



The Jersey Chamber of Commerce

Deputy S Luce
Chairman, Economic Affairs Scrutiny Panel
Scrutiny Office
Morier House
Halkett Place
St Helier
JE1 1DD

9th January 2014

Dear Deputy Luce

RETAIL POLICY REVIEW

Further to your letter to the Jersey Chamber of Commerce dated 28th November 2013, we are pleased to respond to your request for information that will assist you in your Retail Policy Review.

Current policies and actions of the States of Jersey towards the retail sector

It is the view of the Chamber of Commerce that there is no meaningful plan for the retail industry. The previous "Retail Framework" (published by the Economic Development Department in 2010) was mainly concerned with the provision of a third supermarket and is therefore mainly concerned with food retailing.

We now understand that the Economic Development Department (EDD) has recognised the need for a vibrant On-Island retail sector and is engaging with the Chamber of Commerce and other interested parties in order to develop a revised "Retail Framework" that deals better with non-food retail.

Chamber also supports the view that the potential social and demographic implications should the retail sector contract significantly are not acceptable. A revised framework must address the impact that the Internet is having on the retail and wholesale sector, together with issues relating to tax, costs, labour, planning/building control and training. There is an important matter of encouraging young retail entrepreneurs into a sector where the proprietor is increasingly aging; this is vital if Jersey is to sustain a diverse retail offer to local and visiting customers.

The Chamber of Commerce is currently in a formal dialogue with officers from EDD to identify short term actions to help Island retailers and this is seen as very positive and welcome.

The Town Team has been revitalised, again to directly address the issues in St. Helier on which the Chamber has a formal presence.

The mere fact that dialogue of this nature and action points are emerging is, in the Chamber's view, to be applauded, however, it is an early stage in this process.

Furthermore all the initiatives being considered can form the basis for a new "Retail Framework".

It must also be recognised that intervention through Island-wide and town planning by the Department of the Environment, Transport and Technical Services and the Parish of St Helier



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could have a significant role influencing the provision of retail in Jersey. It is disappointing that the retail economy does not feature more prominently in the delivery of the Island Plan objectives and other strategic policies. For example the impact on retail appears to have been ignored when drawing up the North of Town Masterplan and the subsequent removal of parking at Gas Place and the creation of the Millennium Park. Retailers have been severely affected by this planning decision, made worse by the withdrawal of plans by Le Masurier to develop land in the Bath Street area.

Chamber gave broad support to the Island Plan however the impact, costs and benefits of change are yet to be understood, in the widest sense, for successful, confident business planning for the private and public sector.

Main challenges facing retail in Jersey.

The Chamber of Commerce believe that the main challenges facing the diverse retail sector in Jersey consist of the following:-

The Internet

There is no doubt that the internet has exposed local retailers to a very considerable level of competition from overseas, in particular this manifests itself in matching prices available to consumers on the internet. To compete with this local retailers have, where possible, reduced prices and where some years ago some retailers considered it acceptable to charge UK equivalent prices, nowadays the consumer expects to see a Jersey price below the UK price. Jersey retailers are therefore trying to reduce their prices and as a consequence margins are also reducing.

Local retailers need to invest in improved and personal customer service, which is an area that the internet struggles to deliver. Surveys show that customer service in the Island, universally, is not of the highest level and local retailers are either already investing in customer service or will find that they have to invest if they are to retain their customers.

The competition from the Internet will affect different retailers in different ways depending on the type of product sold. Those retailers selling commodity goods will need to monitor closely the price offered on-line, however convenience is a factor and it has become popular to purchase bulky items on the Internet and have them delivered direct to home. For example nappies, dog food, toilet paper and even cans of baked beans have all passed through the parcel service of Jersey Post. Electrical retailers will struggle to compete with prices of Internet retailers and will probably not survive in Jersey, in their present form, for many more years. Those UK owned retailers who manufacture their own goods for retail have more control over the supply chain and in some cases either do not deliver on-line purchases to the Island or do not deduct VAT from items dispatched.

It is often said that local retailers should establish their own Internet sales site to satisfy the local 'Web shopper'. However putting aside the issue of the technical knowledge needed to do this (which is missing from most traditional businesses) local retailers are usually unable to divert scarce resources to establish a transactional web site with the significant risks that this entails. To address this, we are pleased to inform the Economic Affairs Scrutiny Panel that the Chamber of Commerce is working in partnership with EDD and Jersey Business to provide the necessary technical skills and funding to develop an Internet platform to assist local retailers gain an on-line presence.



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Managing rising costs in a shrinking economy

This is a big challenge for local retailers as sales have been either shrinking or static in many businesses, evidence is provided in the States statistics retail figures, which reveals that the volume of retail sales in Jersey during 2013* have returned to the level last seen in 2006. Furthermore margins are being squeezed due to efforts made to be price competitive. It is therefore obvious that with sales and margins reducing, any cost increases are doubly difficult for local retailers to absorb. Costs are increasing for retailers, in particular, rents, electricity, rates and the minimum wage have all increased during the most serious recession that the Island has seen for over a generation.* **Jersey Retail Sales Q3 2013** Statistics Unit: www.gov.je/statistics.

In order to understand the current situation, it should be explained that the cost of wages and rent increased rapidly in Jersey's boom years of the 80's and 90's when the economy grew and tourists bought gifts from local shops. It was during these years that the need to pay for ever increasing wages and rents caused a number of retailers to charge UK equivalent prices, using the additional margin to cover their increased costs. Now that the Internet is forcing retailers to reduce prices and margins, the cost base is unaffordable. Retailers are expected to charge prices less VAT plus GST but have to pay wages in an economy where the average wage is a third higher than that of the UK.

Similarly, many retailers are still paying rents set at pre-financial crash levels because of long leases that were agreed. In many cases rentals have not been adjusted down by landlords who continue to expect their contractual RPI increase. Those retail businesses with long leases and no break clauses will struggle to survive.

The reason that the Internet is taking such a toll on local retail is because it is difficult for many retailers to adjust their cost base to match the new level of business and margin. Those retailers who come to the end of their lease are able to renegotiate a lower rental but it is very difficult (almost impossible) to attract competent labour at UK equivalent prices.

The introduction of GST in 2008 also introduced greater complexity for local retailers shortly before the financial crisis hit the Island's economy. There is a real cost incurred by retailers in collecting this tax, which was to be offset by allowing businesses to retain the tax collected for three months, but in reality the historically low interest rates have denied most retailers any offset. Examples of this are credit card charges and bank fees together with costs associated with the systems purchased to allow implementation at point of sale.

Furthermore local retailers who do not have distribution control of their product (i.e. they don't manufacture the goods they sell) are less able to be price competitive without incurring the tax themselves, providing an incentive for customers to shop on-line. We urge the Economic Affairs Scrutiny Panel to consider the total "leakage" of revenue to the Island and consider the loss, not only of GST and Income tax (paid by local business owners) but also how that loss of taxation income will necessarily be replaced. Furthermore the Panel should consider the effects on the wider economy where significant amounts of money are flowing out of the Island for little economic benefit.

Tourism

Island retailers have previously benefitted from tourism business but the number of staying leisure visitors has fallen from over 600,000 in the early 1990's to circa 300,000 in 2012. This has



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retail areas away from the shopping centre are in terminal decline. Any increase in visitor numbers should benefit local retailers by increasing the number of potential customers.

Chamber also endorses the moves to highlight the GST refund scheme available at the Harbour and Airport. Chamber realises that the scheme can only attract a small sector of visitors, is attractive for high value items but feedback from a number of retailers suggest that the system is cumbersome.

Access to finance

We have reports that Banks continue to be reluctant to lend to more traditional retailers who are exposed to the full range of costs of doing business. This could potentially drive up costs for local businesses.

Small Business issues

Many larger retailers in King Street are UK owned and operated and are more insulated to some of the issues that have been highlighted. The diversity of Jersey's retail sector however, is provided by very small businesses operating as retailers and cafes. The Chamber of Commerce is not aware of any steps that have been taken specifically to assist small businesses in general, and this is also having an impact on the diversity of retail that is available now, and indeed that will be available in the next five years.

The following are the most important areas that should be addressed by the States of Jersey to directly assist small businesses in particular:

- Free up the planning and building control processes to reduce bureaucracy.
- Reduce the social security burden on small businesses, especially those where the owner operates the business-in particular Class 2 contributions for self-employed urgently needs reassessment
- Extend the qualifying period for employees being able to claim unfair dismissal. This is 26 weeks in Jersey as compared to 2 years in the UK
- Reduce the statutory redundancy payments which would allow small businesses to restructure rather than force closure.
- Introduce exemptions for small businesses complying with the new Control of Housing and Work Law.

Having dealt with the higher level issues we must also comment on some specifics that Chamber believe require attention

Town Access

It is imperative that access and egress of St. Helier is made as easy and simple as possible and further pedestrianism of St. Helier, whilst attractive to some, should not act as a deterrent if shopper parking is pushed further away from the shopping areas making access inconvenient.

Information regarding available car parking and any traffic issues should be widely available through a variety of channels.



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Parking

All the major car parks should be given technological improvements. The system of number plate recognition, as used at Sand Street, is a template. This system not only gives flexibility to the user but can enable the provider accurate information which will enable innovative parking initiatives to be introduced. This could include free parking allowance, 2 for 1 offer and tie these into retail and promotional activities.

We must also consider the experience that the town car parks offer-in Minden Place for example the size of the parking bays which may no longer be appropriate for car design in 2014.

Whilst the solutions for different problems may require different technologies it is imperative that one payment platform across all of these is adopted.

We are aware through our Transport and Tourism Committee that TTS have clearly recognised these issues.

The Markets

The Chamber of Commerce is concerned at the apparent stuttering progress in modernising the Jersey Markets. The Markets are a valuable part of St Helier's shopping experience and should be a frequent, accessible resource for all Island residents and an essential visit to recommend to our tourists that the Island can display with pride. However actions that were identified in a report entitled "Jersey Markets Review" dated December 2010 do not appear to be addressed with determined commitment. If the Markets are to survive and attract new customers they must adapt to the new retail environment with a clear set of objectives and business plan.

Finally it must be appreciated that this document is a "snapshot" of the position and the major issues that face retail on Island. The Jersey Chamber of Commerce is encouraged that at last there appears to be a political recognition of the challenges facing retail and the consequences of a failure to support this sector. There is however a need for continuous review of strategic issues and development of appropriate solutions to ensure that Jersey retains an energetic retail sector providing direct employment opportunities to over 15% of the population and significant GVA to the Island.

Yours sincerely

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IAN G TAYLOR
CHIEF EXECUTIVE