

3. Oral Questions

3.1 Deputy M.R. Higgins of St. Helier of the Minister for Treasury and Resources regarding the cost of living in Jersey:

Following the recent report into the cost of living in Jersey being some 20 per cent higher than in the United Kingdom, will the Minister explain what hard questions he will be asking and of whom, and what steps he will be taking to deal with this matter?

Senator P.F.C. Ozouf (The Minister for Treasury and Resources):

Questions on the economy and the retail economy are rightly a matter jointly between myself and the Minister for Economic Development, but as Deputy Higgins appears to be referring to comments I made I am more than happy to deal with this issue although hopefully it would be the same message given by the Minister for Economic Development. I assume the Deputy is referring to the specific comments I made following the Jersey Statistics Unit release concerning consumer price levels for goods and services in Jersey in 2013. I think we should compliment the Statistics Unit on a very important piece of work. Firstly, this is not a cost of living index but it does give very detailed and useful information on consumer price levels in Jersey relative to the U.K. (United Kingdom) and particularly regions within the U.K. Secondly, it is more accurate to say that the results of this analysis confirm that prices for goods and services in Jersey are generally higher in Jersey than the U.K. by between approximately 9 per cent and 20 per cent. The questions that we have asked, and that we will continue to ask, as to why prices, for example, in food and non-alcoholic drinks and how household services are nearly 20 per cent higher in Jersey than the U.K. despite lower V.A.T. (Value Added Tax) and some lower costs to businesses, for example business rates; why despite lower impôts and taxes on alcohol and tobacco, prices in Jersey are higher than that in the U.K. where at the same time prices for clothing and footwear are significantly lower than those of the U.K. The steps that we will take which is a longstanding attempt to deal with inflation in Jersey that started under the previous Minister for Economic Development's time and continued by the current Minister of policies that encourage low inflation and that particularly allow competition. This includes helping markets to operate properly, also helping the vast majority of taxpayers through measures such as the reduction in the marginal rate of tax from 27 per cent to 26 per cent. The Minister for Economic Development and I will be continuing this.

The Bailiff:

Minister, it is a very long answer.

Deputy M.R. Higgins:

Yes, it is. It sounds like a speech.

The Bailiff:

The Standing Orders say concise answers and the rule of thumb is one and a half minutes maximum.

Senator P.F.C. Ozouf:

I will continue to engage with the C.I.C.R.A. (Channel Island Competition and Regulatory Authorities) in their important reviews.

3.1.1 Deputy M.R. Higgins:

Just following on, in fact I have been going through Hansard and looking at statements made by both the Minister for Treasury and Resources and the Minister for Economic

Development. In particular in July 2010 when I put a proposition to try and deal with this matter by using the tax system, and at the time we were told a number of reasons why we could not do it. Using the tax system, it would not be human rights compliant. It would affect our Zero/Ten which we know that Europe threw out anyway. There were a whole series of things that the Ministers said the reason why we could not do anything about it. They also said they had the mechanism. They said they had the J.C.R.A. (Jersey Competition Regulatory Authority).

The Bailiff:

It applies to questions too. It is not concise.

Deputy M.R. Higgins:

I am just running at equal time. The idea though is they have said that they had, at that debate anyway 4 years ago, mechanisms. Nothing has been done since then. What is the Minister now going to do before the election to try and justify his lack of action?

Senator P.F.C. Ozouf:

First of all, the first part of the question has nothing effectively to do with the U.K. price comparison. I think the Deputy was talking about Zero/Ten, which has nothing to do with the issue at hand. Is the Deputy interrupting?

The Bailiff:

Deputy, please let the Minister answer.

Senator P.F.C. Ozouf:

Thank you. We should reflect the success of the policies of the recent few years. Until 2005 inflation was higher to a greater extent in Jersey than the U.K. Since the introduction of the Competition Law inflation has tracked the U.K. and recently has been falling. That shows the success of the J.C.R.A. and the consumer advocacy that has been going on in recent years. The Minister for Economic Development asked for a review of the alcohol and tobacco sector, further a report on the grocery market, and C.I.C.R.A. as well as consumer advocacy by the Consumer Council has a great deal more work to do to ensure that opportunities for consumers to decide where to shop and where to get lower prices can effectively reduce the cost of living.

3.1.2 Deputy R.G. Le Hérissier of St. Saviour:

I wonder if the Minister could explain the bizarre findings that some things you would have thought would be the same as U.K. prices seem to be exceptionally cheap in Jersey while others are not. Could he explain those rather bizarre findings?

Senator P.F.C. Ozouf:

I think the Deputy's question is absolutely right which is why I said that hard questions need to be asked. We have U.K. V.A.T. at 20 per cent, and G.S.T. (Goods and Services Tax) at 5 per cent in Jersey.

[9:45]

Clothing and footwear is obviously a market, if you take out the 2 tax rates, which indicates that that market is delivering Jersey consumers value and similar prices to the U.K. even accepting the fact that there are additional freight costs. Other markets do not appear to be working and this is a difficult issue which we must continue to try and understand, and the default position is low barriers to entry and competition works. I compliment the Economic

Affairs Scrutiny Panel on the work that they are doing to shine a light in there in the retail market and we will be looking at that report, and no doubt the Minister and other Ministers will be able to respond with those conclusions.

3.1.3 Deputy R.G. Le Hérissier:

What is the Minister's thinking? Could he explain why he thinks some are cheaper and some are not? Has he carried out a study, for example?

Senator P.F.C. Ozouf:

This is difficult but I think until 2005 Jersey with the absence of a Competition Law and an absence of effective price intervening abilities or investigation, the Jersey markets were cartelised. I think that many of us were concerned when 3 supermarket chains operated effectively then consolidated hours before the Competition Law into... We saw prices rise. Prices rose not because of costs in Jersey but because, I have to say, markets did display cartelised attributes. A lot has improved. The grocery market has become more competitive. We should compliment the new entrants in that market but there is more to do. That is what the hard questions are about.

3.1.4 Deputy T.A. Vallois of St. Saviour:

Could the Minister advise whether he has ever done an impact analysis on the introduction of G.S.T. from 2008, and the higher rate and how that is contributing to consumer price levels?

Senator P.F.C. Ozouf:

That is another very good question, and the Stats Unit, if the Deputy looks at the R.P.I. (Retail Prices Index) calculations, as she can see going back since the introduction of G.S.T., G.S.T. numbers and U.K. V.A.T. numbers is aggregated. I think it is R.P.I.Y. (Retail Price Index excluding Mortgage Interest Payments and Indirect Taxes) so that we can see exactly underlying inflation taking out this Assembly's decision on G.S.T. I think the very striking thing is that despite the introduction of G.S.T. in Jersey, many prices are the same in Jersey as indeed in Guernsey and that would indicate that some markets and businesses set prices at which a customer will bear irrespective of the tax that is paid. That goes to the heart of the discussions that we had at the time with G.S.T.

The Bailiff:

Deputy Tadier and then final question Deputy Higgins.

3.1.5 Deputy M. Tadier of St. Brelade:

The Minister models himself very much as the person who wants to ask tough questions of the retail industry, and indeed since 2008 and before when he was standing for election he was asking the tough questions about why it is that consumers in Jersey have to pay more for their goods. I would ask the Minister where are the answers coming? It is not simply right to spend 6 or 10 years asking these tough questions. What action will the Minister be taking to resolve the issue that Deputy Higgins brought to the Assembly when local retailers are quite clearly charging V.A.T., trying to dress it up as import charges, and being allowed to do that because both the market and the Government will not intervene to protect consumers?

Senator P.F.C. Ozouf:

I welcome Deputy Higgins' question but Deputy Higgins, as I do not, does not have a monopoly on basically drawing attention to this issue. That is what we have been doing for years and I would draw the Deputy's attention to the success that has been achieved in recent years in having lower inflation in Jersey than that of the U.K. There was a bubble and that is

being unwound. The Scrutiny Panel is shining a light into these areas where we can take more action, and Ministers care about the cost of living. We want to try and reduce it. We cannot buck markets. We cannot engage in price control. We can put in low barriers to entry and promote competition, and that is exactly what the Minister for Economic Development is doing. The Minister for Planning and Environment has a role in this area as well, and we have a role generally in putting money into consumer advocacy, awareness and thriftiness in people's choice of where they buy. The petrol market, for example, is functioning better but there are still high price garages.

3.1.6 Deputy M. Tadier:

Supplementary. The question was not about lowering inflation. My question was what is the Minister going to do to resolve the fact that certain retailers in Jersey are charging V.A.T. even though V.A.T. does not exist in the Island and that they are dressing it up as an import charge which simply happens to magically add up to the same as V.A.T.? Will the Minister be taking any action on that in his domain or will he simply wash his hands?

Senator P.F.C. Ozouf:

Washing hands of this issue can hardly be levelled at myself or any other Ministers. At the end of the day, as I explained, it is consumer advocacy that matters and drawing attention to what consumers pay. The *J.E.P. (Jersey Evening Post)* did a lot of good work a number of years ago in their retail awareness column. I understand that they are thinking about reintroducing that. Awareness of consumer choice and giving consumers' choice and us facilitating new entrants into new markets, whether those be groceries or other areas, and effectively the internet has changed everything in terms of competition are the policies that we should do. We cannot dictate prices. We can make markets work and that is what we should do.

3.1.7 Deputy M.R. Higgins:

First of all I must just correct what the Minister is saying about inflation. He goes on about what they have done to lower inflation. The truth of the matter is they have no levers to deal with inflation. Interest rates are determined by the Bank of England in the U.K. The tax policy is fixed because we will not change our income tax system, the G.S.T. system. There are next to no controls.

The Bailiff:

Are you coming to your question?

Deputy M.R. Higgins:

I am, yes. What I am saying is he is talking a load of rubbish. The truth of the matter is this Minister has done absolutely nothing other than saying: "Let the consumer do it." I would just like to ask one final question. The retail trade are complaining that they are losing out an awful lot of business now to goods coming in through the internet. Is he going to agree with what they want and bring in lower G.S.T. limits to try and safeguard the retailers who have ripped off this Island for years?

Senator P.F.C. Ozouf:

I obviously did not go to the same economic lessons as Deputy Higgins because everything that I ever learned and everything that I read currently indicates that there are issues that we can deal with inflation. I would draw the Deputy's attention - perhaps he has never read it - to the anti-inflation strategy that was brought by my predecessor which is the Government's approach to inflation. We can deal with inflation in Jersey. There are issues that we cannot

control. We can make markets work. We can ensure that States spending does not crowd out investment and you can concentrate on supply side policies, on the productivity agenda, all of those issues. That is how you deal with inflation. I would say to the Deputy again look at the facts. There is a lot to be done but look at the facts.