

STATES OF JERSEY



DRAFT BUDGET STATEMENT 2019 (P.114/2018): SIXTH AMENDMENT (P.114/2018 Amd.(6)) – COMMENTS

**Presented to the States on 30th November 2018
by the Council of Ministers**

STATES GREFFE

COMMENTS

The Council of Ministers opposes this amendment and encourages States Members to vote against it.

This amendment seeks to reverse the 3.5% increase to impôts duty on alcohol that is proposed in Budget 2019, thus freezing the rates for 2019. The amendment:

1. Would create a significant reduction in States revenues in 2019 (by over £740k) that would also have a consequent effect on future years, and
2. Conflicts with existing States policies on the management of alcohol consumption in the Island.

Impact on States revenue

Budget policy in recent years has been to increase alcohol impôts annually by reference to the rate of inflation. This was the assumption that was originally made by the Income Forecasting Group (“IFG”) in preparing their forecast for 2019 and would have resulted in a rate of increase in alcohol impôts of 4.5%. In the Draft Budget, the Minister for Treasury and Resources actually proposed a rate of increase of 3.5%, an increase that was lower than inflation – this being the rate of increase in annual earnings for the year. This lower rate of impôts increase for alcohol below inflation is already expected to reduce States revenue in 2019 by over £0.2 million as against the IFG forecast.

The amendment lodged would reduce 2019 revenues by a further £740k, resulting in an overall reduction to States revenue of approximately £1 million in 2019 as against forecast.

Furthermore, any freeze in the impôts rate for one year has a consequential impact on the base rate of impôts duty in future years; lowering it permanently. Therefore, although the amendment freezes the duty rate for 2019 only, this one-year freeze would have a continued effect on future forecasts, as shown in the tables below.

Forecast States revenue streams if 2019 alcohol impôts are increased by 3.5% (the Budget proposal)

	(3.5% increase) 2019 <i>Forecast</i>	(3.4% increase) 2020 <i>Forecast</i>	(3.3% increase) 2021 <i>Forecast</i>	(3.3% increase) 2022 <i>Forecast</i>	(3.3% increase) 2023 <i>Forecast</i>
Impôts Duties Spirits	£6,195,000	£6,342,000	£6,485,000	£6,633,000	£6,783,000
Impôts Duties Wine	£8,835,000	£9,137,000	£9,437,000	£9,750,000	£10,071,000
Impôts Duties Cider	£732,000	£735,000	£736,000	£737,000	£739,000
Impôts Duties Beer	£6,257,000	£6,405,000	£6,550,000	£6,698,000	£6,849,000
Total Impôts Duties Alcohol	£22,019,000	£22,619,000	£23,208,000	£23,818,000	£24,442,000

Forecast States revenue streams if 2019 alcohol impôts are frozen (the amendment lodged)

	(0% increase) 2019 <i>Forecast</i>	(3.4% increase) 2020 <i>Forecast</i>	(3.3% increase) 2021 <i>Forecast</i>	(3.3% increase) 2022 <i>Forecast</i>	(3.3% increase) 2023 <i>Forecast</i>
Impôts Duties Spirits	£5,986,000	£6,127,000	£6,267,000	£6,408,000	£6,554,000
Impôts Duties Wine	£8,537,000	£8,827,000	£9,119,000	£9,419,000	£9,730,000
Impôts Duties Cider	£707,000	£709,000	£710,000	£712,000	£713,000
Impôts Duties Beer	£6,046,000	£6,189,000	£6,328,000	£6,471,000	£6,618,000
Total Impôts Duties Alcohol	£21,276,000	£21,852,000	£22,424,000	£23,010,000	£23,615,000
Difference	-£743,000	-£767,000	-£784,000	-£808,000	-£827,000

The “Difference” calculated in the table above illustrates the forecast permanent cost of this amendment to the States.

Impôts policy should support the States’ health strategy

The health and wider social impacts of alcohol consumption are of serious cross government concern and it is important that impôts policy supports overall government policy on this important matter.

Using per capita costs from the UK it is estimated that the socio-economic cost to Jersey will be roughly £30 million a year in wider social costs of alcohol related harm. This money could be spent on many worthwhile causes in our community. These costs are much higher than the impôts tax (and GST) that is collected from alcohol.

The health impacts of alcohol continue to be a significant issue. Scientific evidence shows increased health risks associated with regular alcohol consumption, even in moderate and what might be considered ‘sensible’ amounts. Like tobacco smoke, alcohol is a toxin and the cumulative impact on the body leads to significant increased risks of common health conditions that are not always associated with alcohol use, such as breast, throat, mouth and bowel cancer.

Key findings from alcohol profile 2016 (updated in Q1 2019).

Although alcohol consumption is 17% less than it was ten years ago, in 2016, one in four drinkers (26%) were found to be drinking at harmful or dangerous levels. This level of harm is seen in the use of services:

- 50 admissions of children (up to 17 years) with an alcohol specific condition, between 2014–2016.
- 39 deaths related to alcohol for the same period.
- 770 hospital admissions wholly attributable to alcohol (lowest in 5 years 2015 = 920).
- Age standardised admissions per 100,000: Jersey = 747, England = 583.

- One in 6 (16%) of all recorded crimes involved alcohol.
- A quarter (27%) of common, grave and criminal and sexual assault involved alcohol.
- Over 100 domestic assaults in 2016 involved alcohol.

Alcohol consumption is one of the key causes of preventable disease in Jersey and therefore a key consideration in the Common Strategic Policy (“CSP”) priority to improve Islanders’ well-being and mental and physical health and in the commitment to embed health and wellbeing considerations at the heart of all government policy.

Locally, our reducing trend in consumption coincides with an increasing trend in prices of alcoholic drinks. The recent review of evidence on pricing from the Corporate Services Scrutiny Panel also concluded that there was good international evidence that price and consumption are linked. Systematic reviews with a high standard of research methodology drawn from a breadth of countries concludes this, suggesting applicability of the measure across cultural contexts.

These reviews have shown that increasing the price of alcohol reduces both acute and chronic harm related to drinking, and that heavy or problem drinkers are no exception to the basic rule that consumers respond to changes in price. However, there are groups that are considered more price sensitive, such as young people, who are also particularly vulnerable to physical and mental harm from alcohol use, as well as addiction compared to adults.

Dependent drinkers (which are a separate group from those regularly consuming alcohol at hazardous and harmful levels) are less price sensitive. These groups require specialist services such as that put in place in Jersey in recent years through the Alcohol Pathway team. We know from the Jersey Opinion and Lifestyles Survey that thousands of Islanders are drinking at levels that are hazardous or harmful to health. This is not necessarily consumption that leads to falling over in the street or being violent, but levels that significantly increase the risk of high blood pressure, cancers, cardiovascular disease, stroke and a long list of other conditions. These are health care costs which are projected to exponentially increase locally, to unsustainable levels, and which already damage the lives of too many Islanders.

The strength of evidence from a range of differing cultures is such that well regarded policy bodies such as the World Health Organisation and OECD recommend that all jurisdictions consider bringing forward fiscal policies which increase price in order to deter over consumption and the increased risk to health and social damage.

Alcohol taxation can be justified on the basis of the harm that alcohol causes to wider society, as well as to the impact on the consumer. Any lost enjoyment suffered by moderate consumers as a result of alcohol duty (a penny on a pint), is considered extremely small relative to the benefits in terms of its contribution to reducing crime, violence, and harm to children, healthcare savings, social security benefits and improving economic output.

Further review

The further development of an accurate, robust and evidenced based approach to give confidence in findings concerning influences on consumption in the local context would likely require significant resources. Given the understanding of current international evidence and its relevance across cultural contexts, it is unclear what benefits and additional understanding could be gained from such a study.

Pricing policies in the commercial sector are well regarded as key levers to consumer behaviour. We have strong evidence that alcohol is no different and there is no reason to expect that Jersey should be any different. Rather than investing in an assessment of alcohol pricing influences on drinking, the investment of resources in work to engage with local communities on policies to address alcohol related harm would be of more value and consistent with agreed CSP commitments.