

STATES OF JERSEY



DRAFT BUDGET STATEMENT 2018 (P.90/2017): EIGHTH AMENDMENT

Lodged au Greffe on 16th November 2017
by Senator P.F.C. Ozouf

STATES GREFFE

PAGE 2, NEW PARAGRAPH (e) –

After paragraph (d) insert the following new paragraph –

- “(e) to request the Chief Minister to: (i) request the Channel Islands Competition and Regulatory Authority (CICRA) to undertake an inquiry under Article 6(4) of the Competition Regulatory Authority (Jersey) Law 2001 into the Island’s liquor trade, focusing in particular on the effect on competitiveness of including liquor trade on-licences in the retail tax extension, including the retails margins shown in Figure 20, and (ii) agree terms of reference for the inquiry with CICRA, drawing on the draft terms of reference in the accompanying report.”.

SENATOR P.F.C. OZOUF

REPORT

There have been numerous concerns over many years in relation to the costs and competitiveness of the Island's liquor trade.

Here are the margins from the Budget 2011 Report –

Comparisons with neighbouring jurisdictions

Figure 7.4: 2011 Retail price margins – comparisons with the UK (June 2011)

	Jersey Retail Price	Jersey Duty	GST	Price net of duty & GST	Duty & GST as % of price	UK Retail price	UK Duty	UK VAT	Price net of duty & VAT	Duty & VAT as % of price
Litre of Whisky	£20.07	£9.95	£0.96	£9.16	54%	£17.00	£10.21	£2.83	£3.96	77%
Pint of standard Beer	£3.45	£0.30	£0.16	£2.99	13%	£3.50	£0.47	£0.58	£2.44	30%
20 King Size Cigarettes	£5.95	£3.50	£0.28	£2.17	64%	£6.84	£4.07	£1.14	£1.63	76%
Litre of Unleaded Petrol	£1.26	£0.43	£0.06	£0.77	39%	£1.36	£0.58	£0.23	£0.56	59%

Here are the margins as shown in Figure 10 of the 2018 Budget –

FIGURE 10 – 2017 retail price margins – comparisons with the UK (June 2017)											
	Jersey Retail Price	Jersey Duty	GST	Price net of Duty & GST	Duty & GST as a % of price	UK Retail Price	UK Duty	UK VAT	Price net of Duty & VAT	Duty & VAT as a % of price	
Litre of whisky	£20.96	£14.04	£1.00	£5.92	72%	£21.00	£11.50	£3.50	£6.00	71%	
Pint of standard beer	£3.56	£0.36	£0.17	£3.03	15%	£3.06	£0.49	£0.51	£2.06	33%	
20 king size cigarettes	£8.38	£5.75	£0.40	£2.23	73%	£9.52	£5.73	£1.59	£2.20	77%	
Litre of unleaded petrol	£1.11	£0.47	£0.05	£0.58	48%	£1.16	£0.58	£0.19	£0.39	66%	

FIGURE 11 – Comparison of typical 2017 tax and duty levels for a range of commodities (June 2017)					
	Jersey Duty	Jersey GST at 5%	Guernsey Duty	UK Duty	UK VAT at 20%
Litre of whisky at 40% abv	£14.04	£1.00	£13.58	£11.50	£3.50
Bottle of table wine	£1.49	£0.34	£1.79	£2.16	£1.00
Pint of beer/lager at 4.5% abv	£0.36	£0.17	£0.43	£0.49	£0.51
20 king size cigarettes	£5.75	£0.40	£4.41	£5.73	£1.59
Litre of unleaded petrol	£0.47	£0.05	£0.64	£0.58	£0.19
Litre of diesel	£0.47	£0.05	£0.64	£0.58	£0.20

These tables show that the margin differential in off-licensed alcoholic drinks has improved, and the net prices in Jersey are almost identical to the United Kingdom.

The situation for the net price in tobacco has also improved and net prices are almost at the same level as the UK.

The situation for remains a problem – and the evidence from similar-sized islands provides evidence of these concerns.

The most startling differential is that from the on-licensed trade. The example of a pint of beer shows that net of duty and tax, a pint of beer is 97p higher in Jersey than in the United Kingdom.

Does it really cost an additional 97p to serve a pint of beer in Jersey?

The fact that the Treasury has identified that extension of a 10% rate of tax to Taverners licence-holders would yield £450,000 indicates powerfully that despite the annual refrains from the liquor companies that complain vociferously against annual duty increases, this number sheds new light on the fact that even with the profit test of over £500,000, and that this will affect only companies with turnovers of over £2 million, their profitability must be in the order of £4.5 million.

That is probably a conservative number, as it has been said that one large pub chain has profits across the Channel Islands of over £20 million.

Extension of the retail tax at the lower rate of 10% would only affect those large groups and not small businesses.

It provides an important contribution to permit the lowering of the retail tax at to 10% and will ensure all large liquor vendors – whether they be on-licences or off-licences – are treated equally.

The review which is the subject of another amendment is also an important part of getting to understand the reasons for what seem very high margins, and seeks recommendations to improve the consumer prices, to maintain a vibrant night-time economy, and is also complementary to the important work of the Assistant Minister for Economic Development, Tourism, Sport and Culture, the Connétable of St. Brelade, and Senator P.F. Routier, O.B.E. as Assistant Chief Minister, who have overseen the important new Licensing Law amendments.

Here are some suggested draft Terms of Reference.

Draft Terms of Reference

The Chief Minister is mandated to request a Report to be commissioned from the Jersey Competition and Regulatory Authority (otherwise known currently as CICRA or JCRA) or, if they are unwilling to do so, to appoint suitably qualified experts as was necessary in the Energy Market Review, to be provided to the States Assembly using the powers as set out in Article 6(4) of the [Competition Regulatory Authority \(Jersey\) Law 2001](#) into the on-licensed alcohol trade.

To request that the report be completed no later than 19th April 2018, and in the event of the Inquiry needing longer to report, to at least provide an interim report within the same timetable.

In providing its advice, the Chief Minister is asked to ensure that the States Assembly receives formal written advice with policy recommendations for improving consumer welfare and economic efficiency, and securing jobs and growth which might arise as a result of this Inquiry.

The JCRA or consultants using the powers of Article 6(4) are asked to take into account –

- consumer welfare (empirical and quantitative evidence of the range and price levels of the most popular alcoholic beverages on sale in bars, pubs and other on-licensed premises, the diversity and quality of licensed premises available in the Island, the sector's innovation, and generally an assessment of the choice and availability of different types of premises for Islander and visitor consumers);
- the productive efficiency of the existing on-licensed trade (in terms of the costs of operation of licensed premises and their revenues);
- investigate and report on what appears at face-value to be a significant variation in the net margins of popular alcoholic drinks, such a pint of local and/or imported beer available and sold in Jersey licensed premises;
- to review the effectiveness that Council of Ministers' policies over the last decade, and the States Assembly's own determination in Annual Budget decisions, have had in respect of duty rates on the consumer prices on alcohol beverages in recent years – paying particular attention to the various increases, reductions, freezing and rejection of proposed duty rates, and to the extent that it is possible to comment on their effect on consumer prices and ultimate profit margins (wherever they may be from supplier to consumer), and the comparison of such margins in similar markets;
- the market structure of the Jersey on-licensed trade and, in particular, whether there is a case for encouraging and permitting the entry of new on-licensed traders to enter the Jersey market, and their likely effect on prices and consumer welfare;
- to provide specific advice to the Assistant Minister for Economic Development, Tourism, Sport and Culture, and to other Ministers who have a responsibility for the regulation of alcohol licensing, paying particular attention to the potential that a new proposed Licensing Law could have in achieving States' objectives in relation to revenue-raising; the juxtaposition of health policies to reduce alcohol consumption, and the particular objectives of the Connétable of St. Helier, the Minister for Home Affairs, and the States of Jersey Police Force, to secure both a vibrant *and* safe night-time economy;
- to report on the *vires* of the current prohibition of any 'offers' to be made by licensed premises which were introduced before the [Competition \(Jersey\) Law 2005](#) took effect;
- to report generally on the effect on the Jersey economy of the on-licensed trade, with particular attention to the tourism sector and securing its ongoing growth and vitality.

The Chief Minister is asked that the JCRA should advise on the basis of the most recent and relevant information available, and it should consider empirical evidence which may be relevant to circumstances in Jersey. The experience from other small economies should be given a special consideration.

Financial and manpower implications

If the review is carried out by external advisers, the cost is expected to be in the region of £50,000. If it is carried out internally within the JCRA, then it could be carried out within the existing grant made available to the JCRA.