



15th November 2016

Deputy J.A.N. Le Fondré
Chairman Corporate Services Scrutiny Panel
Scrutiny Office
States Greffe
Morier House
St Helier
JE1 1DD

Dear Deputy Le Fondré

Corporate Services Scrutiny Panel

Review of the Budget 2017

Thank you for inviting the Consumer Council to make a written submission detailing our views relating to the Draft Budget 2017 proposals. We recognise that the global economic environment is uncertain and the impacts of world wide political events are unknown.

The Jersey Consumer Council (JCC) works on behalf of consumers on the Island. We are a research and policy-based advocate for good consumer-facing market conduct. We investigate and publicise anomalies in consumer affairs and provide Islanders with accurate and timely information to help them make informed decisions.

Impots

To help consumers make informed choices and to foster transparency in pricing the JCC manage

<http://www.jerseyfuelwatch.com>



**Keeping an eye
on the costs of
fuel in Jersey.**



It is clear from the dialogue on the social media channels supporting Fuel Watch and in more general terms our work that Jersey consumers are price sensitive; with many having no choice but to shop around for the most cost effective fuel, food and services. Whilst the Treasury Minister indicates that the increase in vehicle emissions duty is directly linked to the island's commitment to meeting Kyoto targets. Having said this it is evident that vehicle ownership and reliance on car journey's is still high in Jersey with 124,156 vehicles recorded on the Driver and Vehicle Standards (DVS) register as at 31 December 2015; this was a net increase of 2,605 vehicles compared to 2014.

The £921,000 net increase in Fuel Duty should therefore be dedicated to improving the natural environment and in improving public transport with greater flexibility in bus fares and additional routes and frequency.

The proposed increases in duties for alcohol and tobacco whilst signalling the government's on-going commitment to health, social and environmental policies are unlikely to change the habits of islanders. Senator Maclean spelt out in his recent speech to the Chamber of Commerce that

“There are around 500 Hospital admissions each year wholly attributable to alcohol. One in five of all crimes involves alcohol and almost 500 incidents of domestic violence involving alcohol have been reported to the States of Jersey Police since 2012.

Based on UK figures the annual cost of alcohol related harm to Jersey is estimated to be £30 million. To put this into context the duty raised in 2015 from alcohol was £17.2 million – that leaves a £12.8 million shortfall which has to be found from general tax revenue, paid for by all of us.

Studies also demonstrate that the influence of price on alcohol consumption is very strong. In effect when the price of alcohol goes up, drinking goes down and longer term so will the cost to the health service and other government departments.

Likewise tobacco. The cost of dealing with the effects of smoking far exceeds the duty charged. Based on a UK per capita cost of smoking, the annual cost of smoking to Jersey is estimated at £26.5 million.



The duty for tobacco is £15 million - leaving an 11.5 million shortfall for us all to make up.

The economic burden that smoking places on our island society is significant. It includes the direct costs of smoking related illness, lost productivity and the cost of smoking related fires. Smoking remains the biggest cause of preventable illness and premature death - with tobacco killing around half of its users.

There were over 2,500 admissions to Jersey General Hospital for adults aged 35 and over with a primary diagnosis of a disease that can be caused by smoking in 2014. Studies show that increasing the price of tobacco through taxation remains the single most effective way of reducing smoking¹

The JCC believe that greater emphasis must be placed on a proactive health care system and more education. In other words just raising duties on these commodities is and will not have the desired effects.

Alcohol Profile highlights Islanders' drinking - 17 November 2015²

Jersey's average alcohol consumption per capita remains among the highest in Europe and developed countries – in spite of a considerable reduction over the past decade.

The key findings in the Profile include

- although alcohol consumption per capita in Jersey has fallen to an average of 12 litres of pure alcohol per year, the figure is one of the highest in Europe, significantly higher than the OECD average of nine litres
- one in four drinkers were found to be drinking at potentially hazardous or harmful levels
- an average of 15 people a year die from conditions directly related to alcohol consumption
- around 500 people a year are admitted to the hospital for a specific alcohol-related

¹ <http://www.gov.je/News/Speeches/Treasury/Pages/Budget-2017-speech-to-Chamber-of-Commerce.aspx>

² <http://www.gov.je/news/2015/pages/alcoholprofilelaunch.aspx>



condition

- at least 500 domestic violence incidents involving alcohol have been reported to the States of Jersey Police since the beginning of 2012

Pensions

We welcome the Ministers proposal regarding the principle of introducing a Minimum Requirement Retirement Capital Test aimed at making it easier for some people to enter into a drawdown contract; to deliver more pension freedoms – but ‘in a responsible manner’.

The Jersey Fraud Prevention Forum (<https://www.fraudprevention.je>) is concerned about the risk to those who draw down lump sums and in searching for higher returns and moving away from bank deposits becoming susceptible to fraud. Operation Bloom in the UK is the name given to the Pension regulator and National Crime Agency operation attempting to crack down on pension fraud. The BBC report that statistics on such fraud are hard to quantify as ‘victims may report the losses many months after they were actually defrauded’³ The Council raise this concern as whilst pension freedoms are positive the more recent increases in fraud in the quest for better returns is a very real risk to islanders. Thus pension freedoms must be part of a larger picture of consumer protection.

Goods and Services Tax (GST)

Recent reports have highlighted an increased reliance on food banks by islanders finding it difficult to cope financially. The JCC are concerned that BREXIT may result in a rise of food costs for the UK and in turn products being imported into the island; with ‘*Our public finances remain in a strong position - Jersey has little debt, significant reserves and assets of nearly £6 billion. By 2019 we will have broadly balanced budgets*’ Senator Maclean speech to the Chamber in November 2016, is a good opportunity to review the ongoing GST levied on food products? Even evaluating the possibility of removing GST on food products in Jersey.

³ <http://www.bbc.co.uk/news/business-33681488>



Other Taxes

The JCC welcome accessible primary and secondary health for all islanders but will the 'health tax' facilitate this? Increase in taxation is challenging for many consumers currently finding it difficult to meet day-to-day living costs; our residential rental and houses costs are high when compared to Europe and as previously mentioned food costs are higher than other island jurisdictions.

We have yet to fully understand the potential implications of a 'Waste Tax' and the impact on Jersey's consumers.

We would be happy to discuss our points in greater detail.

The JCC are mindful of the Treasury Minister's challenge and welcome that Jersey has 'a firm financial plan and a proven track record of fiscal discipline and remains agile in the face of rapidly changing global environment. We will continue to draw on the expert independent economic advice as the local and global outlook changes. And we will ensure we maintain enough flexibility in our plans to respond to any changes or sudden shocks.

Some of our decisions have been difficult and, I have no doubt, unpopular, but they are all focused on trying to keep Jersey competitive and a great place to live and work. Jersey is in better shape than virtually anywhere else and we should all be proud of it.'

Kind regards

Anne King (Mrs)
Executive Officer