if Deputy Power had made stronger, better arguments we would be in a completely different scenario and, as the Minister for Treasury and Resources told me yesterday in an email, we should not presume that the Treasury and Resources Department would ever take the States Assembly for granted, which means they would never prejudge what our decisions are. So simply the argument, which has been made, and will be made, that we must simply do what the Minister for Treasury and Resources has outlined and the Treasury has outlined simply does not hold water either. So I would ask us to reject this. If

there is, let us get on to the main amendments, which I think are the amendments from the Constable of St. Helier.

The Deputy Bailiff:

Does any other Member wish to speak? If not then I call upon the Minister for Treasury and Resources to reply.

1.4.8 Senator P.F.C. Ozouf:

I say to Senator Farnham, who said I need to make my mind up, I would respectfully say to him that he needs to make his mind up. He is Assistant Minister for Home Affairs and he speaks with the authority of the Jersey Hospitality Association. It is his department, he is the Assistant Minister of it, that is responsible for advising the Treasury and Resources Department, and we have the Deputy Agent of the impôts outside; it is his department that advises the Treasury on volumes and estimates, *et cetera*, so he needs to, if I may say, decide which side he is on.

Senator L.J. Farnham:

I keep trying but they just do not listen. [Laughter]

Senator P.F.C. Ozouf:

I think he knows what the reality of this is. In relation to his remarks about me suggesting that people should effectively, if they have a problem with a 5p increase on a bottle of wine, what I was trying to point out is that if there is an alcohol problem and it is in the off-licences, because of the retail competition, putting 5p will be at least better than nothing in relation to the health arguments issue, so I am afraid to say my arguments are consistent and I am being consistent. I say to the Connétable of St. Helier, rejecting this amendment is not going to be a shot in the arm for the hospitality sector; a shot in the arm for consumers, and this debate is also supposedly being a divisive debate about low-income Islanders, a shot in the arm to Islanders in relation to lower prices on licensed premises is going to lead to better retail and better retail arrangements in licensing and more untied pubs, *et cetera*. Why did I change my mind, to Deputy Young? If I am absolutely candid, I have been bitten quite a few times for potentially not taking the States Assembly for granted but bringing forward proposals for various different duty arrangements and then losing them and then being faced with serious problems.

[16:45]

Being faced with problems when we had a zero increase a few years ago, the Treasury was faced with a problem, I hesitate to look at the Deputy of St. Ouen who led a charge against the removal of V.E.D. (Vehicle Emissions Duty) like that that lost us a few million pounds, so inevitably I am afraid to say I do not like this statement, but I am told that politics is the art of the possible, and I have to judge what is likely to be acceptable to Members, what is acceptable to the outside community and what is likely to get through. But I also have to limit the damage to public finances and I also have to listen to colleagues and the industry and that is what we did. We listened to the licensing trade, I listened to the arguments of the Minister for Economic Development who is absolutely fully behind the industry, small businesses, hospitality, tourism, *et cetera*, and I had to listen to him about the messages that we were sending, but I had to do so in a way that limited the damage on public finances and that is why I changed my mind. "If the facts changed I changed my mind"; it was John Maynard Keynes that said that: "What do you do, Sir." So, if the facts change, I did. There was a new fact about the low-strength alcohol that was brought to us and we moved quickly and I am grateful for the Agent of Impôts for making that change and bringing this new banding into force. I would also say to Deputy Tadier that the lower band of alcohol, if it is a strength of less than 2.5 per cent, it is duty-free. I understand that there are new beers that are between 2.5 and 4.5, which is what this amendment is about. That is Ministerial government

working quickly, responding to people, and I hope doing the right thing. In relation to balancing the Budget, we are going to go on to the main Budget debate and I am going to be chastised for spending too much, for borrowing, for taking money from the Strategic Reserve. I believe in balancing the Budget in relation to revenue expenditure in the medium and long-term, and that is what I am trying to do here, limiting the damage on an otherwise damaging duty amendment that would give us difficulties in terms of balancing the books. So I think I have made the case. I urge Members, this has been a difficult amendment, but one that we have listened to, we have tried to balance interests of hospitality, competition, the health arguments, all Ministers are behind it, and I urge Members to support the amendment.

The Deputy Bailiff:

The appel is called for. I invite Members to return to their seats. The vote is on the Minister for Treasury and Resources' amendment to the amendment of the Connétable of St. Helier in relation to duties on alcohol and I ask the Greffier to open the voting.

POUR: 25		CONTRE: 23		ABSTAIN: 0
Senator P.F. Routier		Senator A. Breckon		
Senator P.F.C. Ozouf		Senator S.C. Ferguson		
Senator A.J.H. Maclean		Senator L.J. Farnham		
Senator B.I. Le Marquand		Connétable of St. Helier		
Senator F.du H. Le Gresley		Connétable of St. Clement		
Senator I.J. Gorst		Connétable of St. Ouen		
Senator P.M. Bailhache		Connétable of St. Saviour		
Connétable of Trinity		Connétable of Grouville		
Connétable of St. Lawrence		Deputy R.C. Duhamel (S)		
Connétable of St. Mary		Deputy J.A. Martin (H)		
Connétable of St. John		Deputy G.P. Southern (H)		
Connétable of St. Brelade		Deputy of St. Ouen		
Connétable of St. Martin		Deputy J.A.N. Le Fondré (L)		
Deputy R.G. Le Hérisssier (S)		Deputy S.S.P.A. Power (B)		
Deputy of Grouville		Deputy S. Pitman (H)		
Deputy J.A. Hilton (H)		Deputy M. Tadier (B)		
Deputy of Trinity		Deputy T.M. Pitman (H)		
Deputy K.C. Lewis (S)		Deputy T.A. Vallois (S)		
Deputy E.J. Noel (L)		Deputy M.R. Higgins (H)		
Deputy A.K.F. Green (H)		Deputy J.M. Maçon (S)		
Deputy of St. John		Deputy G.C.L. Baudains (C)		
Deputy S.J. Pinel (C)		Deputy J.H. Young (B)		
Deputy of St. Mary		Deputy R.J. Rondel (H)		
Deputy of St. Martin				
Deputy R.G. Bryans (H)				

1.5 Draft Budget Statement 2014 (P.122/2013): second amendment (P.122/2013 Amd.(2)) - as amended

The Deputy Bailiff:

We now return to the second amendment of the Connétable of St. Helier as amended by the Minister for Treasury and Resources' amendment, which is now open for debate. Does any Member wish to speak?

1.5.1 Deputy J.A.N. Le Fondré:

If I have understood it correctly, we are back in the main amendment and therefore the key focus I guess will be the fuel duty. I did not vote for the previous amendment but I am very happy to be supporting the amendment of the Constable of St. Helier, which is an increase by inflation of one and a half percent rather than 2; I think that is a moderate way of going and it seems reasonable. Thank you.

1.5.2 Senator B.I. Le Marquand:

I am arithmetically confused, which is very unusual for me, because I note currently the duty on fuel is 43p according to the statement, and I am completely confused as to how a 1.5 per cent increase is going to apply to a 43p figure. That to me comes to just under 43.65p. So perhaps the Connétable could explain to us whether he is suggesting a half-pence increase or a two-thirds of a pence increase or what he is suggesting because the arithmetic does not stack up. The 1 per cent increase proposed by the Minister for Treasury and Resources has been rounded down to 2 per cent, it is closer to 2.5 per cent, but at least it is 1p and that is a manageable figure. I really do not understand how we can manage with fractions of pence and therefore I do not think it is very practical.

1.5.3 Senator P.F.C. Ozouf:

I am grateful for Members now putting the amendment, I realise that was a close vote, but I hope Members are going to accept the amendment as amended in terms of alcohol. I think the arguments have been absolutely reinforced in terms of tobacco; I think we absolutely have to maintain the position in relation to tobacco and that the Connétable of St. Helier's amendment to put a tiny increase on tobacco should be comprehensively amended. In relation to fuel duty, I would just ask Members, with the greatest of respect, to look at page 43 of the Budget Statement and to look at the underlying costs of petrol. It is said every year, and I realise this, but I am going to have to say it because somebody needs to say it. When stripping out duty and tax, the benevolence of this Assembly in not putting duties through to petrol does not universally mean that the consumers are better off. We need to make the fuel market work better; there were issues, in fact margins in the last couple of years have increased and widened in relation to some fuel. What has happened very helpfully is that there is now more competition in relation to fuel. I think we all now understand fuel duties and we can see them and I congratulate the Minister for Economic Development's Trading Standards Department in making sure that retailers are clear about petrol prices. Now the U.K. has gone further than Jersey has by banning and simply putting the cash price for fuel in the U.K. so that it is clear. At the moment retailers in Jersey are still comparing effectively the cash price with the discounted price and I think that is confusing. A penny on a litre of fuel is below that of inflation when you look at inflation of fuel duty in the last few years. I think that I have to defend this issue, margins are inexplicably high even at the lower petrol prices that we are seeing at the discounted forecourts in Jersey. We know that because there have been studies in the U.K. concerning the Highlands and islands of Scotland, which have had exactly the same kind of difficulties that we have in relation to high costs of transportation and the Isle of Man too has the same issue of being a small island, yet still there is a large wide unexplained margin and I want to continue to put the pressure on the fuel importers. The Assistant Minister has spoken about the new fuel farm arrangements, we need to keep the fuel companies' feet to the fire, just as the U.K. Government is doing, that is the wrong analogy because fire and petrol is the wrong thing, but I hope Members will forgive me, it has been a long day. There is an issue about fuel, both heating oil and petrol retailing, and I say again the benevolence of Members in simply thinking that they are doing the right thing is not showing through into lower prices and if we are worried about business, if we are worried about people on lower incomes, our attention should be spent on making the market work; with low barriers to entry, with more competition, and consumers knowing what prices are. I do not understand, when I drive around Jersey, and I see people filling

up their cars in high-priced garages as opposed to low-price garages, it is completely inexplicable, and also perhaps that is how people could ... the Jersey woman and Jersey man is known as being thrifty; if they want to save a penny they can go to the retailers that have lower fuel duties and the cash payments on that. I make this statement simply to say, please, Members, if they will accept the proposal as amended in terms of alcohol, but comprehensively reject the tobacco one, and certainly have regard to the market operating in the one for fuel. Thank you.

1.5.4 Deputy J.A. Martin:

I stand and I have not spoken much in the Budget debate and I totally agree with what the Minister for Treasury and Resources is saying on tobacco. But I am just probably a bit long in the tooth to listen again to the 14th year for his speech about the wider larger unexplained margins and someone has to do something about it. We should be doing something about it and it is 14 years down the line and we do not. As the Constable of St. Helier said, this is businesses. If you look at the duty, which was given to us, the inputs by the Treasury, if you look at fuel and you add up beer and spirits and everything above that, do not even add up to what they collect on fuel. There are loads of businesses, people taking their children to school, getting to work, buses, taxis, as has already been said that we need fuel, but we are always told someone is going to sort it out. We brought in the J.C.R.A., they were going to be the God savers, they were going to sort out everything. I do not think they have got much right so far, they cost us a lot of money. The Treasury and me and the Minister and me will definitely disagree there. The first lot we brought in were having a very good free lunch on the taxpayer and this lot have brought in international competition laws for an Island 9 by 5 for small companies and that is where we are, we have spent thousands of pounds in court fees and it does not seem to be that they are giving very good advice. So do not swallow this one about we might be at the end of impôts. I am telling you now I have heard that speech, not when he was the Minister for Treasury and Resources, but when he was a young Deputy. I have been to meetings down at the fuel farm with him as a new Deputy and he was going to sort it out, he was going to tell us why we had this larger margin, and they do not have it anywhere else. We have not done it so what we are doing, we are penalising the people who cannot defend themselves. I really think that this time ... and he did say in his opening speech to the amendment he was a bit ... I think he slipped up himself, he was not really that bothered if he had a strongly opposed, opposed, not that bothered,... it came across not that bothered but he could not put it down, but he did say: "I am not that bothered but I am bothered that this one is accepted" and I think the Minister really is bothered, So he got what he did with the fuel and the alcohol amendment. I cannot support this tobacco, like many others, but I really think the 22, 26, it should be totally reversed, if not 30, and take off the rest. The fuel, we need to sort it out, but we will not do it this way. We need to give it back to the businesses and the consumers in the Island, not the fuel, the Minister for Treasury and Resources is reeling. I am talking about the people who have to manage their business by buying fuel who are employing our local people. Simple, keep it simple, keep the Constable's amendment. Thank you.

1.5.5 Deputy M. Tadier:

I always thought the Minister for Treasury and Resources was a champion of free industry, the free market and private businesses, yet he has not ceased from lecturing business owners in Jersey saying that they are essentially, as I interpret it, all crooks, they are all trying to rip us off at every turn possible. Petrol stations - which the Minister for Treasury and Resources knows something about - he is saying we should only be going for the cheapest petrol stations around, which completely ignores the fact of different economic models, different business models that operate, some petrol stations clearly do not make their money from selling petrol, they do it as a convenience. They might be located in rural areas so they might just still be providing essentially a subsidised service for a local village, whereas clearly the big ones may be based towards the airport

and up St. John's main road on Queen's Road, clearly they can attract, and they have a different business model, but it does not mean that they do not provide good value for money. It is to do with economies of scale. So, rather than the Minister for Treasury and Resources lecturing these private businesses on how to run themselves, the Minister for Treasury and Resources should concentrate on things within his own jurisdiction such as his ability to make a very big difference for those who do rely on fuel, whether it is for commercial travel for their business or simply for commuting as the public.

[17:00]

I would suggest that we have to get our own house in order with the Sustainable Transport Policy. We have a fairly good bus service, I am quite lucky in the part of the Island where I live and I get to travel on the double-decker bus, which is great and sometimes you can get pole position and you get to see all the swimming pools that you never knew existed, and it is fairly good value from St. Brelade. As I have said before, we have not even introduced a transfer system, so those who live in different parts of the Island ...

The Deputy Bailiff:

Deputy, one moment please. There is a general buzz developing in the Chamber. Would Members please show the speaker some courtesy and be quiet while he speaks.

Deputy M. Tadier:

Thank you, Sir. I am sure it was bus-related and transport-related hubbub, and we do need to talk about hubs as well for transport. I have mentioned this before, what happens if you live on the inner road and you want to get to Georgetown, most people just will not take the bus, it is not worth paying potentially £2.40, or it could be £3.40 for a single journey, which you have to change, possibly up to £7.80 for a return fare, and remember ordinary members of the public also have to consider parking charges, so they may have to pay for a day's parking when they come to town to work, which we can sometimes easily forget in our privileged positions. So just add that on top of it. We have not kept our side of the bargain essentially, we are saying we want 11 per cent increase, as I am reading it here, for that, but we are not providing the services that go with it. It has been mentioned before by the Minister for Planning and Environment, it is probably worth listening to the Minister for Planning and Environment now and again when it comes to environmental issues, we are not ring-fencing these things, simply it is going into centralised coffers when we should be ring-fencing that, we should either be putting money upfront and then recouping it or using that money to be spent later so that the good Minister for Planning and Environment, the good Minister for Transport and Technical Services, can use these things. We have not sorted out taxis yet and to be fair I do not envy the Minister for Transport and Technical Services, it is not something I would necessarily want to do, but it is still a headache for members of the public and tourists who cannot understand why they cannot hail a cab on the street, they have to get taxis, and why it is that certain taxi and cab drivers seems to be fighting at the harbour or at the airport and when they simply want to be able to get into town in the most efficient way. So we have not kept our end of the bargain and we cannot be putting taxis off. That is not to say in the future that I do not support green taxis, absolutely I do; I support anything that will change our behaviour that will reduce emissions, that will clear our streets of unnecessary traffic, but this is not the way to do it, so I will be ... it is a good question, what will I be doing? I will not be supporting it, because it has been so well-amended already, so I will clearly be supporting the amendment because that is the best thing I believe we can do at the moment. Thanks.

1.5.6 Senator L.J. Farnham:

I rise with a little bit of despair because our economy, despite all of the good things, has been in recession for I do not know how many years, but we still insist in eking out every penny we can. I

just think it is disappointing and I am disappointed again that the Assembly has not sent a more positive message to the tourism industry, which would have been very much appreciated in these difficult times. But I want to thank the Constable of St. Helier for taking the time, and Deputy Power, to engage quite fully with the industry, and I am not just talking about breweries or the pub chains that seem to have been elevated to the status of public enemy number one for this debate, I am talking about the small hotels and restaurants and bars and businesses that make up our very colourful and important industry. It is a great shame. I am going to support the Constable's proposition on fuel because I think, again, in these difficult times, it is quite a simple equation, the more money we take out in duties, the less money people have and the less benefit it does to our economy. Thank you.

1.5.7 Deputy J.M. Le Bailly of St. Mary:

The fuel tax, unlike alcohol and tobacco, affects everyone on this Island, whether you are a taxpayer or not it affects everyone, the families with young children who are very dependent on their parents, it affects everyone who does not drive or even needs to drive. It will have a knock-on effect to every industry, the transport companies, and of course your food and products, which rely on that transport. This fuel tax is wrong; it impacts indirectly on everyone in this Island. The Minister for Treasury and Resources is not only squeezing the motorists, more tax on fuel, does that mean that we will now have super-smooth roads? I do not think so. We are all getting a bumpy ride on this. Accepting this part of the proposition will benefit everyone in this Island, and I would urge you to do so.

1.5.8 Deputy G.C.L. Baudains:

If it is possible I would like to propose in the summing up to address an issue which was mentioned by the Minister for Treasury and Resources. A suggestion, I believe, that the fuel companies are making excessive profits. They may or may not be, I am not sure, but I would like if possible a comment on how much harbour dues on incoming fuel affect the cost of fuel and to what extent the design of La Collette Fuel Farm and its associated charges affects the cost of fuel.

1.5.9 Deputy G.P. Southern:

Just a pale echo of Deputy Martin previously; yet again here I am standing hearing the appeal to competition. Competition is not the be all and end all, particularly in small markets; regulation and control is.

1.5.10 Deputy J.H. Young:

Fuel: £20 million, according to the accounts duty, tobacco £15 million, both of those items. I think we will stand firm on the question of tobacco for all the reasons of health care, we should not concede that, because the tobacco industry is the only one which kills its customers and has to find new ones. I think that is definitely something we must stand firm on. Alcohol: we have spent virtually all day I think talking about alcohol, that is £16 million. I think the fuel debate is by a mile the most significant in economic terms. It affects every service and every good in the Island and I definitely support the Constable's amendment on that, and I am not persuaded by the Minister for Treasury and Resources' argument on that point. Because, if we can encourage economic activity, that should lead us to a greater tax-take through employees and the general success of business profits. But he mentioned competition and I would just like to quote one example, something is wrong here. For example, we have a very nice village garage, or we had, until recently a very nice village garage in St. Aubin, which had been there for many decades, if not longer, a family-run business. When the proprietor closed that he said to me that he could not carry on anymore, that is what he told me, he said he was having to buy fuel off the fuel companies at less than other people were selling it. **[Interruption]** Sorry? He was losing money, it was around the wrong way. **[Laughter]** Let us try again. Other people were selling fuel at a lower price than

he could buy it for. Therefore, every tank that he had filled at his garage cost him well over £1,000. Wasted money going, and he just could not continue. I do not know who sorts that out. In the end result, we do not have a village garage, and I think that is a real shame. I do not know whether that affects other smaller garages around the Island. But it is not a solution to whack on tax. It is not a solution to that. There are some structural problems within that industry. I hope somebody or some Minister who has got responsibility for this somewhere sorts this out. I think in the meantime we have got economic effects by racking up this tax, particularly for example, in the recent months, we have seen fuel being wasted by a mile with people sitting in traffic jams all over the place. Who knows what the economic cost of that is, because transport is crucial to everything. So I am going to support the Constable's amendment, providing he will let us vote for it separately, on the fuel and on tobacco. I am going to reject tobacco and accept fuel and obviously I think we support the Minister for Treasury and Resources in alcohol.

1.5.11 The Connétable of St. Mary:

I came into this Budget debate very conscious of the fact that we were voting for a package. I had not intended to deviate from that thought at the time, but discussions were ongoing, but I have to say, especially in view of the fact, as Deputy Martin picked up, there was a softening I felt towards this one. I have to go back to the Sustainable Transport Plan and the amendment I brought successfully to that plan. I know there is going to be a rebuttal to this, but to acknowledge that for some sections of the Island community the private car remains the only practical option. To agree that the cost of motoring, including parking, should not be disproportionately increased until a viable alternative method of transport is available to all. I know this is an across the board increase, so the word "disproportionately" will probably be argued out of it, but the spirit and the reason I brought that amendment still stands; that for some people, no matter how green we want them to be and how we fight it, there is simply no alternative. I would not have supported no increase in duty, but the arguments that I said about the alcohol strategy, *et cetera*, that we have waited and waited and waited, and I know in this respect the efforts are being made to tackle the fuel delivery as well. But I really feel that 1.5 per cent here is enough. So as much as I had come into this debate not expecting to support it, the more I think about it, and in light of the fact that really we have to give alternatives ... I have always said it, I am much more of a carrot person than a stick person. So here is a little carrot; it is only a little tiny carrot, but out of little carrots, bigger carrots grow.

1.5.12 Deputy E.J. Noel:

I would just like to point out to people that what we are talking about is a penny on a litre of fuel. Now, I think my wife and I we are probably a typical family. We have a young daughter, we do the school run every day. I estimate that our combined 2 vehicles burn just under about 100 litres of fuel per month. These duty increases will mean we will have to spend one whole pound per month more than we currently do. I think Members forget what this really is in reality. A penny on a litre of fuel is not a lot of money. I have done a few quick calculations here. Even if every litre of fuel in the Island, if that 1p is passed on to end consumers, so through the commercial vehicles, through the taxis, if that is passed on to end consumers we are looking at just shy of £4.80 per person, per year extra. This is a package, it is marginal whether or not the 0.5 per cent that the Connétable is looking for would make a big difference on the overall States budget, but this is a package and we need to act accordingly.

1.5.13 The Connétable of St. John:

If we are looking for the green way I would have thought that the previous speaker would walk or cycle his little one to school or maybe even use a bus, because at the end of the day the Constable of St. Mary is absolutely right that there are areas of this Island that are not as well served as others and we have got no alternative but to use vehicles, whether it is St. Ouen, St. Martin or St. John.

But there are areas which are not as well served as, shall we say, on the south coast where you have a bus every 15 minutes or 18 minutes. That said, I am going to support the Connétable on this one because whatever saving there is, it is a saving. But those people who have the ability to be able to take their child to school every day they might look at alternative ways instead of using the car. Thank you.

The Deputy Bailiff:

I will call on the Connétable to reply.

1.5.14 The Connétable of St. Helier:

I would not have minded if a few more Members spoke because I have been wrestling with my bitter sense of disappointment at the adoption of Senator Ozouf's amendment, which has effectively emasculated my amendment.

[17:15]

I want to refer to that for a few minutes before I manage to swallow my bile and be very generous. Twenty-five Members of this Assembly voted for a twice than inflation increase in alcohol and 23 Members voted that we should peg alcohol increases at inflation. If one Member had voted differently we would be sending out a strong message to the industry today that we are supporting them and we are supporting tourism. In a way I am pleased that the vote was so close, because those 25 Members who voted against my amendment or with the Minister for Treasury and Resources will have to answer to the electorate why they felt it was so important. As I say, I think we have missed an opportunity. I think we have shown that we are out of touch with the tourism industry, particularly over this issue of duty on alcohol. I do not believe the Council of Ministers can have it both ways. They cannot be a friend of the hospitality industry and vote for an inflation-busting increase in the cost of one of the most important products. So, if I do win the third part of this it will be pyrrhic victory. I am grateful to Members for their support, but it will send out a message that we want to slightly keep down the cost of motoring, though I say to Members who feel so strongly about this particular part: Why did not they not vote for Deputy Power's amendment which would have had a more serious effect on the cost of motoring than this, which is, I am afraid, going to be paltry. I mean, paltry as in very small. **[Laughter]** Anyway, I have no idea, to answer Senator Le Marquand, why the figures he came up with are not matched by the figures I have put in my amendment. I got these figures from the Agent of the impôts and I simply reproduced them in my amendment. If they do not match the sort of penny figures that he has, I can only apologise for that and encourage him to still vote for it, because I suppose it is better than nothing. I thank everyone who spoke, particularly for those who supported my initial attempt to get through the increases in alcohol that would have sent out a clear message to the hospitality industry, in particular, and to the majority of moderate sensible drinkers in the Island that we are not going to punish them for the misbehaviour of the minority. However, that is lost and we now have what we have, which is the amendment as amended and I maintain it.

The Deputy Bailiff:

Do you wish to take a vote on each part separately?

The Connétable of St. Helier:

Yes, please, Sir.

The Deputy Bailiff:

Very well. I invite Members to return to their seats. The first proposition is the paragraph (i) as amended. The vote is whether to accept or not the amendment which the States have just accepted as proposed by the Minister for Treasury and Resources. I ask the Greffier to open the voting. It

may seem odd to take the same vote again, but the main proposition has been amended and it is possible that there were Members who voted for the Minister for Treasury and Resources' amendment as being a better option than the Connétable of St. Helier's amendment, but nonetheless are still against the Minister for Treasury and Resources' amendment and would prefer to go back to the Budget Statement as first proposed. That is why we are taking the vote. After that explanation I will ask the Greffier to cancel that vote and we will start again to make sure that Members are clear what they are voting for. They are voting on the amendment which the Minister for Treasury and Resources proposed a moment ago in relation to increasing duty on alcohol.

Senator L.J. Farnham:

Sorry, Sir. If we vote against it we revert to the original Budget proposition which we could vote against then as well?

The Deputy Bailiff:

If you vote against this proposition then the original Budget Statement remains. I invite the Greffier now to open the voting.

POUR: 40		CONTRE: 2		ABSTAIN: 5
Senator P.F. Routier		Senator L.J. Farnham		Deputy R.C. Duhamel (S)
Senator P.F.C. Ozouf		Deputy of St. Mary		Deputy J.A.N. Le Fondré (L)
Senator A. Breckon				Deputy S. Pitman (H)
Senator S.C. Ferguson				Deputy M. Tadier (B)
Senator A.J.H. Maclean				Deputy T.M. Pitman (H)
Senator B.I. Le Marquand				
Senator F. du H. Le Gresley				
Senator I.J. Gorst				
Senator P.M. Bailhache				
Connétable of St. Helier				
Connétable of Trinity				
Connétable of St. Clement				
Connétable of St. Lawrence				
Connétable of St. Mary				
Connétable of St. John				
Connétable of St. Ouen				
Connétable of St. Brelade				
Connétable of St. Martin				
Connétable of St. Saviour				
Connétable of Grouville				
Deputy R.G. Le Hérisier (S)				
Deputy G.P. Southern (H)				
Deputy of St. Ouen				
Deputy of Grouville				
Deputy J.A. Hilton (H)				
Deputy of Trinity				
Deputy S.S.P.A. Power (B)				
Deputy K.C. Lewis (S)				
Deputy E.J. Noel (L)				
Deputy T.A. Vallois (S)				
Deputy M.R. Higgins (H)				
Deputy A.K.F. Green (H)				
Deputy J.M. Maçon (S)				
Deputy G.C.L. Baudains (C)				
Deputy of St. John				

Deputy J.H. Young (B)				
Deputy S.J. Pinel (C)				
Deputy of St. Martin				
Deputy R.G. Bryans (H)				
Deputy R.J. Rondel (H)				

The Deputy Bailiff:

We now come to the second amendment proposed by the Connétable of St. Helier in relation to tobacco products and I ask the Greffier to open the voting.

POUR: 16		CONTRE: 32		ABSTAIN: 0
Senator A. Breckon		Senator P.F. Routier		
Senator S.C. Ferguson		Senator P.F.C. Ozouf		
Senator L.J. Farnham		Senator A.J.H. Maclean		
Connétable of St. Helier		Senator B.I. Le Marquand		
Connétable of St. Clement		Senator F.du H. Le Gresley		
Connétable of St. Ouen		Senator I.J. Gorst		
Deputy G.P. Southern (H)		Senator P.M. Bailhache		
Deputy of St. Ouen		Connétable of Trinity		
Deputy S.S.P.A. Power (B)		Connétable of St. Lawrence		
Deputy S. Pitman (H)		Connétable of St. Mary		
Deputy T.A. Vallois (S)		Connétable of St. John		
Deputy M.R. Higgins (H)		Connétable of St. Brelade		
Deputy G.C.L. Baudains (C)		Connétable of St. Martin		
Deputy of St. Martin		Connétable of St. Saviour		
Deputy R.G. Bryans (H)		Connétable of Grouville		
Deputy R.J. Rondel (H)		Deputy R.C. Duhamel (S)		
		Deputy R.G. Le Hérissier (S)		
		Deputy J.A. Martin (H)		
		Deputy of Grouville		
		Deputy J.A. Hilton (H)		
		Deputy J.A.N. Le Fondré (L)		
		Deputy of Trinity		
		Deputy K.C. Lewis (S)		
		Deputy M. Tadier (B)		
		Deputy T.M. Pitman (H)		
		Deputy E.J. Noel (L)		
		Deputy A.K.F. Green (H)		
		Deputy J.M. Maçon (S)		
		Deputy of St. John		
		Deputy J.H. Young (B)		
		Deputy S.J. Pinel (C)		

The Deputy Bailiff:

We now come to the third amendment which relates to fuel duty and I ask the Greffier to open the voting.

POUR: 31		CONTRE: 16		ABSTAIN: 1
Senator A. Breckon		Senator P.F. Routier		Connétable of St. Mary
Senator S.C. Ferguson		Senator P.F.C. Ozouf		

Senator L.J. Farnham		Senator A.J.H. Maclean		
Connétable of St. Helier		Senator B.I. Le Marquand		
Connétable of Trinity		Senator F.du H. Le Gresley		
Connétable of St. Clement		Senator I.J. Gorst		
Connétable of St. Lawrence		Senator P.M. Bailhache		
Connétable of St. John		Connétable of St. Brelade		
Connétable of St. Ouen		Connétable of St. Martin		
Connétable of St. Saviour		Deputy of Trinity		
Connétable of Grouville		Deputy K.C. Lewis (S)		
Deputy R.C. Duhamel (S)		Deputy E.J. Noel (L)		
Deputy R.G. Le Hérisier (S)		Deputy A.K.F. Green (H)		
Deputy J.A. Martin (H)		Deputy of St. John		
Deputy G.P. Southern (H)		Deputy S.J. Pinel (C)		
Deputy of St. Ouen		Deputy of St. Martin		
Deputy of Grouville				
Deputy J.A. Hilton (H)				
Deputy J.A.N. Le Fondré (L)				
Deputy S.S.P.A. Power (B)				
Deputy S. Pitman (H)				
Deputy M. Tadier (B)				
Deputy T.M. Pitman (H)				
Deputy T.A. Vallois (S)				
Deputy M.R. Higgins (H)				
Deputy J.M. Maçon (S)				
Deputy G.C.L. Baudains (C)				
Deputy J.H. Young (B)				
Deputy of St. Mary				
Deputy R.G. Bryans (H)				
Deputy R.J. Rondel (H)				

The Deputy Bailiff:

We now resume debate on the draft Budget Statement as amended by the changes to duty in relation to alcohol.

Deputy R.G. Le Hérisier:

Could we move the adjournment at this point? **[Seconded]**

The Deputy Bailiff:

The adjournment is proposed. We will adjourn and reconvene at 9.30 a.m. tomorrow morning

ADJOURNMENT

[17:22]