

STATES OF JERSEY



DRAFT ACT ANNULLING THE ROAD TRAFFIC (PUBLIC PARKING PLACES – CHARGES) (AMENDMENT No. 6) (JERSEY) ORDER 2015 (P.14/2015): COMMENTS

**Presented to the States on 9th March 2015
by the Minister for Transport and Technical Services**

STATES GREFFE

COMMENTS

Deputy G.P. Southern of St. Helier lodged a proposition *“To adopt an Act as set out in the Appendix of P.14/2015, annulling the Road Traffic (Public Parking Places – Charges) (Amendment No. 6) (Jersey) Order 2015, and to request the Minister for Transport and Technical Services to make a new Order limiting any increases in parking charges to 1.3%”*.

In his proposition Deputy Southern suggests that:

- (1) The applicable RPI figure is the ‘All Items Retail Price Index (RPI)’.
- (2) The annual increase should be pegged to the December Quarter Report (published mid-January the following year).
- (3) The application of GST is material to the inflation increase applied and should be taken into account when considering the final retail cost (i.e. the Car Park Trading Fund should discount for GST should the total exceed the States notional inflation target).

The Proposition states *“The overall effect of this Order, after taking into account the addition of 5% GST, and rounding, is to raise the cost of a parking unit from 74 pence to 76 pence. This is a total rise of 2.7%, or twice the rate required to cover the inflation figure of 1.3%. The actual cost of a parking unit should therefore be 75 pence, a rise of one penny, not 2 pence”*.

The Department has applied the same basis and process to calculate the annual increase in parking charges since the introduction of GST in 2008, in accordance with Financial Direction 4.1 “Increases in States Fees and Charges”:

- (1) The established RPI figure for car parking charges is the ‘Underlying Rate of Inflation RPI(Y)’. This figure in general provides a lower measure of inflation, as it excludes mortgage interest and indirect taxes (e.g. GST and impôts), and thus avoids double counting GST.
- (2) For practical administrative purposes the September Quarter Report is used for the annual increase (published mid-October). It is believed this has been accepted practice for Committees and Ministers since the introduction of Paycards in 1998.
- (3) The Order defines the “Unit Value” of a paycard, excluding GST. For many years this has been expressed in round pence, however, this typically causes issues with GST due to roundings and the small amounts of money involved in a single 1 unit paycard.

The GST Law states that retail prices must be rounded up or down according to usual numerical rules (i.e. 0.5p or greater rounds up, 0.499p or lower rounds down). In 2014, the retail price should have been 74.55p per unit, which would have resulted in a 1 unit paycard costing 75p, but a 2 unit paycard costing £1.49. To avoid public confusion and to make administrative efficiencies, the Department set the price of a 1 unit paycard at 74p and a 2 unit card at £1.48. This measure cost the Jersey Car Parking Trading Fund approximately £30,000 in lost revenue, as the full amount of GST collected was returned to the

Treasury, and the Trading Fund received 70.48p per unit instead of the 71p set in the Order.

For 2015, in order to avoid this confusion and to clarify the position with regard to retail prices, the Order has defined the unit value to the nearest 0.1p which results in a much clearer GST calculation.

The unit value in 2014 was 71p. Increased by the September 2014 RPI(Y) percentage of 1.8% results in a unit charge of 72.3p, which has been rounded to the nearest value which would result in a whole penny GST inclusive figures (72.3p + GST = 75.9p) or in figures –

2015 Retail Price = (2014 ‘Unit Value’ + RPI(Y) 1.8% + GST 5%) ± Rounding figure;

2015 Retail Price = (71p + 1.3p + 3.6p) + 0.1p;

2015 Retail Price = 76p.

If Deputy Southern’s proposition was to be adopted, the potential loss of income to Jersey Car Parks has been estimated as approximately £75k, this funding is required to contribute towards the operation, maintenance and the eventual replacement and modernisation of the Island’s parking facilities.

Accordingly, the Minister for Transport and Technical Services urges States Members to reject this proposition.

Calculation summary

2014 Net ‘Unit Value’	Sept 2015 RPI(Y) 1.8%	2015 Net ‘Unit Value’	GST 5%	2015 Unit Value +GST	2015 Retail Price Including GST *
71p	1.3p	72.3p	3.6p	75.9p	76p

*Paycards purchases must be able to be calculated as multiples of one unit. To enable this the Department need to round up some years and down others, in accordance with normal mathematical rules.