

STATES OF JERSEY

Economic Affairs Scrutiny Panel Price and Charge Indicators (GST) Sub Panel

TUESDAY, 24th JULY 2007

Panel:

Deputy G.P. Southern of St. Helier (Chairman)

Deputy J.A. Martin of St. Helier

Deputy K.C. Lewis of St. Brelade:

Connétable M.K. Jackson of St. Brelade

Witnesses:

Senator P.F.C. Ozouf (Minister for Economic Development)

Mr. T. Le Roux (Director of Consumer Affairs)

Deputy G.P. Southern of St. Helier (Chairman):

Good afternoon, Minister, you are an old hand at this so I do not need to remind you of the conditions under which you are called as a witness. If I could remind Members and the audience to turn off their mobiles before we start, it would be helpful. Obviously, as you are aware, we are investigating the draft Price and Charge Indicators (Jersey) Law as it was originally drafted, now been withdrawn, and we are looking at basically how we display prices, especially including GST (Goods and Services Tax), or excluding GST, from now on. If I could start you with a general question --

Senator P.F.C. Ozouf (Minister for Economic Development):

Can I just ask a point of introduction? First of all, your panel, if you do not mind me saying so, appears a little down in numbers.

Deputy G.P. Southern:

I do apologise. I am expecting Deputy Martin, Deputy Lewis sends his apologies and Deputy Breckon is conflicted.

Senator P.F.C. Ozouf:

Right, okay. I also want to just pick you up on one thing. You said the legislation has been withdrawn. I think that that may have been the effect of the only way around that we could deal with it. I am not sure that the legislation has been withdrawn. I agreed for deferring it because you indicated that you were going to scrutinise it, so it has not been withdrawn, it has just been effectively deferred.

Deputy G.P. Southern:

I accept that, yes, deferred would have been the better word.

Senator P.F.C. Ozouf:

Just for the avoidance of absolute doubt because I think there is a view that somehow the position, which we will no doubt go on to discuss, is the fact that we have changed our minds or given in to the lobbying from Chamber, it has been suggested from newspaper articles and other letters. That is not the case; I remain convinced and here to argue the case for GST inclusive pricing, accepting the fact that the decision ultimately is going to be delayed.

Deputy G.P. Southern:

Thank you for that and obviously this is your chance to do that, as far as we are concerned. A double starter, if you like, would you like to explain to us how you see the issues now and start with what consultation you have conducted on this issue?

Senator P.F.C. Ozouf:

I have a list of questions here. We are not going to rehearse the arguments in favour or otherwise of GST, we are dealing with the narrow issue here of the implementation of GST on an inclusive versus -- and I think it is probably better to describe the situation as being inclusive or non-prescriptive. I think it might probably help to start with that. Having been involved in the early proposals to bring in GST, there was an early debate as to which sort of consumption tax we would be proposing for implementation because there are different types of consumption tax. There is a retail sales tax that they have in North America, you have a kind of hybrid of a retail sales tax and VAT (Value Added Tax) in Canada and, in the rest of the world, including the whole of the European Union, Switzerland, Australia, New Zealand, Singapore you have effectively a value added tax. Can I assume that the panel is familiar with the fundamental differences? I use GST/VAT interchangeably but if we group GST/VAT in one group and effectively RST (Retail Sales Tax) in the other group.

Deputy G.P. Southern:

Sure.

Senator P.F.C. Ozouf:

Implicit in the former Finance and Economic Committee's proposal is we were moving and proposing a GST/VAT tax, so not the North American style of VAT and, indeed, there are papers that will prove and document that going back 3 or 4 years. So I have to accept some surprise but also some responsibility for perhaps not understanding the fact that the message of GST/VAT versus RST appears not to be clear in some people's minds. There is a consequence in all other jurisdictions that have implemented

GST/VAT that you will move at the same time towards inclusive pricing. It seems that there is a debate and there is some uncertainty as to whether or not you could have compulsory exclusive pricing on GST. I think that there needs to be some work done, and perhaps you could call to evidence and get legal advice and other constitutional advice because I am not at all sure that it would be possible to bring in a GST/VAT with compulsory exclusive pricing.

Deputy G.P. Southern:

Could you tell me what you see the problem with that is?

Senator P.F.C. Ozouf:

It basically flies in the face of input/output consumption tax across the world. To highlight the reason why it is regarded as a prerequisite is the fact that there is an EU (European Union) directive on the matter which requires all EU countries to have their VAT marked as inclusive. There is a conceptual difference between RST and GST. One of your later questions is what other places have you investigated in the world. I am not aware of any jurisdiction that has implemented a value added input/output tax and has not accompanied it by consumer protection legislation for inclusive pricing. There must be good reasons for that, we can discuss some of them, but I think it would be effectively implementing something which nowhere else has done. I assume that other places have researched and investigated the reasons why you go for inclusive and they have come to a sensible decision. All countries cannot be wrong.

Deputy G.P. Southern:

Do you have any of that research to hand? You were describing that as a presumption. Well, it is a presumption on your behalf that if the majority or every, as you say it, country that has gone for VAT has gone for inclusive, first of all can you point us to the directive that you are referring to and can you point us to any evidence that you have come across?

Senator P.F.C. Ozouf:

Yes, the directive is 98/6 EC (of the European Parliament and the Council of 16th February 1998 which covers the whole of the European Union, including the new accession countries - I can give you a copy of that - and if you go through the countries that I listed: New Zealand, I have papers in my file here, including some remarks from the former Prime Minister of New Zealand; I went on a CPA (Commonwealth Parliamentary Association) trip to Australia and met with representatives of various different legislative assemblies in Australia and I know it is inclusive pricing, an internet search will tell you that it is inclusive pricing; I have conducted desk research on other jurisdictions, including Switzerland and including Singapore.

Deputy G.P. Southern:

The consultation process that you have been involved with on the Island?

Senator P.F.C. Ozouf:

We had a debate about what form of tax we were going to bring in and there are 2 very full reports from OXERA (Oxford Economic Research Associates) debating the type of tax, the arguments of consumption versus payroll tax and then detailed papers which the Treasury have on file on the application of GST of which one part was comparisons of other jurisdictions and other parts of it were the other knotty issue, unrelated to this, of zero-rated versus exemptions.

Deputy G.P. Southern:

The answer to my question, the consultation that you have undergone on this particular issue with local retailers and consumers is how much?

Senator P.F.C. Ozouf:

You do not bring in GST/VAT without inclusive pricing and I have to say I am surprised that there is a suggestion, and that there has been a suggestion - and I have to accept that this is the case and obviously communication has either failed on one end or the other, and I take shared responsibility for whatever shared responsibility we have on that - it is a surprise to me that anybody could consider implementing GST/VAT on a non-inclusive basis. Moreover, effectively I believe that we need to do some more work on this so that we do not raise expectations. I think there are legal problems in passing GST on a compulsorily exclusive basis.

Deputy G.P. Southern:

Would you like to explore that?

Senator P.F.C. Ozouf:

We are in open session, there is a convention on legal advice and I am happy to share to the extent that I must ask you to share and ask the panel's legal advisors on the issue. Legal advice is not something that we discuss in public.

Deputy G.P. Southern:

Right, so you are now telling me that you have formally received legal advice from the Law Officer's Department and that your understanding is that there are legal problems.

Senator P.F.C. Ozouf:

The convention is that legal advice is not put into the public domain and, upon advice, we are told that legal advice is not the fact that one has taken legal advice on a particular issue. I have let the cat out of the bag in terms of having got some legal advice, you must take some legal advice in your deliberations

as to the ability for the States to put in exclusive pricing. From a layman's point of view, I find it difficult to reconcile an EU directive designed to protect consumers. I think it is difficult to envisage a situation that the Island would effectively, knowingly and blatantly move against that.

Deputy J.A. Martin of St. Helier:

On this advice, after OXERA's report Crown Agents were, I presume, engaged to bring in a version of GST. How far down the line have you known that this form of GST ...? All the jurisdictions you have quoted to us are big countries, we are a very small jurisdiction. Was it ever pointed out that we could not do it this way? I know the reports were 2 like that from Crown Agents and I have been to both of their presentations but was it ever pointed out to any public, States' Members, anywhere along the line, before the introduction, before the States debate, that this had to be done this way?

Senator P.F.C. Ozouf:

I think, Deputy, that if we wanted to have a North American style at the till, retail sales tax --

Deputy J.A. Martin:

You have not answered the question.

Senator P.F.C. Ozouf:

I am just trying to explain. If we wanted to have the North American style at the till tax, the States would have approved RST as opposed to GST.

Deputy J.A. Martin:

We were never given the opportunity. Philip, my question was, was the States' Members ever advised, or the public, that if we introduced GST - any other name but VAT, that is what nobody wanted to hear - we could not legally do it at the till, whatever percentage it is.

Senator P.F.C. Ozouf:

It is a personal view that I think it is challenging to see how we could do it. Now, it is up to the panel to get their own legal advice to decide in your judgment, based upon the advice that you have, whether or not we could do it. I am clear that we could do it inclusive, I am clear that you could leave it open but to go the further step to require it to be exclusive, there is a question which I have to say is a surprising question because it breaks against the concept of GST/VAT.

Deputy G.P. Southern:

Could you tell me how you think it breaks against the concept of GST? What is this logic?

Senator P.F.C. Ozouf:

In the United States you are collecting the tax at the till, there is nothing that is collected on the input/output basis up until the point ... so it is entirely logical and it flows absolutely that if you are having an RST which you are pressing the button of the 3 per cent, effectively tax put at the till, that you collect it at the till and the prices on the shelf are exclusive because the tax is not collected until the point at the till. While VAT is collected, it is collected from the final consumer, effectively you have had some of it paid through the system. So, the goods on the shelf has already had some tax collected on it so, as a much better mathematician than me, you would understand what I am saying, that there is something illogical about - not the only reason why you should move to inclusive pricing - but there is something illogical in having a good that you have collected some value on through the chain which has a price marked on the shelf but which does not have some of the tax that is already collected. There is something just not logical about that which I assume --

Deputy G.P. Southern:

Nonetheless, from a consumer's point of view - and I am glad to hear you refer to the consumers - they are paying 3 per cent when they purchase the final good.

Senator P.F.C. Ozouf:

Yes, but some of it has been collected beforehand.

Connétable M.K. Jackson of St. Brelade:

Can I just pick up on the consumer side of things? Clearly, I think you would agree that there has not been any consumer consultation as such because I feel that in this panel we are really being led by the consumers who are telling us that they want to pay it at the till. Do you think that that is probably because there is a confusion between GST and RST and perhaps the general understanding of not knowing what the difference is?

Senator P.F.C. Ozouf:

I think that there is a general misunderstanding of the design and concept of RST, that does exist in the US, versus GST. If we wanted an RST, we should have said so or there would have been an amendment to the States at the time. I think the concept of inclusive pricing and GST is absolutely bolted together and, having been part of the design and the promotion of the fiscal strategy, it seems to me it flowed entirely from a proposition to have GST that you would have inclusive pricing. I have discussed this in public, I have been to various different public meetings and had to effectively argue the case for consumption tax as a whole and I think in some ways there are some lessons to be learnt, and obviously the world is clear in hindsight, but there are clearly lots of members of the general public who are writing to the *JEP* (*Jersey Evening Post*), calling BBC phone-ins, saying: "They do it in America, why can we not do it here?" With the greatest of respect to those members of the general public who have not been informed and that is our fault, we have not explained to them the difference between RST and

GST.

The Connétable of St. Brelade:

In terms of costs there are 2 sides to this: there is obviously the consumer and there is also the retailer or the seller. Clearly, there are 2 different cost implications on the seller when this comes into fruition. How do you consider that the seller is going to absorb these sort of costs?

Senator P.F.C. Ozouf:

There are a number of different issues there. Your question is, how do I think the --

The Connétable of St. Brelade:

Do you think the seller is going to absorb these costs without putting the cost on his retail price?

Senator P.F.C. Ozouf:

My view on tax is that consumers pay. Businesses do not pay tax, shareholders or consumers pay tax and consumers will pay the GST. But there are some special circumstances that exist in Jersey which do indicate that it is possible that on a compulsory inclusive basis you could have more absorption than on a voluntarily either inclusive or exclusive basis. It is no surprise that some of the biggest proponents of exclusive - whether or not that is possible - are the retailers. They are not doing that for benevolent reasons, even though some may well be co-operative societies or benevolent organisations; there are good reasons, and you need to call to evidence the reasons why retailers are asking so strongly for exclusive versus inclusive. They must know something. I do not know what they know --

Deputy G.P. Southern:

Are you saying that their motives are entirely selfish?

Senator P.F.C. Ozouf:

I think one needs to ask them what their motives are.

Deputy G.P. Southern:

We will be asking them tomorrow. I am asking you, now, do you think their motives are entirely selfish?

Senator P.F.C. Ozouf:

I think that people in business are profit maximisers; that is the nature of a market and I do not criticise it. It is an entirely appropriate position for them to take and I have no problem with it. We just need to understand where they are coming from and why they are saying what they are doing.

The Connétable of St. Brelade:

Given that a retail price is made up of a cost element and a profit element, the profit element is the variable, do you not think that an increased cost in collection, whether it be at the till or on the shelf, is going to increase the cost to the consumer?

Senator P.F.C. Ozouf:

We have asked and the Treasury and other people that you will call to give evidence have asked what the additional cost of inclusive versus exclusive is. I know there are some people in the audience who have responded to that, who we have asked to explain what the additional cost of inclusive would be. Some of the answers have been surprising, less than I thought. For one very large retail operator it is an amount of money which they will no doubt tell you when you call them to give evidence but you need to set that against other costs and their turnover and all the rest of it, exactly how important is this. What I do know is that tills and other administrative systems that are in Jersey are based upon the UK system of VAT which, while it is accepted it has some aspects of zero-rating and exclusions, is based upon the input/output method. One of the questions you have down is what is the view of the majority of retailers. I think retailers are privately split and not all members of the Chamber of Commerce agree with exclusive pricing; I know that.

Deputy G.P. Southern:

We will certainly explore that when we get the Chamber of Commerce before us. Can I just bring in Trevor Le Roux?

Senator P.F.C. Ozouf:

You are calling him to evidence later but we can do a double act, if you want.

Deputy G.P. Southern:

I want to take up a point you made. Trading Standards Director?

Mr. T. Le Roux (Director of Consumer Affairs):

Director of Consumer Affairs they call me now.

Deputy G.P. Southern:

All labels change. Yes, Director of Consumer Affairs. The Minister just said that, as far as he could see, it would be unprecedented to go against an EC directive in this particular area and use exclusive pricing on our GST. Are you aware that that would be unprecedented and that might even be illegal?

Mr. T. Le Roux:

The way I see it, I do not think we are going to legislate against what a directive says, I think we are just

not complying with what a directive says, at the moment. In other words, we are allowing traders to decide for themselves exclusive, inclusive. As Philip says we know of one or 2 that were quite concerned that we might force exclusive and we said: "No, there are no plans to do that at the moment." It seems that going down the road we are going down, traders will be able to choose which is something the Chamber of Commerce are quite happy about.

Deputy G.P. Southern:

An EC (European Community) directive does not, in the strictest sense of the word, apply to Jersey as we are not part of the EC although we tend to follow the line, is that --

Mr. T. Le Roux:

Some directives do apply. Some regulations apply directly, it depends on the piece of legislation that is produced. This directive I do not think binds us, no. Our information was that it probably is not binding on us. But, taking a conscious decision to go against it, is something that we would need, as an Assembly, as a Government, as an Island, to think very carefully about because, if you look at the preamble of the directive, there are some pretty compelling reasons why you would move to inclusive pricing and I just quote a couple. There is a detail of it, there is an actual article, it is like a law, basically, because it is effectively binding. It is a piece of legislation which is across all the EU. It has 14 points of preamble, I will not go through them all, but there are a couple that are worth giving to you in evidence. One: "Whereas transparent operation of the market and correct information is of benefit to consumer protection and healthy competition between enterprises and products." "Of benefit to the consumer" and it says, by the way, this is a consumer protection issue. Number 2: "Whereas consumers must be guaranteed a high level of protection whereby the community should contribute thereto by specific action which supports and supplements the policy pursued by member states regarding to precise, transparent and unambiguous information for consumers on the prices of product offers to them." 3: "Whereas Council Resolution 14th April 1975 and preliminary response to the European Community for consumer protection and information policy and the Council Resolution of May 1981 on the second programme EU Economic Area for consumer protection information policies provide for the establishment of common principles of indicating prices."

Deputy G.P. Southern:

Within the EU?

Senator P.F.C. Ozouf:

Within the EU. "Whereas the link between the indication of a unit price of products in their pre-packaging and prerequisite quantities of capacity ..." this obviously then deals with the unit pricing issues, which are also implicit in the piece of legislation that you are reviewing. Although, I am not sure whether your terms of reference is just going to look at the inclusive versus unit.

Deputy G.P. Southern:

I think we are looking at as small an area as we can.

Senator P.F.C. Ozouf:

Right. But the unit pricing issue is an important consumer protection issue.

Deputy G.P. Southern:

But I do not think anyone is arguing about that.

Mr. T. Le Roux:

Can I just say, Deputy, that the directive merely harmonised practices that have been going on throughout the EU member states for years and we can talk perhaps more about legislation like the Trade Descriptions Act. I have been at the Trading Standards Office since 1980 when I trained and that was my first experience of price marking legislation. My qualification is UK-based obviously because that is the way things are in trading standards. But the Trade Descriptions Act, if you put a price on something you are describing it, you are describing the price of the goods. So, if you then charge a different price or a higher price at the till, that was an offence under the Trade Descriptions Act. What we are talking about here, we are talking about a European directive but inclusive pricing has been around for years because it is the fairest way of consumers knowing what they are going to pay, comparing like-with-like, trader to trader. If they are all operating on a level playing field, then consumers can make informed decisions. That is what it is all about, it does not matter what tax you pay, that is what it is all about.

Senator P.F.C. Ozouf:

Just to bolster that and just before anybody runs away with the idea that somehow we are just copying EU legislation, I would back absolutely what the Chief Trading Standards Officer says in relation to best practice. This is best practice in the EU but it has been replicated and copied in other jurisdictions which have a track record of having consumer protection legislation: New Zealand, Australia, and Singapore. The question that would rightly be asked is: "Does our size and small rate mean that we could, effectively, opt out from this standard of consumer protection?" Well, our small size, the Cook Islands and New Zealand, much smaller than us, inclusive pricing on a GST basis. Malta VAT, they have a high rate, low rate country, Singapore introduced GST, I think it was either 4, 4.5 or 5 per cent. So, there is a jurisdiction with inclusive pricing at a low rate and Switzerland too. So, I would argue that basic level of consumer protection, worldwide standard, moreover small jurisdictions and low rate jurisdictions have applied it, without exception.

Deputy J.A. Martin:

So, we are now told that it is probably consumer protection and possibly illegal to do it this way. You have now, I think, given --

Senator P.F.C. Ozouf

Challenging. I think I would need to ask some questions.

Deputy J.A. Martin:

Challenging. Okay. You have given traders 12 months to do as they want before anything is going to be introduced because we are looking at the price marking. What will happen if there is a possibility that 90 per cent or even 80 per cent of traders go exclusive and after a year they still like that and so do consumers? We have a tax that we need to gather that is basically against an EU directive, where do you go as Economic Development Minister? Would you back down on it? Because I know what you are saying, in fact, you were quite shocked that people were not going to add it to the items because that is the GST you have always known. I think it was quite a surprise to people over here because we were always told we would get a very simple version and keep it cheap, percentage-wise, GST.

Senator P.F.C. Ozouf:

Let us deal with the efficient and cheap, that means a system of no zero ratings and a universal low rate with a high threshold. That is what we meant by a simple form of GST. As opposed to a complicated system with lots of --

Deputy G.P. Southern:

Yes. Sure. We are not --

Senator P.F.C. Ozouf:

Okay.

Deputy J.A. Martin:

But I think we thought that it would be simple --

Senator P.F.C. Ozouf:

Inclusive is simple.

Deputy J.A. Martin:

-- across the board; consumers and retailers and everybody else. My question was: after a year, we have got 80 per cent of retailers and consumers saying they like it, where do we go from there? Because we have got a law that basically does not sit with GST. Just as an aside, can you tell me which raises the most money for the Government, RST or GST?

Senator P.F.C. Ozouf:

Well, RST has a number of very serious problems in enforcement, effectively, because you have to find the last chain in the cycle. That is a philosophical debate which I am happy to debate with you. But there are some problems associated with a system of RST which are all about fraud, avoidance measures, and all the rest of it. It is much more difficult, you would need to have an amplified, fortified enforcement system to collect an RST as you would a GST. The experience of -- we are only a small jurisdiction, we need to learn and not be afraid of learning from the experience of other places and all other places have been busy, in the last 20 years, replacing their consumption tax to the standard of inclusive versus exclusive pricing. That is why Australia basically did away with all their different forms of consumption tax, the UK did it in the early 1970s, and all EU countries are joining in. They have all moved to this standard because it is a tried, tested, rehearsed --

Deputy G.P. Southern:

The question was, at the given rate, which produces more return to the Government, GST or RST?

Senator P.F.C. Ozouf:

I would need notice of that. It is a completely different form of tax. It would raise more on a hard --

Deputy G.P. Southern:

The other question, let us suppose we have got this 12 month space where we are saying: "Charge as you see fit, inclusive or exclusive, just make things clear" if sometime down the road we have 80 per cent of retailers or 80 per cent of consumers saying: "We are happy to pay exclusively" how do you think you would regard that? That was the question.

Senator P.F.C. Ozouf:

I would need to just rehearse that argument of what would raise more because it is a long time since I have thought about it. I do not know what the answer to that is but I know it would cost a lot more in terms of enforcement and revenue protection.

Deputy G.P. Southern:

We will take that on trust, at the moment but I do not know that it would.

Senator P.F.C. Ozouf:

It is something I have not thought about for a long time. Pardon?

Deputy G.P. Southern:

I am not sure, I do not quite see, superficially, how it would. But never mind.

Senator P.F.C. Ozouf:

But the problem with RST is that it has many unintended consequences of which VRD (Vehicle Registration Duty) --

Deputy G.P. Southern:

We are not talking about RST; we are talking about GST in respect to charging.

Senator P.F.C. Ozouf:

But I was asked a question on it.

Deputy J.A. Martin:

Yes but then Geoff requested the --

Deputy G.P. Southern:

In 12 months' time, if the majority of consumers and retailers are saying: "We are happy to charge exclusively" how are you going to deal with that?

Senator P.F.C. Ozouf:

With, I suppose, some disappointment because I will accept and have committed to accepting a -- we would need to carefully look at the information that consumers have, whether or not they are fully understanding GST versus RST, whether we have explained and we have rehearsed the arguments for and against it. I think we would need to have a very careful discussion about that to look at the things. I think it is impossible to envisage. I maintain the view, and it is going to take a lot to shift my view --

Deputy G.P. Southern:

It is impossible to envisage?

Senator P.F.C. Ozouf:

Pardon?

Deputy G.P. Southern:

Did you say it is impossible to envisage that the majority of consumers and retailers would say: "Exclusive is fine by me, I will pay it on the till"?

Senator P.F.C. Ozouf:

They may say that but I think that people may be quite surprised with the amount of businesses that will move to an inclusive basis. I think there will be businesses that will move, we now know that

businesses are moving and I think the real debate will be, if we find that we cannot do exclusive pricing, do we want a situation that effectively traders can choose? Now, we need to bottom-out this issue about whether or not we could do exclusive, I am casting some doubt on that. But there will be a debate to be had.

The Connétable of St. Brelade:

Just to pick up on that really, it is down to the consumer, again, in my view. One of the chief concerns seems to be focussed on probably the food, the lower value end where there is a lot of concern about rounding up. Because clearly when items are under £1 it is more accentuated. What is your view on that? How can your department deal with the public conception that there will be rounding up on low value items, particularly on food?

Senator P.F.C. Ozouf:

I do not necessarily understand or I have not understood - maybe it is because it is that I am thick - the concern about rounding. Because rounding indicates to me that retailers are operating in an environment of which they can set prices to which consumers have to bear and that is not how a competitive market place operates. A competitive market place operates where you do not have an ability to set prices where consumers can walk somewhere else.

Deputy G.P. Southern:

Do you believe we have got such a competitive market that everybody will round down or absorb the GST? Are we really that competitive?

Senator P.F.C. Ozouf:

The aim of many of our policies is to ensure that there are competitive markets because competitive markets drive service, drive price.

Deputy G.P. Southern:

In our retail market would you say we are at the stage with competition, that either retailers will absorb GST or will round down to make sure they are not one nth of a penny more expensive than anybody else, is that the case?

Senator P.F.C. Ozouf:

I believe we have, to some extent, a competitive retail environment in household and consumer goods, I would like to see it more competitive but I do not believe that - even with the concerns I have - people have price setting ability. This is at the heart of competition policy.

Deputy G.P. Southern:

Meaning?

Senator P.F.C. Ozouf:

Well, at the heart of competition policy is whether or not a competition authority will determine whether or not a merger should take place or whether or not an acquisition or whether they are considering a dominant position in the market place. A dominant position means that you can charge a price, without reference to the competition, because you can. Therefore, if you have a competitive retail market, which retailers will say exists in Jersey and I accept it is competitive - I would like to see it more competitive, but I accept it is not in a price setting position - I do not understand the first order set of concerns on rounding.

Deputy G.P. Southern:

The first order set of concerns on rounding is that if you individually price every item, for example, my *Guardian*, which I currently purchase at 70 pence plus GST, because GST is on everything, comes to 72.1 pence. I confidently expect to pay 73 pence for my *Guardian* and every item that I purchase in a --

Mr. T. Le Roux:

Can I just ask, as a consumer, if there was a newspaper seller in the High Street who decided he was going to absorb the GST on his books, his newspapers and his magazines --

Deputy G.P. Southern:

I know what the theory says, yes, I am going to walk the extra 10 yards and get my 2 pence off.

Mr. T. Le Roux:

If one of them was going to do that, you - as a consumer - would vote with your feet and buy it from the guy that charges you the marked price.

Deputy G.P. Southern:

My question to the Minister was: do you believe we have such a competitive market that that will be happening and we will not be seeing rounding up? Nonetheless --

Senator P.F.C. Ozouf:

If we do not, we need to fortify and update yet further our retail strategy.

Deputy G.P. Southern:

Let us take this further, let us suppose that the market is not that competitive and that by and large, the vast majority of retailers will round up.

Senator P.F.C. Ozouf:

That sounds like a cartel to me, which is against the provisions of the competition law.

Deputy G.P. Southern:

In what way does -- you envisage the JCRA (Jersey Competition Regulatory Authority) being able to intervene in some way? I doubt that.

Senator P.F.C. Ozouf:

Effectively, if retailers are going to get together and collude and say: "We are all going to basically round up" --

Deputy G.P. Southern:

Nobody said collude, they will because it is convenient. People do that.

Senator P.F.C. Ozouf:

But in a competitive market place where Adam Smith's cabal of retailers are not getting together to set prices --

Deputy G.P. Southern:

We know what the theory says.

Senator P.F.C. Ozouf:

Yes but the theory is, and we have legislation to protect ourselves against that. So, woe betide 2 newspaper vendors which are going to have a telephone call to one another to say: "What are you doing, Harry?" "I am doing this, Fred. We will both do it the same." That is --

Deputy G.P. Southern:

We are going to be tapping newspaper vendors' phones, are we, in order to gain evidence?

Senator P.F.C. Ozouf:

No, but if they all move -- it would be surprising would it not if some retailers did not take the opportunity of effectively offering their consumers inclusive pricing as an additional certainty. Because we have got clear evidence that, in other places, consumer protection is based upon clear and transparent pricing. Some people will want to say that we are going to be transparent with you and what the price is on the shelf is going to be the price that you charge at the till.

Deputy G.P. Southern:

I will come back to my first question which is: do you expect that in Jersey's market? If you inclusively

price, we will see rounding down, rather than rounding up? Because that is what it comes --

Senator P.F.C. Ozouf:

You had 2 questions: you had a question on rounding and whether you would absorb it. It is 2 different things.

Deputy G.P. Southern:

Can you deal with rounding first?

Senator P.F.C. Ozouf:

Well, rounding, I would expect, if we have a competitive market place, for some retailers to be -- maybe they will be adjusting their prices but the price will be on the shelf what they pay at the till.

Deputy J.A. Martin:

Yes, but, Philip --

Senator P.F.C. Ozouf:

I would expect it. We know of some retailers and I know of some particular UK retailers who will absorb the GST, that is their business decision. At the moment, we are all aware of some businesses that are already charging UK VAT and absorbing it into their retail margin. We know that some are going to do it on an inclusive basis, it is not a reason for everybody to do it and it will not happen. The majority of it will be passed on, that is clear.

Deputy J.A. Martin:

First question, just on the newspapers and I know how difficult it is for some corner shops next to a big ... I will not name the retailer but they sell newspapers. They might not round up on their newspapers, so the corner shop is going to miss out but they will round up on everything else. Once you have got someone in the shop for their newspaper, then they buy their milk and they buy their bread and they are rounding up. So, I would have no faith that this will not happen because it has been proven the world over that mostly --

Senator P.F.C. Ozouf:

You sound as though you have made up your mind, Deputy?

Deputy J.A. Martin:

No, I am saying -- I am giving you an example where you are telling me that my next question was, inclusive -- you have told me that there are retailers out there who want to go inclusive and you have consulted with them, could you give me a rough ballpark figure how many retailers? I do not need to

know if they are big or small.

Senator P.F.C. Ozouf:

I am not prepared to give that in open session because it would be --

Deputy J.A. Martin:

I only want a round number, Phillip.

Senator P.F.C. Ozouf:

I know 3 or 4 retailers on the High Street at the moment who are planning to go on an inclusive basis and I am advised by Treasury officials and also what the Chief Trading Standards Officer told you a few moments ago, that some retailers would be extremely unhappy with moving to an exclusive basis.

Mr. T. Le Roux:

I will just say one thing, Deputy Martin, you did mention the small corner shop. The likelihood is that that small corner shop will not even be registered for GST so it will not be charging inclusive or exclusive, it will just be charging the prices that it charges now.

Senator P.F.C. Ozouf:

We will come on to that because there is an issue there for market traders --

Mr. T. Le Roux:

So, there will be a differential between your little corner shop - like the 2 or 3 that I shop in - which just will not be charging GST. So, presumably they will be able to charge their newspaper at the face value price. Whereas the bigger players like we have in the room and some others that they will be paying GST, their newspaper will be dearer. So, I know where I will buy my newspaper.

Senator P.F.C. Ozouf:

Market traders --

Deputy G.P. Southern:

So, they will be absorbing the costs that they have to pay.

Deputy J.A. Martin:

No, because they will be too small, under a level.

Senator P.F.C. Ozouf:

They will be below the threshold.

Mr. T. Le Roux:

I think we are going --

Deputy J.A. Martin:

But then they cannot claim any back either, can they?

Deputy G.P. Southern:

No, but they cannot claim back, so they will be absorbing it.

Mr. T. Le Roux:

We are going to have a 3-tier system, are we not? We are going to have the under £300,000's who do not charge GST, do not pay it, they are not registered. We are going to have the traders that decide they want to do --

Deputy G.P. Southern:

But not that they would pay on the good as it was coming in.

Mr. T. Le Roux:

Yes, but this is a consumer tax they must not charge the consumer.

Deputy G.P. Southern:

They would not pass that on. Okay. Sure. But they would effectively be absorbing that cost?

Mr. T. Le Roux:

They would be, yes. If they wanted to increase the prices of other goods, that is their business decision but there must not be any GST added on to the price they charge. That is the way I read it anyway.

Deputy G.P. Southern:

Yes. Because will not pay it. Yes.

Deputy J.A. Martin:

Yes.

Deputy G.P. Southern:

Yes. Absolutely. That is my reading as well.

Mr. T. Le Roux:

Well, that is one tier. So, we would have the tier of traders that just want to add it on at the till and then we will have the other ones that want to do it inclusively; so, the consumer is not going to know where they are.

Deputy J.A. Martin:

We also have the ones who are not even in --

[Interruption]

Deputy G.P. Southern:

Where was I going to go next?

Senator P.F.C. Ozouf:

But can we just perhaps deal with that because that deals with one question that you have on your list: what would be the indirect input of inclusive and exclusive pricing on non-registered businesses with a turnover of less than £300,000? I think you would accept that there would be certain market traders, for example, that would probably be below the £300,000 threshold.

Deputy G.P. Southern:

Whatever, yes.

Senator P.F.C. Ozouf:

So, on an inclusive basis, if you go and buy a pound of carrots - because we are not moving to metric as yet or have not moved to metric yet - then if you are displaying a pound of carrots at 39 pence --

Deputy G.P. Southern:

That is the price we are paying?

Senator P.F.C. Ozouf:

-- that is the price you will be paying. Those businesses will be inclusive by definition because what you see is what you pay and there is no GST. So, to get parity --

Deputy G.P. Southern:

They will probably have a sign saying: "No GST."

Senator P.F.C. Ozouf:

Yes. But to get parity --

Mr. T. Le Roux:

Should they have to do that?

Senator P.F.C. Ozouf:

But should they have to do that, that is the key question.

Deputy G.P. Southern:

It will be a selling point, will it not? **[Laughter]**

Mr. T. Le Roux:

Yes.

Senator P.F.C. Ozouf:

Yes. But it is going to be confusing. It is going to be incredibly confusing for shoppers and it was Senator Kinnard and others who - I have obviously had to take this to the Council of Minister - have genuine concerns about people on low incomes that they do know what they are going to pay at the till. Kids with pocket money going to a till, we have all seen them in corner shops going to buy their tuck or whatever they are doing, they buy what they have got the money in their pocket. It is an affront to my consumer protection views that we are not going to show these people, whether they are people on high incomes or low incomes - but I am particularly concerned for people on low incomes - is that we are not going to be clear with them of exactly what they are going to be charged at the till. I think it is a real concern and there must be good reasons why places have introduced tough consumer protection.

Deputy G.P. Southern:

If you will allow to me to ask a question occasionally, Minister. Do you think the customers at Marks and Spencer's are confused?

Senator P.F.C. Ozouf:

I am very confused when I go to Marks and Spencer's because I have done my own surveys in Marks and Spencer's in the last few weeks and it now appears that Marks and Spencer's does not have a universal approach to price marking. It is of great concern to me. So, when you buy --

Deputy G.P. Southern:

Can you tell me more?

Senator P.F.C. Ozouf:

Yes. There are some products that are price-marked on the shelf which are inclusive, yet if you buy the price-marked -- I bought some steak and that was the UK price with a percentage added on. I am not

sure it was quite 5 per cent, might have been a bit more, I do not know. There were other products which were not individually price-marked on the packet of chicken or whatever it was, that had the shelf mark accurate. So, if I had of been around Marks and Spencer's and I had picked up a basket of goods and added up the shelf marking and the packet price and I added it up at the till, I would have got the wrong amount of money in my pocket at the end of it. Now, that is confusing and it is not in accordance with standard consumer protection elsewhere. I do not know why they have done that but they have moved away from their system of 5 per cent added to everything. Because effectively --

Deputy G.P. Southern:

I would be interested to hear what they have to say about that.

Senator P.F.C. Ozouf:

I think it is a huge concern.

Mr. T. Le Roux:

I only found out recently that Marks and Spencer's were not charging 5 per cent on everything at the till because I had noticed -- in the old days when they first started this - and I will talk perhaps a little bit later about the complaints we had about the new system - but I only recently realised that they were not charging 5 per cent on everything. Marks and Spencer's have moved away from all price-marked packs, gradually over a period of time. What Marks and Spencer's or Le Riche stores - whatever you want to call them - what they seem to have decided to do is, on the packs that are not price-marked, they add their profit margins or whatever they do and indicate the price of those packs on the shelf; so, what you see is what you pay. But a number of packs, like you mentioned steak - I buy poultry and various other pre-packed meats, cold meats or whatever - that come down pre-priced, they still charge 5 per cent at the till on those items. They are operating a 2-tier system. I was told anecdotally by somebody who shops there regularly that they got fed up with people moaning at the supervisors at the till that they were not charging what they were showing on the shelf. As I say, that is anecdotal, so that is not evidence, that is what I have been told. But if that is true then obviously consumer power there has forced them into a move which helps their staff, I suppose. One would have to ask the question that if all Marks and Spencer's packs were not priced, then presumably they would go down the road of fully inclusive pricing. But that is the sort of question that perhaps the people at Marks and Spencer's would be able to tell you more clearly.

Deputy G.P. Southern:

Sure.

Senator P.F.C. Ozouf:

Or the half-way house would be at least that the shelf marked price would be right but on meats it is

obviously it is not very clear. When you go into the store, it is not clear. Obviously, a one pound steak is different in weight is different from a 2 pound, so there is individual -- I recognise the issue there. I recognise that that is one problem that some retailers have and I do not have a ready solution to that. But that is not persuasive enough to throw away all of the best practice and all of the default position that should be that the default, unless there is a jolly good reason why you should not, should not be inclusive pricing. On the issue of newspapers, I recognise that one as a particular problem but you should set out the general rule and then, if there are compelling reasons for exemptions, create some exemptions. Perhaps, newspapers is one.

Deputy G.P. Southern:

Okay. I think Kevin wants to ... Kevin?

Deputy K.C. Lewis of St. Brelade:

Yes, Minister, do you think it is appropriate that all retailers in Jersey should indicate at the door whether they will or will not be charging Goods and Service Tax? Following on from the Marks and Spencer's question, should the States legislate against the inclusion of VAT in Jersey shops? Albeit I am aware they could delete the words VAT and insert transportation costs.

Senator P.F.C. Ozouf:

The first thing is all businesses, unless they are £300,000, will be collecting GST. I think your question was meant to be, will they indicate whether they are price-marking on an inclusive or exclusive basis?

Deputy K.C. Lewis:

Yes.

Senator P.F.C. Ozouf:

Well, the answer to that is, given the fact that we are in this situation where we have not decided for inclusive pricing, you must not be faced with a surprise at the till. Just as I had an email yesterday from a member of the public on garage forecourt prices - that the individual bought some petrol and was not clear until he went to the till what the price was - I think you know who I am talking about.

Mr. T. Le Roux:

Yes.

Senator P.F.C. Ozouf:

They were not clear. So, yes, there does need to be - in this period of introduction - certainty and consumers should know. At least we need to tell them whether or not it is inclusive versus exclusive.

Deputy J.A. Martin:

When you say --

Senator P.F.C. Ozouf:

Should the States legislate? Everywhere else has, there are good reasons why they have done it. There are good consumer protection reasons why we should do it too.

Deputy K.C. Lewis:

Do you think that would be very difficult to implement the legislation?

Senator P.F.C. Ozouf:

No, because they do it everywhere else.

Deputy K.C. Lewis:

As I say several people delete the words VAT and just put in transportation costs, does that not just come under market value?

Senator P.F.C. Ozouf:

I do not understand the question.

Deputy K.C. Lewis:

Well, Marks and Spencer's are charging VAT.

Mr. T. Le Roux:

Nobody in Jersey charges VAT.

Deputy K.C. Lewis:

The equivalent of. It is --

Mr. T. Le Roux:

It is just not --

Deputy K.C. Lewis:

You just delete the word VAT and put in --

Mr. T. Le Roux:

You cannot legislate against something that does not happen, you might call it VAT but there is no business in Jersey that charges VAT.

Deputy J.A. Martin:

They just charge the same price as England. Inclusive in England -- part of it is VAT.

Mr. T. Le Roux:

There are some businesses that charge considerably more for items in Jersey than you will pay on the High Street in the UK, so what do you call that? VAT plus extra profit? So, you cannot legislate for something like --

Deputy K.C. Lewis:

Some of the prices are exactly the same as VAT in the UK.

Deputy G.P. Southern:

But that is a legitimate question. Certainly, I think there are many members of the public out there who say: "Why cannot we legislate against these so and so's who charge VAT?" So, is there --

Mr. T. Le Roux:

What you can do -- yes, they charge VAT prices --

Deputy G.P. Southern:

That is the key word.

Mr. T. Le Roux:

Yes.

Deputy G.P. Southern:

The equivalent of.

Mr. T. Le Roux:

Yes. The easy part to determine there is because we have retailers like Next and Burtons and the ones that you can compare prices easily with the UK.

Deputy G.P. Southern:

Identifiable.

Mr. T. Le Roux:

What about the ones you cannot? All the little boutiques that might sell things that other large retailers - - where we cannot easily compare. Where we have no idea whether we are paying VAT inclusive

higher prices. I have been told some retailers in Jersey will just charge what they think they can get. Whether or not that is VAT inclusive, more than VAT. That is what it is all about.

Deputy G.P. Southern:

Yes, pricing to the market and we are supposed to be a wealthy market.

Mr. T. Le Roux:

That is right. That is what it is all about.

Senator P.F.C. Ozouf:

So, our job or my job as the Economic Development Minister is to create the right conditions that effectively there is a competitive market, that you are not in a price setting position. You want to guard against it because if you are in a price setting position then you need price regulation.

Deputy G.P. Southern:

Except that there is evidence that we are price setting to whatever the market will bear.

Senator P.F.C. Ozouf:

But a market will bear any competitive market.

Deputy G.P. Southern:

Therefore rounding up is like to take place, I am afraid.

Mr. T. Le Roux:

But --

Senator P.F.C. Ozouf:

No. No, you pre-judge the situation, I think. Why is it then that some businesses or markets in Jersey are more competitive than others? The other question that was not asked earlier is whether or not businesses are going to be having more cost? I think the panel, if you are investigating this, needs to call businesses that are already -- and not the ones that are the more vociferous voices in this debate, perhaps the ones that are just getting on and running their businesses. But if you go, for example, to Boots, they charge UK prices less the VAT that they would have paid and their shelves are meticulously price marked in an exemplary fashion, of which I applaud. Every price is clear and they also have a unit prices basis so I can cast my eye across the toothpaste counter and I can make a meaningful comparison, an informed consumer choice, on which toothpaste I buy. I am not aware that Boots are ripping people off by rounding up and all the rest of it, it appears to me - unless somebody can give me the evidence otherwise - that they are being entirely fair to Jersey consumers. I think I went to another UK national

retailer chemist that was also doing the same thing. I went to a locally-owned chemist that was doing the same thing. What is this issue that some businesses are saying that there is going to be hell freezing over and apocalypse in having the requirement for a one-off adjustment in their prices to charge inclusive pricing? I just do not accept it. I do not have any evidence that businesses are going to be, on an ongoing basis, having to incur more costs because of having to price-mark what they are charging at the till. They are having to do it at the moment, they have to adjust their prices all the time, they should do it for GST.

The Connétable of St. Brelade:

Given that shoppers can be segmented into 5 or 6 different segments of, and I think you are referring to economic consumers basically, I think you will admit there are other shoppers and the economic side does not always come in. Particularly in Jersey where we are fragmented into a lot of small businesses.

Senator P.F.C. Ozouf:

Do you mean to say that some people are more price conscious than others?

The Connétable of St. Brelade:

Yes. Absolutely. I would describe that as an economic consumer.

Senator P.F.C. Ozouf:

The price conscious consumers?

The Connétable of St. Brelade:

A more price conscious consumer I would describe as an economic consumer, whereas there are those who will go for convenience, personalities in shops or a larger assortment or perhaps status name branding and so forth, particularly in the clothing industry. Do you think it is right for Government to interfere in this sort of makeup or is it in fact possible for Government to over-interfere in this sort of structure?

Senator P.F.C. Ozouf:

I think Government's primary role in this area, I did not say exclusive but one of our most important considerations should be consumer protection. That is something that we should have more consideration on than other factors. Therefore, that should be a primary, overriding consideration and if the costs an issue, why is it that other places are doing this and there are small shopkeepers and large shopkeepers and chains and other places --

The Connétable of St. Brelade:

Because the cost issues are different because with these different segments of consumer, obviously a

retailer who keeps a larger assortment, his costs are probably going to be greater than --

Senator P.F.C. Ozouf:

Why?

The Connétable of St. Brelade:

Well, because probably his buying power is less. Likewise, if he is going for purely name-branded, lower turnover items than perhaps the larger volume retailer, his costs are probably going to be higher.

Senator P.F.C. Ozouf:

I quite like Church's shoes, these are quite expensive shoes because I have got funny feet. Does that mean to say I am not price conscious for a pair of Church's shoes? I am very price conscious and I know Begas(?) sell at UK prices less VAT, that is why I buy them there and if they move their prices I would go and buy them off the internet or I would go to another vendor. Just because it is a high value good, does not mean to say you are not price conscious.

The Connétable of St. Brelade:

I think what we are talking about is the cost of retailing.

Senator P.F.C. Ozouf:

There is no difference in terms of cost to the business. GST is a fact of life that businesses have got to deal with and they are dealing with it on a day-to-day basis on an inclusive basis across the world, why are we any different?

The Connétable of St. Brelade:

What about administration costs?

Senator P.F.C. Ozouf:

I would need to be shown the evidence that the administration costs are higher for inclusive prices versus exclusive and I do not have it. I have taken the evidence and the experience of other places and the thing that we said earlier on, if you bring in GST it is inclusive. I really have been astonished at the fact that people are even considering that it is an option to bring in GST on a non-inclusive basis. It is an extraordinary concept to me.

Deputy G.P. Southern:

You started there about 55 minutes ago.

Senator P.F.C. Ozouf:

Yes, but I will repeat it --

Deputy G.P. Southern:

Nonetheless, I am glad you mentioned the word "evidence" because that is the evidence exactly that we will be seeking. If we do not find it, I am sure our conclusions will be very different to what they otherwise may have been.

Senator P.F.C. Ozouf:

Yes. You need to ask the retailers that are - and we can probably tell you in confidence that we would need to be careful about the people that we do -- but I think you need to talk to the retailers that are telling us, and they are not the ones that are shouting, that they want to move inclusive basis.

Deputy G.P. Southern:

I do not think we can go out there and twist their arms to come in but nonetheless we have sought --

Senator P.F.C. Ozouf:

No, but I think that it is incumbent you --

Deputy G.P. Southern:

Please, do not lecture me.

Senator P.F.C. Ozouf:

Well, I have seen your calls to evidence.

Deputy G.P. Southern:

I know exactly --

Senator P.F.C. Ozouf :

I have seen your calls to evidence and I have to say, Chairman, that I am concerned - and I know that you would wish to get a balanced view - and at the moment I cannot see the balanced view from the evidence of people that you have called so far. There are other people who would need to be encouraged to give evidence.

Deputy G.P. Southern:

As soon as they are in touch with us, we may well be calling them.

Deputy J.A. Martin:

We advertise that, Philip, these are the people who have contacted us.

Senator P.F.C. Ozouf:

But we all know how difficult it is. We need to be proactive here.

Deputy G.P. Southern:

I am in charge of my Scrutiny Panel and I will make sure that it is as fair and as balanced as I can make it. I cannot guarantee that it will be sufficiently fair and balanced to satisfy you - in a month of Sunday's perhaps - but nonetheless I will do my best.

Senator P.F.C. Ozouf:

All I know is that you have got 3 hours worth of individuals tabled tomorrow that you know have a stated position against -- it is important for you to listen to them but I think that you also must listen to the people in favour of it.

Deputy G.P. Southern:

Yes, and we put out a call for evidence from all concerned stakeholders and we are filtering the responses now. So, we will be seeking a balance and that is what we do. We try and be scrupulously fair and examine as much of the evidence as we possibly can get hold and we certainly do that to the best of our ability. Can I just come on to talking about legislation, is there a case, for example, for legislating on rounding up or down? Do you see it? I am asking the question because it is there to be asked, I do not have a view on it and it seems, perhaps, to me to be -- it is a small jurisdiction, do we have to go there? But you ask legislators to say, up to 0.4 you round down and thereafter you round up and that way whatever your 3 per cent is or whether you are inclusive or exclusive, you are going to see, more or less the same result through to the end of the till. Is that --

Senator P.F.C. Ozouf:

I do not think you can legislate but I think you can do 2 things. I think that you can fortify and do as much in terms of consumer awareness as is possible. So, the more debate there is in the public, the more price watch in the *JEP*, the more the consumer council tracks prices up to the point of GST and follows through afterwards and does some naming of businesses that appear to have been rounding up or rounding down, the better. What I would say - and I do not think it is possible to do this in the context of GST because I think it is just too expensive to do it - but I would cite the example that other places have also been through the transition of either a currency change or a move in their underlying taxation; their GST, VAT rates. In the European Union you had a parallel price-marking requirement to show the price in French francs and in euros. You can hear the howls of protest from the Chamber of Commerce if we required them to mark -- as I suggested the idea and I got blown down with fire, is that they would move to a compulsory inclusive and exclusive price so that Mrs. Smith or Mr. Smith could see the inclusive price and exclusive to compare to their till receipt that they had the week before. Other places

have done that kind of thing.

Deputy G.P. Southern:

Which is a question I was going to come on to. I am asking you - and not the Chamber of Commerce now - would you envisage going to the Australian system where every component has to be marked. So, you get basic cost of goods plus the state tax, plus the GST equals blah, blah, blah?

Senator P.F.C. Ozouf:

No, that is not the case in Australia.

Deputy G.P. Southern:

Oh, right. That is my understanding.

Senator P.F.C. Ozouf:

That is in Canada. Australia is inclusive pricing but where you do have the consumer being aware of the amount of GST that they are paying is effectively on the till receipt.

Deputy G.P. Southern:

Is that the case? Yes, I have looked at it, yes.

Senator P.F.C. Ozouf:

You are talking about the Canadian HST (Harmonised Sales Tax), which is a --

The Connétable of St. Brelade:

Yes, I think I saw that because I could not believe it myself. So, there is a bit there but there is also -- it must have happened in 2000 because there is a quote there from the Chairman of the Australian consumer protection agency.

Deputy G.P. Southern:

Sure. Thanks.

The Connétable of St. Brelade:

I was surprised when I read that. In the situation where perhaps public pressure indicated an obligation to have the GST levied at the till, would you be comfortable if it was prescribed in this sort of manner? In a very clear manner so that it was absolutely clear on the till receipt what people are having to pay?

Senator P.F.C. Ozouf:

I think --

The Connétable of St. Brelade:

Taking the legal side out of it, shall we say, or any legal obligations out of it.

Senator P.F.C. Ozouf:

It is against consumer protection that you do not know that the price on the shelf is the one that you are going to have at the till. There is a debate about how till receipts should be short, I accept that that. A healthy thing to do is to have a till receipt that would give you as much information but I think we need to be realistic in terms of not moving away dramatically from the established till procedures that tills are being bought effectively on the UK VAT system or on the European system. I do not think we should reinvent the wheel dramatically. So, I think there are -- the minimum standard is acceptable to me, as far as the European directive is concerned.

Deputy J.A. Martin:

Can I just come back to something you said just about protecting the person or the child with pocket money or the person on a low income? Just a remark from someone who has not long just come back from America with children between the ages of 10 and 13 how aware they were, after one day and doing a bit of mental arithmetic was really good for them. They had their \$5 but they knew in the \$1.99 dollar shop that they could not buy -- that is an aside. People are not silly and it is people on low incomes and my interest in low incomes - where I differ from Wendy - is the States only got away, let us say, with introducing no exemptions on GST protecting people on low incomes through income support. Now, unless I can - if I am on a low income - tell what GST I am paying over a 6-week to 8-week period, when it is introduced, I would only know then that it is the 3 per cent that the Government have up-rated my benefit of living cost for, that I am paying. Other than that, I would have no protection. So, to me, it is a very fair point to keep an eye on - for people on low incomes - the 2 systems coming in together. It is quite scary for people on low incomes but they are not silly, they can work out what 3 per cent is around, if it is kept at 3 per cent it is not rocket science.

Senator P.F.C. Ozouf:

Well, I favour 3 per cent. I do not believe you were discussing the merits or otherwise of GST itself, you were basically investigating the merits of the price-marking situation and you would need to pull the Treasury Minister or pull me into a separate set of evidence to debate the colliding of various different policies together. Suffice to say the States have made a decision for GST, it is coming in in April. Commitments have been given on income support and they were being delivered on, as far as I am concerned. As far as GST is concerned, I know there are some questions later on in your bullets about whether or not my views on inclusive pricing would change if the rate changed. Well, no, I do not think it would but I remain committed and we have had a meeting over lunch with the Chamber of Commerce and we have explained to them our steely resolve to keep GST at 3 per cent and the policies to deliver

it. Interestingly, you said on your North American experience that your children knew what the sales tax was on \$1.99. Now, there is an interesting point because that is something also that I do not think has been entirely followed through, is that there are price points which retailers do use, 99 pence is one. No doubt there are going to be experts that are going to tell you what those price points are and those price points will have regard to the obligations to have to pay taxes. The Chairman was absolutely right, he says that businesses charge prices at which the customer will bear in a competitive market place. That is what happens, that is what the free market is about and £1.99 is a price point. If you have exclusive pricing, it will be passed on; you will still have the price point of 99 pence, maybe you will move to a different price point but you will still have those price points. So those price points exist because they have VAT of 17.5 per cent in the UK does not mean to say you do not have price points of 99 pence, £1.99, £5.99, £199 for a suit or whatever. You have them. It is a cost.

Deputy J.A. Martin:

There was an article in the *JEP* last night saying exactly that, but that would take that price point over the amount.

Senator P.F.C. Ozouf:

There are some people who would say that exclusive pricing will mean that it is all passed on or not. I mean, that is a debatable point. Some of it will be passed on and some of it will not. It depends. Some of it will be absorbed. We are not dealing with a very large level of GST, but I accept that consumers will pay. But I do think, that as far as the UK prices are concerned, the people who charge UK VAT pricing and are not returning anything to Gordon Brown, or whoever the new chancellor is, is that there will be a stronger possibility for them of absorbing it, a possibility. That is all, I put it, no stronger than that. Just because it is ease, and 3 per cent for some retailers in their margins -- some retailers this is not the case for, and the Co-op and others will represent that retail and food markets are much leaner in terms of margin. That is something for them to give you on, but some retailers, certainly, 3 per cent is not going to be either here nor there compared to the retail margins that they have, but that is not everybody.

Deputy J.A. Martin:

Yes, I totally see what you are saying, but I would not have much faith in a retailer who would have been charging me for the last 10 years a price inclusive of VAT not to add on any per cent, just because he can. I mean, you know, he did not need to charge me for VAT.

Senator P.F.C. Ozouf:

If you give them the option, it is more likely that they will.

Deputy J.A. Martin:

Well, I mean, as I say, it is down to individual retailers, but I would not put much faith in that one, or the few who have been doing that.

Senator P.F.C. Ozouf:

But you must have faith in the market. Our never-ending goal must be to put in place the dynamics of a competitive marketplace. If we do not, then you need to have price regulation as the proxy for competition. Competition is where you do not have price-setters and where you have competitive businesses fighting for consumers -- service, price, whatever.

The Connétable of St. Brelade:

Have you deduced any reaction from the non-retail businesses?

Senator P.F.C. Ozouf:

Service businesses, people like that?

The Connétable of St. Brelade:

Yes.

Senator P.F.C. Ozouf:

Well, services are not -- this whole issue of price marking is effectively on goods, as opposed to services.

Deputy J.A. Martin:

Services will show separately, will they not, like they do VAT in the UK?

Mr. T. Le Roux:

Yes. I probably should explain that our law, the Price and Charge Indicators (Jersey) Law was drafted so that services could be included but there was never an intention to impose price marking on services. It does not happen in the EU. It is not part of the price marking.

Deputy J.A. Martin:

No, you build -- the chart gives you a price plus the 8.

Mr. T. Le Roux:

That is right.

Deputy J.A. Martin:

I mean, everything is set down in the service that you have given to --

Mr. T. Le Roux:

It was purely on goods. So, services, I mean, it was just there for the future, but as you know the law is really an enabling law to allow the detailed regulations as to what would or would not be covered, and certainly services would not be included. I think the Minister has pretty much decided that initially anyway we would not try and include the individual unit pricing requirements because that can be quite a burden for traders.

Senator P.F.C. Ozouf:

Before there is any doubt, it is not me deciding unilaterally, it is inviting the States to agree the regulations. There seems to be some of you --

Mr. T. Le Roux:

I keep saying you, but it is regulations, so it is not the Minister.

Senator P.F.C. Ozouf:

Yes. There seems to be some view that once this law was passed I could just sit there and make an order. I cannot. It is the States that would make regulations.

Deputy G.P. Southern:

No, it is regulations, as one would expect.

Senator P.F.C. Ozouf:

Absolutely right.

Deputy G.P. Southern:

I mean, other Ministers may use orders for all sorts of things, but --

Senator P.F.C. Ozouf:

They might do, Chairman.

Deputy G.P. Southern:

-- we would prefer to see regulations which come before the States.

Deputy J.A. Martin:

Before we finish, Philip, and I think we are nearly there, as Geoff seems to be indicating, can I ask why this was so tight when GST was passed, the law? Did I miss that one when I came in? I mean, we asked to review this over an 8-week period, but it is so tight for the introduction, which has already been

moved once. Why did this piece of legislation take so long? It is not a massive piece.

Senator P.F.C. Ozouf:

That piece of legislation effectively was an alternative way of delivering inclusive pricing, as opposed to Article 94 in the GST law originally, which is why I am not fantastically happy with the fact that we seem to be debating inclusive pricing at this stage when I thought that it was implicit. I accept responsibility for not having done that, but my department and the public have certainly been aware for a long time of the intention to invite the States to make a decision on inclusive pricing, and it is fair to say that a political solution was raised. I was not in the States at the time when Article 94-- that a proposal to bring a more comprehensive system of price marking, including unit pricing - which I am sorry I have to say you are not going to review because I think that is something that I would value your judgment of whether or not it is the right move for Jersey is to move to unit prices, basically, which is the other part of that. Effectively it was a political compromise to deal with the issue that we had, of Article 94. It should have been done earlier, but it was because of Article 94.

Mr. T. Le Roux:

That particular law was drafted in a matter of weeks, after the GST debate, where there were a number of amendments to Article 94. Really, it was quite clear there was so much confusion among States' Members that the price marking issue, which is a consumer-protection issue, had to be separated from the GST law, which was going to travel through anyway. To highlight, this was nothing to do with the tax or what sort of tax or how it is charged. This is purely whether or not consumers are entitled to know that what you see is what you pay. It is very much a consumer-protection issue, and that law really had to be drafted very quickly to enable the States to try and make the decision before the summer break. So it is quite short because the detail would be in the regulations. But of course it will now not be possible for it to get to that stage.

Deputy J.A. Martin:

That is right. I thought it was sort of -- I was in America when you had the debate.

Mr. T. Le Roux:

What he wanted to make clear was that if that law was passed, then it was implicit in saying that the States -- or he would promote the fact that we should have inclusive pricing.

Senator P.F.C. Ozouf:

We would bring some regulations for inclusive pricing just as there are some final regulations for GST before, and of course we have the debate on the Appointed Day Act.

Mr. T. Le Roux:

That is not difficult because we have legislation, the UK price marking order, which can be looked at and adapted, if necessary, so it should not be a difficult process.

Senator P.F.C. Ozouf:

We would not do anything that was not in place in other jurisdictions, particularly English-speaking jurisdictions.

Mr. T. Le Roux:

There is one interesting provision in that law: It was written in that the States could make exceptions in certain circumstances. So it could be an argument, for example, to say that where a Co-op have lots of pre-priced goods come in, that that could be made an exception. That the norm would be inclusive pricing, but to try and meet the needs of business you could say, well, on these particular occasions for these reasons, it will be acceptable that a sign is added. I do not know. I am just thinking laterally.

Senator P.F.C. Ozouf:

Like we said with Marks and Spencer's, only I would like to see the shelf marked with the fact that they were adding the 3 per cent or the 5 per cent or whatever they are doing. I mean, you have reverse inclusive pricing in Marks and Spencer's. I went to go and buy some socks from Marks and Spencer's the other day, and I cannot remember how much they were. I am quite price sensitive. I did look on the internet at the different prices. All I know is the socks were marked with the familiar price mark of -- I think it was £2.99 a pair; I cannot remember what it was. I went to the till, and the cashier basically put in £2.99. So I said: "Hold on a minute. Do I not get the VAT that you are not passing to Alistair Darling?" or Gordon, who was still there at the time. They said: "Oh, sorry", and they undid it. So, in fact, Marks and Spencer's is, from a consumer-protection point of view, a complete nightmare. Half the things there -- they have some stuff they are shoving up and some things that are shoving down.

Deputy G.P. Southern:

Is the general rule not 5 per cent off food, 10 per cent off clothing, that was the original --

Mr. T. Le Roux:

That was the deal when it first came in. We will knock something off your textile goods, but we are going to put 5 per cent on the food because we know you all like it.

Deputy G.P. Southern:

Sure.

Senator P.F.C. Ozouf:

I would represent that the people who go to Marks and Spencer's are not particularly price conscious.

Which may be why they can get away with it.

Deputy G.P. Southern:

There, Trevor, you are talking about the flexibility end of the rule. That presumably is -- Article 2(3) says: "Shall be price indicated inclusive, except, subject to paragraph 4, may make exceptions."

Mr. T. Le Roux:

Exceptions, yes, I thought that was what was written in.

Deputy G.P. Southern:

So you are saying you have got flexibility built into the law.

Mr. T. Le Roux:

Well I am just saying that there could be flexibility there, but that is up for the States to decide and for consultation I suppose.

Deputy G.P. Southern:

If there is a case presented to you, you can be flexible, and so -- as appropriate.

Mr. T. Le Roux:

But it was just written in in case it was needed.

Deputy G.P. Southern:

Yes, which takes me to Corporate Services' potential amendment that they were going to change the "shall be" in 3 to "may be", but you are saying that is already covered because we can make exemptions anyway. So, the normal rule shall be with exemptions, you are saying?

Mr. T. Le Roux:

Well, I think if you say "may be" then you are just basically saying it does not matter, does it?

Deputy G.P. Southern:

I think Corporate Services call that the free market.

Mr. T. Le Roux:

I think what the law was trying to say is we expect inclusive pricing but there may be possibility of an exception if the case is made. That is the way I read it. I do not know if you read it that way.

Senator P.F.C. Ozouf:

I would just say one other thing is I would always imagine that, at the point GST comes in, it would have to be a reasonable period of grace to require the move for inclusive. There is a debate about how long that should be, whether or not it should be a week or whether or not it should be 3 months, but of course you would give retailers -- particularly if they represented that they had lots of lines or there was this massive job of this re-pricing, of course one would have regard to a transitional arrangement. Regrettably, that is not going to be available at point of introduction.

Deputy G.P. Southern:

Trevor, I think we have skated over, although we mentioned, the scope of problems involved in policing this law and policing GST and pricing. Would you like to tell us something about what that represents from a trading standards point of view, or consumer protection code?

Mr. T. Le Roux:

I would not be involved in policing GST, but what I would be involved in is policing the price marking issue. It really is not an issue. We are all trained to deal with the equivalents of UK legislation, and there would not be a problem for policing it, as far as I am concerned.

Deputy G.P. Southern:

Would that change with either inclusive or exclusive price marking?

Mr. T. Le Roux:

At the moment, there is not going to be any legislation, so there is no policing to do at all.

Deputy G.P. Southern:

Would you like to speculate or hypothecate?

Mr. T. Le Roux:

If we had a price marking law, and you can see the powers that law gives us, Deputy, then obviously there is not a problem. Do you mean with the staff I have?

Deputy G.P. Southern:

Yes.

Mr. T. Le Roux:

No. I mean, if there are not problems coming through the door then we do proactive work, so every day is different in my job. That is why I love it. So, it is not an issue at the moment. I mean, we have just taken on a trainee officer anyway, so we are pretty much up to full complement, 3 trading standards officers, so, no. I do not envisage a problem with that at the moment, particularly when all the traders

would know what the law is. So, if there were the odd blip, we do not -- trading standards people do not work in a heavy-handed way. We tend to try and keep traders on our side to produce the best for consumers. We are probably quite lucky in Jersey that we do not have rogue traders like we see operating in the UK because we are a very small place and they get found out very quickly. So, generally, traders will be compliant with what the law says. If we go for an inclusive pricing system, then the Chamber people and the Co-op people will say: "Hey, this is going to cost us a fortune, but we know what the law is. We understand the reasons for it, and we are going to comply."

Deputy G.P. Southern:

The corner shop?

Senator P.F.C. Ozouf:

We do not necessarily agree that it would cost them a fortune.

Mr. T. Le Roux:

Sorry. I did not say that.

Deputy G.P. Southern:

You might say that. He could not possibly agree.

Senator P.F.C. Ozouf:

I would ask the Co-op what it is going to cost them. They have written a letter to say how much it is going to cost them and ask them what it costs them and ask them what their turnover is and ask them what their other costs are.

Deputy G.P. Southern:

I am going to, Philip. I am going to. That is the third time you have told me what to ask them, as if I could not work it out for myself. Please, do not do it.

Senator P.F.C. Ozouf:

I am pleased you do so.

Deputy J.A. Martin:

Sorry, I am being very thick here. You are the department that will check the pricing whatever way it is. Who is the equivalent, then, to the UK VAT man? Who collects and makes sure the collection --

Senator P.F.C. Ozouf:

It is Treasury.

Mr. T. Le Roux:

Treasury or Customs.

Deputy J.A. Martin:

That is where the extra staffing will really be needed, will it not, on either way, I presume? Because you said RST, which would be similar to what we are having --

Senator P.F.C. Ozouf:

We are not having RST.

Deputy J.A. Martin:

No, no, no, but the way we would -- if it was not inclusive, it would be harder to collect.

Senator P.F.C. Ozouf:

I think they are just enforcement issues because effectively RST you are collecting at a retail level. It would probably be helpful for you to have a briefing on RST versus GST for you to perhaps understand some of the thinking that went behind the reason that we went down that route. I think if you were briefed on that, I hope you would be persuaded of the overwhelmingly compelling reasons why you do not have RST versus GST. Effectively, VRD to cars is RST to consumer goods. Not good. Riddled with unintended consequences.

Deputy G.P. Southern:

Sure. I think my life is too short for a briefing on RST.

Deputy J.A. Martin:

No, but we can research RST.

Senator P.F.C. Ozouf:

If people are linking United States and saying United States is the jurisdiction to follow, then I think you are entitled to and you need to understand the things that flow from that.

Deputy J.A. Martin:

Yes, well, we can research that.

Senator P.F.C. Ozouf:

There are documents available for you. That is what I am saying.

Deputy G.P. Southern:

In terms of the consumer angle in the States, they can leave the legal side of the whole thing out. I mean, what is your feedback or your feeling from the States? My indications are from Americans and so on they do not consider it a problem and never have done. Do you have any feel for that?

Mr. T. Le Roux:

Tomorrow I think you are speaking to Steve Lowthorpe. He has lived in Canada. Ask Steve Lowthorpe what Canadian people feel about charging at the till because you will get it firsthand from him.

Senator P.F.C. Ozouf:

I have some notes here and some background. There is an individual who no doubt has been corresponding with you, a member of the general public who has done some work on these, inclusive versus exclusive pricing. I suggest if he is not going to give you some evidence certainly I have some correspondence with him. I have to say that of all the jurisdictions I have looked at that have implemented a consumption tax, Canada has by far and away been the most controversial. I have learnt lessons from the Canadian experience. There was a whole minefield of problems. They were effectively replacing a whole series of other taxes. The people did not trust the Government that they were not raising any more money. There was huge controversy on the issue of inclusive versus exclusive. Consumers wanted inclusive. There is a percentage of consumers that still want it to be inclusive. I have only got anecdotal evidence from the US, but they do not have GST. There are some people who say that the United States will eventually move to a GST system. They cannot do that because of state differences.

The Connétable of St. Brelade:

You alluded to public distrust, would you agree there is a degree of public distrust in Jersey at the moment and people are dead worried about rounding up, and we have spoken of it at considerable length? Do you not agree there is considerable underlying concern about what is going to happen?

Senator P.F.C. Ozouf:

I think people are being told to worry about it and therefore people do worry about it, and we have not been effective enough to put the other side of the argument, and I accept responsibility for that. I think we have not put the other side of the argument strongly enough, and I have to take responsibility for that. In the last few months, clearly, if I had my time over again, I would have spent a lot more time in putting the arguments much more carefully in relation to the benefits of inclusive pricing because it is curious that Jersey consumers appear to -- what is written in the newspapers and on Radio Jersey is that people and journalists seem to be -- the *JEP* immediately moved against inclusive pricing when it was proposed. I think they did so without having -- with respect to some very well-respected journalists, I do not think they fully analysed both sides of the argument. I think once you have got a position, it is

very difficult to move away from it.

Deputy G.P. Southern:

I think therein you have come back, almost full circle, to my first question, which was about the consultation process involved before we ever got here.

Senator P.F.C. Ozouf:

It was implicit to me -- Chairman, you probably will not agree with me, but I have sat in this chair, having argued in public meetings and in road shows and fiscal strategies, on the Senator Walker Finance and Economics (F and E) Committee. I have been involved in an election, and I was vice-president of F and E throughout the implementation of the fiscal strategy. I can tell you that not for one moment did I ever believe that we could have brought in GST -- it was inconceivable to me that we would bring in GST on an exclusive basis. You can look at the transcripts of the States to check to see whether or not I am telling the truth.

Deputy G.P. Southern:

Sure, but it appears you did not get the message home early enough.

Senator P.F.C. Ozouf:

Well, either people are not listening or I am not communicating properly.

Deputy G.P. Southern:

This debate should have been taking place some time ago, is that what you are saying? Then we would be sailing through this.

Senator P.F.C. Ozouf:

I think it was had, and I think it is fair to say that consumers are also split in their views. If you take the vox pop that Channel TV have done, if you take the vox pop that BBC have done, if you take the phone-in on Radio Jersey, it is by no means clear that everybody wants inclusive pricing. On the contrary, there are some people who say -- and if you ask them the question, Option 1: "Do you want inclusive versus exclusive", you are told to worry about rounding. You do not know the realities of price points and all the rest of it, and you are told by the Consumer Council, which obviously people would trust -- then of course you are going to come down on one side of the argument. I do not think we have had the proper debate.

Deputy G.P. Southern:

We will seek to come through this with a balanced view. Trevor, is there anything you want to add or that you have come here prepared to say that we have not touched upon that you think would be useful

to us?

Mr. T. Le Roux:

Well, I started to go back to a bit of the history of why there is inclusive pricing in the UK, and I was just going to give you some bits of legislation, really, that -- I mean, at the moment --

Deputy G.P. Southern:

Sure. That kind of thing would be useful to us.

Mr. T. Le Roux:

Anything I can add to the debate? No. I have one piece of paper here on rounding because -- this was published by the Consumer Council, and it came as a bit of a shock to me because on rounding we are talking about a minimal -- sort of one per cent extra on the 3 per cent, is it not? I mean, it is a very low percentage. The argument is that it is going to raise costs for consumers. The Consumer Council, as you know, have been running a price-watch scheme, and they have been trying to instil into consumers to check prices, shop around because you can save a fortune. The Co-op published this in the *JEP* because it is a list of the number of items, just everyday shopping items. When you go through the percentage of the lowest to the highest, and we are talking about things here like Johnson's Baby Powder, Nescafe Gold Blend, Jaffa Cakes, Rich Tea Biscuits, Fairy, Coca Cola, and I will not mention the stores here, but there are 5 stores. The difference in price of these items -- the lowest differential was on Fairy washing up liquid, which was 20 per cent between the lowest and the highest price. The highest differential and I can only think that must be a printing mistake because on 100 ml of Colgate toothpaste, the difference between the Co-op and a competitor was 108 per cent. I cannot believe that is right. These items run at 50 per cent, 45 per cent, 41 per cent, 40 per cent, 57 per cent. To me, by walking 50 yards, a consumer can save huge amounts of money. It may be the way I think but, to me, rounding pales into insignificance when by just using your loaf and checking prices you can save huge amounts.

Senator P.F.C. Ozouf:

You are an economic shopper?

Mr. T. Le Roux:

Probably because of my job.

Deputy G.P. Southern:

You are used to looking at prices.

Senator P.F.C. Ozouf:

It is an interesting point that you could maybe ask the chairman of the Consumer Council. We have put I think it is £90,000 into the price-watch campaign, and I have seen nothing out of it yet. That database of prices could be useful in tracking what happens, if that database exists. I know we spent a lot of money on it. I have not seen any results on it yet.

Deputy G.P. Southern:

I think that is your money for you to chase, Minister, not for us to chase on your behalf.

Senator P.F.C. Ozouf:

It does make an interesting point, though, does it not, about the difference in prices? The rounding issue -- is rounding the number one concern, or is it raising consumer awareness of the importance of shopping around? In petrol - and I know I am conflicted on the subject, you know why I am - I think there has been a lot of good work on consumer awareness and pricing.

Deputy G.P. Southern:

Which brings me to a question which is probably a completely stupid one, but I am never afraid to ask stupid questions. I realised I did not know the answer and thought I was going to ask it of somebody. Are we going to end up paying GST on tax? So when something has got impôt on it, are we going to be paying GST on the total price, or are we going to be paying GST on the price without the impôt? Are you double-charging, effectively?

Senator P.F.C. Ozouf:

We are collecting 3 per cent GST on all, with only exemptions for medical supplies, which we supported. Yes, effectively it is GST on top of the duty rates. That has always been implicit, and a memorable moment where Senator Syvret effectively explained a conversation that was had about future duty-setting prices with the former Finance and Economics vice-president would indicate that the Assembly was well aware of it.

Deputy G.P. Southern:

Well, this particularly dense person --

Senator P.F.C. Ozouf:

No, because it would be either zero rated or exempted.

Deputy G.P. Southern:

All right.

Senator P.F.C. Ozouf:

By the way, of course duty products is a very compelling reason why it is inclusive. You do not charge the duty at the till because it has already been paid, just as some of the tax has already been paid by the time it gets to the till because you have collected it. So, duty, if you want a consistent application, you go for inclusive pricing. It is a no-brainer.

Deputy G.P. Southern:

I will take your word for it at this stage. My brain just will not go --

Senator P.F.C. Ozouf:

That is the case.

Deputy G.P. Southern:

Right, are you finished, Mike?

Senator P.F.C. Ozouf:

You asked me 2 other questions, which I am not sure are relevant but I am happy to answer them if it helps you. How much GST-related income will be generated by the finance industry? In the calculation of £45 million, effectively Treasury have moved to the Singapore style of financial services taxation, which will raise approximately £7 million. You asked me a question about house prices. House prices are going to be exempted on the second-hand market, but there remains, and I have already said, and the Treasury Minister is aware of my view, there is one quick and easy, simple way of dealing with stamp duty, share transfer of properties, and that is to apply GST to them.

Deputy G.P. Southern:

Are they going to be?

Senator P.F.C. Ozouf:

I do not know what he has decided.

Deputy G.P. Southern:

It is still up for debate, is it? I thought it was decided.

Senator P.F.C. Ozouf:

You do not charge GST or VAT on second-hand house purchases.

Deputy K.C. Lewis:

What about a new build?

Senator P.F.C. Ozouf:

A new build -- this is obviously the Treasury Minister's job, and I cannot remember the detail because of course there is an amendment. Repairs are going to be GSTable, and I cannot remember what the situation is with new homes. The application of VAT in the UK would be that they are applicable, but I cannot remember.

Deputy G.P. Southern:

So, there is no GST on the cost of a house, second-hand, as it were, but there is on the services to facilitate a purchase?

Senator P.F.C. Ozouf:

Yes. If you build a new conservatory --

Deputy G.P. Southern:

So, you will be paying GST on those services?

Senator P.F.C. Ozouf:

Yes. Repairs and maintenance.

Deputy J.A. Martin:

The service through their estate agent, they will have to charge the seller?

Senator P.F.C. Ozouf:

No, not on a resale. It is not an issue.

Deputy G.P. Southern:

This is incidental to what we were talking about before.

Senator P.F.C. Ozouf:

If we are putting GST on houses, it should be on an inclusive basis.

Deputy G.P. Southern:

Thank you very much for your time, both of you.

Mr. T. Le Roux:

Oh, have I finished as well?

Deputy G.P. Southern:

I was just going to suggest if the Minister would like to go --

Senator P.F.C. Ozouf:

I am happy to hear the Chief Trading Standards Officer give evidence.

Deputy G.P. Southern:

We are going to have a 5-minute break and then we will come back, if you think there is material we should be exploring.

Mr. T. Le Roux:

I will not keep you long. I just want to add certain things I think you need to see really.