

# STATES OF JERSEY



## **DRAFT BUDGET STATEMENT 2017 (P.109/2016): AMENDMENT (P.109/2016 Amd.) – COMMENTS**

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**Presented to the States on 12th December 2016  
by the Council of Ministers**

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**STATES GREFFE**

## COMMENTS

**The Council of Ministers strongly opposes both parts of this amendment and encourages Members to reject the amendments proposed.**

There are 2 parts to the Deputy's amendment. Part 1 restricts the increase in alcohol impôts duties to 1.5% (decreasing States revenue by an estimated £690k during 2017 – broadly recurring in later years). Part 2 restricts the increase in fuel duties to 1.5% (decreasing States revenue by an estimated £590k during 2017 – broadly recurring in later years).

If both parts of the amendment were to be agreed, they would reduce the States' revenues by £1.3 million in 2017, which means that over the 3 years 2017–2019, States' revenues would be reduced in total by c. £3.9 million.

It is worth stating that impôts on tobacco, alcohol and fuel are taxes intended to contribute to all public expenditure. However, in recent decades they have also become an important lever to support other policy objectives.

The existing States policy of above RPI increases in alcohol impôts helps to further discourage consumption and meet the considerable cost to the States of that consumption.

### Part 1: alcohol impôts

- Recent data published by the Health Intelligence Unit<sup>1</sup> shows Jersey's *per capita* consumption of alcohol reducing. In 2000, Jersey had a *per capita* consumption of over 16 litres of pure alcohol per person per year, and this has reduced to 11.5 litres of pure alcohol in 2015.
- The data supports global evidence<sup>2</sup> that fiscal measures that increase the price of alcohol, such as increasing duty, has an impact on reducing consumption. The reducing trend in consumption coincides with an increasing trend in prices of alcoholic drinks. This behavioural change is greatest amongst those that drink the most and on young people's drinking.
- However, Jersey still has one of the highest levels of *per capita* alcohol consumption in Europe, with one in 4 drinkers drinking at potentially hazardous or harmful levels. 11.5 litres of pure alcohol is the equivalent of drinking 128 bottles of wine a year, or 506 pints of beer.

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<sup>1</sup> See the Jersey Health Profile 2016 (available here: <http://www.gov.je/government/pages/statesreports.aspx?reportid=2464>) and the Jersey Alcohol Profile 2015 (available here: <http://www.gov.je/government/pages/statesreports.aspx?reportid=1719>)

<sup>2</sup> The OECD in their recent report "Tackling Harmful Alcohol Abuse" state: "The impact of changes in the price of alcoholic beverages has been extensively studied and a consistent body of evidence shows that increases in taxation, when passed on to consumers, reduce alcohol consumption."

- The key findings from the Jersey Alcohol Profile 2015 include the following points –
  - Jersey has one of the highest levels of *per capita* alcohol consumption in Europe;
  - Around one in 4 (27%) of drinkers were found to be drinking at potentially hazardous or harmful levels;
  - Over the period 2012–2014, there were 45 alcohol-related deaths (ONS definition) which comprised some 2% of all deaths in Jersey;
  - There are around 500 Hospital admissions each year wholly attributable to alcohol; and
  - One in 5 of all crimes has alcohol involvement – whilst almost 500 incidents of domestic violence involving alcohol have been reported to the States of Jersey Police since 2012.
- The cost of alcohol on our community far exceeds the duty taken to support services in managing these harms. Based on a United Kingdom cost *per capita*, the annual cost of alcohol-related harm to Jersey is estimated to be £30 million. The amount raised from alcohol impôts in 2015 totalled £18.2 million, leaving a significant shortfall between the revenue collected from alcohol and the cost on our community.
- The Council of Ministers also highlights the additional profit margin that appears to be taken on the sale of alcoholic drinks in the Island. The following table from the Statistics Unit outlines pre-tax price (i.e. stripping out excise duties and VAT/GST) charged for a number of alcohol beverages in the UK and Jersey across the last 4 years.

Table 1: Mean average *pre-tax* prices of alcoholic drinks in Jersey and the UK: June 2013 – June 2016

	Jersey				UK				Difference in pence				Percentage difference			
	2013 (p)	2014 (p)	2015 (p)	2016 (p)	2013 (p)	2014 (p)	2015 (p)	2016 (p)	2013 (p)	2014 (p)	2015 (p)	2016 (p)	2013 (%)	2014 (%)	2015 (%)	2016 (%)
<b>Draught bitter, per pint</b>	280	294	303	303	196	202	205	207	84	92	98	96	43	45	48	46
<b>Draught lager, per pint</b>	319	322	327	340	221	228	235	238	98	94	92	102	44	41	39	43
<b>Whisky, per 25 ml. nip</b>	238	237	249	266	176	184	189	196	62	53	59	70	35	29	31	36

*Source: Statistics Unit (rounded appropriately)*

- This highlights that the pre-tax price charged for alcohol in Jersey is, and has consistently been, significantly higher than in the UK.

- The Council of Ministers accepts that there are some higher costs from operating in Jersey, but questions whether they justify such significant differences in the pre-tax price charged in the Island.

**The Council of Ministers strongly opposes this part of the amendment and encourages Members to vote against it.**

Part 2: fuel duty

- Increasing fuel duty is consistent with the broader States policies regarding transport and the environment.<sup>3</sup>
- Increasing fuel duty increases the incentive to purchase more fuel-efficient/lower-polluting vehicles, and by increasing the cost of motoring encourages more individuals to consider other forms of transport, reducing pollution and the costs associated with congestion of the roads.
- Consistent with the analysis presented in respect of alcohol, the Council of Ministers is also concerned by the apparent additional profit margin captured on road fuel sales in Jersey when compared with the UK.
- The following table from the Statistics Unit outlines the pre-tax price (i.e. stripping out excise duties and VAT/GST) charged for a litre of petrol and diesel in the UK and Jersey across the last 4 years.

Table 2: Mean average *pre-tax* retail prices of motor fuels in Jersey and the UK: June 2013 – June 2016

	Jersey				UK				Difference in pence				Percentage difference			
	2013 (p)	2014 (p)	2015 (p)	2016 (p)	2013 (p)	2014 (p)	2015 (p)	2016 (p)	2013 (p)	2014 (p)	2015 (p)	2016 (p)	2013 (%)	2014 (%)	2015 (%)	2016 (%)
<b>ULSP/ premium unleaded</b>	74	74	62	52	54	50	39	35	20	23	23	18	38	46	59	52
<b>ULSP/ diesel</b>	76	74	60	52	58	55	43	35	18	19	17	17	31	34	40	47

*Source: Statistics Unit (rounded appropriately)*

- This highlights that the pre-tax price charged for road fuel in Jersey is, and has consistently been, significantly higher than in the UK.

<sup>3</sup> See the “Sustainable Transport Policy” available here: <http://www.gov.je/SiteCollectionDocuments/Government%20and%20administration/R%20JerseysSustainableTransportPolicy%20100702%20dstg%20vfinal.pdf> and “Pathway 2050: An Energy Plan for Jersey” available here: [http://www.gov.je/SiteCollectionDocuments/Government%20and%20administration/R%20Pathway%202050%20An%20Energy%20Plan%20reduced%20\(size%201.3mb\)%20DM%200140325.pdf](http://www.gov.je/SiteCollectionDocuments/Government%20and%20administration/R%20Pathway%202050%20An%20Energy%20Plan%20reduced%20(size%201.3mb)%20DM%200140325.pdf)

- The Council of Ministers accepts that there are some higher costs from operating in Jersey, but questions whether they justify such significant differences in the pre-tax price charged in the Island.

**The Council of Ministers strongly opposes this part of the amendment and encourages Members to vote against it.**

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**Statement under Standing Order 37A [Presentation of comment relating to a proposition]**

These comments were submitted to the States Greffe after the noon deadline as set out in Standing Order 37A in order to ensure that the States Assembly has the latest information when considering the effect of the amendments.