



Corporate Services Scrutiny Panel 2014 Budget Statement

MONDAY, 21st OCTOBER 2013

Panel:

Senator S.C. Ferguson (Chairman)
Deputy J.G. Reed of St. Ouen (Vice-Chairman)
Deputy R.J. Rondel of St. Helier
Mr. M. Oliver (Panel Adviser)

Witnesses:

Mr. J. Filleul, President, Jersey Chamber of Commerce
Mr. I. Taylor, Chief Executive, Jersey Chamber of Commerce

[14.00]

Senator S.C. Ferguson (Chairman):

Welcome to this meeting of the Corporate Services Scrutiny Panel to discuss the 2014 Budget Statement. I do not know whether you have appeared at a Scrutiny hearing before. We have a sort of health warning next to you, which is general conduct and so on, and it is privileged communication. For the benefit of the transcribers, could you say who you are and what your position is, please? Super. The budget aims to stimulate economic growth and job creation. How do you think it will deliver in that context?

President, Jersey Chamber of Commerce:

I think there are strengths and weaknesses, to be balanced. We have got a list of things on both sides, which I would like to talk through. Is that okay if we go through one and then the other?

Senator S.C. Ferguson:

Yes, that is fine.

President, Jersey Chamber of Commerce:

I agree with you, the stated purpose of the budget is to support jobs, to support growth. I think if we just mention briefly our concerns would be that that is not quite delivered, and I will explain exactly why that is as we go through our comments. If we start on the positive side, because there are some strengths in the budget too, I think from the Chamber's point of view probably the main strength is the considerable investment back into the local economy, and I will come back to the word "local" again in a second. I am talking there in terms of the funding for the construction projects, the hospital, the sewage treatment and the housing, plus the capital programme that goes on year on year. So if you add all of that together, that is a sizeable amount of money being spent on construction, which is obviously welcomed by Chamber of Commerce construction members. I think that is going to be a useful boost to an industry that needs it over the next couple of years. I mentioned the word "local" in there. Clearly, that money needs to be spent in the local economy. There has been debate over the last few years as to the extent to which some of the fiscal stimulus projects were successful in delivering on that aim. What we would want to see is given that the budget is a considerable investment, we would want to see some parameters, some way of guaranteeing that that money does flow into the local economy and does not support, say, the U.K. (United Kingdom) economy in terms of importing labour or supplies. So it is a strong welcome for that side of the budget, the investment, but with that degree of caution. That is the first point. The second point is in terms of tax cuts. We would welcome the fact that this budget should put money back into people's pockets, and after the last few years when they have had a lot of pennies taken out of their pockets, either through tax or through charges, user pays charges, then this is a very welcome signal from the Treasury that people are being rewarded for some of their straitened circumstances of the last few years and they are getting some money back. As with the previous point though, we do need to put that one in context. On the figures that we have put together, the main tax cuts - I am talking there in terms of the increase in allowance, the cut in the marginal rate and the education grant support - total about £11.2 million. That £11.2 million is about 2 per cent of the total tax take. So, although it does affect a lot of people - I think the figure that the Treasury are using is about 84 per cent, 85 per cent of taxpayers affected by some of those measures - that is great but in terms of its scale it is about 2 per cent of the total tax take. Another way of looking at it is I think it is about the same level as the revenue from spirits and wine alone. It is a very useful tax cut but it needs to be put in that context in terms of its scale.

Senator S.C. Ferguson:

If I can interject here, when they talk about 84 per cent, it is 84 per cent of the people who actually pay money for tax. If you look at the whole of the taxpaying, or who might pay tax, population, it is only about 50 per cent. There is a significant difference.

President, Jersey Chamber of Commerce:

Yes. I take that point completely. Our argument is around the scale of that £11.2 million. It is useful but it is not...

Senator S.C. Ferguson:

Brilliant.

President, Jersey Chamber of Commerce:

It is not huge. The final point on that before we move on is that we do also have to keep in mind that we have a 0.5 per cent long-term care charge coming in in 2015, increasing to 1 per cent in 2016, so there is some money going back out of people's pockets again in 2015. Also the Impôts increases, which I am sure we will talk a lot about in this session. They total about £3 million. So of your £11.2 million, you have lost another £3 million. So, as I say, we welcome it but we think it should be set in that context. So that brings us on to our third main area, which is the Treasury talk about this budget as one which promotes stability and certainty and that is good for the economy. I think that is undeniable. We would certainly argue for a stable and a certain economy, so those are positives. But what we would want to see is something that does something more specific to stimulate the local economy. So the knock-on question from that is: "Well, what?" Our thoughts there are very much taken from my colleagues at the I.O.D. (Institute of Directors) who I think are here, and it is an original suggestion that they made so Chamber cannot take the credit for it, which is the Seed Investment Scheme in the U.K. The Seed Investment Scheme in the U.K. is early stage finance for new companies, so in other words there is some sort of tax benefit to being able to invest capital in early stage growth companies. As I understand it, the reason why that has not been taken forward is twofold. Firstly, the Treasury are scared of abuse and, secondly, they are not quite sure that it will have the desired effect. I take those points but equally there must be a way of structuring it so that the risk of abuse is lower. I think that being able to incentivise wealthy individuals in Jersey to contribute some of their money to get companies up and running is a very positive objective and that is something that the Chamber would warmly welcome. But there is no mention of that in the budget, so that has not been taken forward and we would like to understand why that has not been taken forward.

Deputy R.J. Rondel:

Could I just interject? Could I just ask, did you have discussions with them or put representation to them regarding the seed investment idea?

President, Jersey Chamber of Commerce:

The suggestion has been made publicly at least 2 or 3 times in the last year. Why it has not been pursued I am not clear. I think it is those 2 reasons.

Deputy R.J. Rondel:

But you have not written to them specifically?

President, Jersey Chamber of Commerce:

Not yet. I have informally. I have had informal conversations with both the Treasurer and the Minister for Treasury.

Deputy R.J. Rondel:

Would that have been before the budget?

President, Jersey Chamber of Commerce:

No, recently. There is no formal document from Chamber saying this is what we want. So I think in terms of what we would like to see, that is an example of the kind of creative thinking, which I think is missing from the budget as it currently stands. We would like to see or at least understand why those schemes have been rejected and, if so, are there any alternatives that could have been brought in their stead? That brings us on to our fourth and final point by way of introduction, which is the Impôts increases. It is difficult not to be blunt on this one, but we do not support what is being done with the Impôts increases. We would like to see something of around the level of R.P.I. (retail prices index) or R.P.I. plus a maximum of 2 per cent. I am sure you are aware of the position in Guernsey where that is the measure they use. They use R.P.I. plus 3 per cent, which seems slightly more sensible to me. The main area for our concern in this part of the budget is that some of the price comparisons that are used, we do not recognise them. We have tested them with industry members here and got price comparisons from the U.K., and we have some data on that which we can share with you if you would like it. But we do not recognise the price comparison and the price comparison is being used to make some very strong statements about margins, but of course if the data is wrong then the statement falls away. So we can go into that in more detail or any of those other areas, but those are our 4 main areas that we wanted to introduce.

The Deputy of St. Ouen:

Sticking with the Impôts increases for the moment and the comments you have just made, have you challenged or conveyed your views around the price comparisons with the Treasury and the Treasurer?

President, Jersey Chamber of Commerce:

Yes, we have. We have not yet had a response, but that has only gone in very recently so I would not want to use that as stick to beat them with.

The Deputy of St. Ouen:

Is this is the first time that you have raised this issue of price comparison?

President, Jersey Chamber of Commerce:

No. I think this issue comes up nearly every year, so none of the arguments that we have made will be new. They should be very well aware of there are 2 problems mainly, the bleed to duty free. I am not just talking about tobacco here. I need to make a point on tobacco in a second, but the bleed to duty free, i.e. the shift in the market to duty free, and also the fact that some of the price comparisons that are used we do not think are accurate. Can I just pause on that point just to make a note about tobacco?

The Deputy of St. Ouen:

Just before you carry on, I would like to know what evidence you base those comments on.

President, Jersey Chamber of Commerce:

Okay. Can I just explain about tobacco? I do have a client interest in tobacco so I do not know how you want to handle it. It is a question for you as a Panel really. I can make comments personally or on behalf of that client or not make them at all but I do not want them to be attributed to Chamber because just for transparency I do not think that is right. But I need your guidance on how you want me to handle that.

The Deputy of St. Ouen:

I think it is good that you have declared your interest and that we will take that into account if we ask questions on the matter and maybe your colleague could, if he has a counter view or a different view, express that at the same time.

President, Jersey Chamber of Commerce:

I think we agree. I am not quite sure.

Chief Executive, Jersey Chamber of Commerce:

We are agreed on the view.

President, Jersey Chamber of Commerce:

I just wanted to mention it because I do not want to be accused of using one position to support the other, so I just wanted to make you aware of it and I will take your guidance. I can make those comments separately or not at all.

Senator S.C. Ferguson:

I think you have notified us publicly of it so we can take that into account.

President, Jersey Chamber of Commerce:

All right. Thank you. So, Deputy Reed, you asked about some of the data.

The Deputy of St. Ouen:

Evidence.

President, Jersey Chamber of Commerce:

Have you got this document to hand? This is the price comparison table.

Senator S.C. Ferguson:

Yes.

President, Jersey Chamber of Commerce:

In terms of the alcohol figures in here, the main ones that the industry pick up are...I think if you go to the price of a pint in Jersey, £3.79 is the price of a pint. The data that we have from the industry puts that more around £3.22 and an average price in Jersey of £3.30. So that is a significant difference from the one that is being used in the budget. I can give you the actual brands, if you would like them, where we are drawing those from. A pint of Carlsberg is £3.35, a pint of Carling is £3.55, so the industry are not quite sure where £3.79 is taken from. Those are the straightforward comparisons from the high street. Equally, the British Beer and Pub Association, so a reputable body, puts a pint of lager in London and the home counties at £3.50, so that is quite a lot higher in the budget. So if you are comparing £3.50 to £3.35 then there is a differential there but it is a differential that you would expect in a jurisdiction with a high cost base.

The Deputy of St. Ouen:

Is it not the case that across the Island in all sorts of different establishments a range of prices are charged for the same item?

President, Jersey Chamber of Commerce:

Yes, that is exactly right, but it is equally the same in the U.K. It is one of the issues that we have with the use of a U.K. price generally to compare to Jersey prices. It might help you to know we have done a bit of work on this because I thought this might come up under my tenure as Chamber President. So we have done a little bit of work on it and the U.K. prices are taken from the Office of National Statistics. The O.N.S. produced that data in 2010, so you have got 3 years worth of R.P.I. that is not taken into account if you are comparing a 2010 figure to a 2013 figure. That is the first point. The second point is that they are an average, so you have got to average off the price of a pint in a workingman's club in the northeast of England with the price of a pint in a city bar in London. If you compare an average, taking into account non-affluent areas and affluent areas, you are going to get an average that is lower than an average in an affluent area like Jersey, just because of the way the data is produced.

Senator S.C. Ferguson:

Are you going to get the same differential in your cost price, in your wholesale price? We have got effectively what appear to be the wholesale prices, prices net of duty and G.S.T. (goods and services tax). Surely there will not be quite as much variation in those, will there?

[14:15]

President, Jersey Chamber of Commerce:

No, because once you get to the high street obviously you have got other stages in the supply chain to take into account. So, no, I take the point, the wholesale price should show less variation. The issue that is being raised, and I think it was raised in the States politically and correct me if I am wrong, is that the suggestion was that there was excess margin being applied in Jersey compared to the U.K. in terms of the alcohol industry and that is generated by comparing an average U.K. price to a Jersey price, but if you unpack those figures the situation is drastically different.

The Deputy of St. Ouen:

I suppose the question that now must be asked is why do you think the Minister for Treasury and Resources is ignoring the submissions that you have made? As you said before, this is nothing new and you have raised this issue over a number of years.

President, Jersey Chamber of Commerce:

Year on year. I do not like to comment on what I think the Minister for Treasury and Resources thinks or does not think in terms of the budget.

The Deputy of St. Ouen:

What conclusion has the Chamber come to?

President, Jersey Chamber of Commerce:

There are some very serious issues in the budget, which have not got much comment so far, like the fact we are borrowing £250 million and the fact that we have got a projection for returns from the Strategic Reserve over a period of time. I think those are 2 massively important issues which we should be discussing, whereas it is the Impôts duty that always attracts the headlines.

The Deputy of St. Ouen:

But I come back to if you are saying that the figures that are being presented to the States and to the public could be misinterpreted and do not reflect a true picture, then why have you not been able to ensure and work with the Treasury Department to provide more accurate figures that both the States and the public can rely on?

President, Jersey Chamber of Commerce:

I think it is a question for them. My guess at what the answer will be is we are talking total revenue from Impôts is I think £15 million, although that is different in the M.T.F.P. (Medium-Term Financial Plan) which is curious, but anyway in the budget it is £15 million. In the M.T.F.P. I think it is £13 million. This is from tobacco Impôts specifically.

Senator S.C. Ferguson:

Yes. I was going to say the total Impôts is flatlining at £50 million.

President, Jersey Chamber of Commerce:

Yes. So, as a percentage of tax take it is significant but it is not a big part of it. Would we rather be discussing £55 million in Impôts or £250 million in borrowing?

The Deputy of St. Ouen:

What discussions have you had with regard to the £250 million in borrowing then?

President, Jersey Chamber of Commerce:

So if we are moving on to borrowing...

Deputy R.J. Rondel:

Are we moving away from Impôts?

The Deputy of St. Ouen:

No, you can carry on. We can come back to that.

Deputy R.J. Rondel:

I cannot remember whether it was you that said that we are possibly the third highest place in Europe to be paying duty. Have you done any comparisons on what other countries pay on duty to evidence that?

President, Jersey Chamber of Commerce:

Yes. I am just looking for the statistic here but I am sure it is...

Deputy R.J. Rondel:

If you have got statistics, perhaps you could provide them to the Panel.

President, Jersey Chamber of Commerce:

It is the third highest duty in Europe on spirits. I will find it as we are talking but I think it is behind Finland and one other.

Chief Executive, Jersey Chamber of Commerce:

Norway.

President, Jersey Chamber of Commerce:

Norway. Thank you. Norway and Finland. So, the third highest duty in Europe in terms of spirits.

Deputy R.J. Rondel:

I think it would be quite useful for the Panel to look at that information, if you could provide that as well.

President, Jersey Chamber of Commerce:

Yes. Sure, no problem. There is plenty more of that data here as well. We have got data on the price of a litre of whisky, which is very different from what is in the budget document.

Deputy R.J. Rondel:

Where is the source of that data, James?

President, Jersey Chamber of Commerce:

From the industry. It is supplied to us by the brewer.

Deputy R.J. Rondel:

So there is no independent source?

President, Jersey Chamber of Commerce:

No. I would not claim it was independent. It is supplied by the brewer.

The Deputy of St. Ouen:

The Minister for Treasury and Resources is bound to say: "Yes, I accept that the increase in Impôts might not be palatable to some but it is raising £3 million." What alternatives would you suggest to raise that sort of equivalent sum of money?

President, Jersey Chamber of Commerce:

Of £3 million?

The Deputy of St. Ouen:

Yes.

President, Jersey Chamber of Commerce:

I think one of the straightforward things that could be done is look at the duty free market. We are talking here specifically about tobacco; 41 per cent of the cigarettes smoked in Jersey are bought in duty free so when...

Senator S.C. Ferguson:

How do you know that?

President, Jersey Chamber of Commerce:

That is industry research but we are quite happy to supply it to you. It is a survey taken of 250 smokers with the simple question: "Where did you buy your cigarettes?" and 41 per cent were duty free.

Senator S.C. Ferguson:

Yes, okay.

President, Jersey Chamber of Commerce:

So it is a pretty straightforward one. It is 39 per cent in Guernsey. So, the reason for that is the price differential. I need to correct these figures. You are buying bigger units in duty free, but it is roughly £2 a pack in duty free compared to £7.50-ish on the high street. Why would you not, as a

consumer? It is an obvious choice. So when you guys are increasing the Impôts on tobacco, you are only affecting 59 per cent of the market because 41 per cent has already escaped.

The Deputy of St. Ouen:

What are you suggesting though? You raised the issue of duty free. Are you suggesting that we reduce the allowance or...

President, Jersey Chamber of Commerce:

That was one suggestion that came out and I think it is well worth looking at. The issue with that is if you cannot police 200 as your limit how can you police 50, which was the suggestion. We would welcome a look at limits, but I think it is more in terms of from the vendor at the moment, just talking in terms of tobacco specifically, it is up to you as a consumer not to exceed your limit and if you do, to pay the duty. It is not up to the shop not to sell it to you.

The Deputy of St. Ouen:

So you are not advocating reducing the duty free allowance as the Chamber?

President, Jersey Chamber of Commerce:

Not as the Chamber, no. The tobacco issue is one for my client specifically, not for the Chamber anyway. I think it is worth looking at but I am not sure that simply reducing it is feasible, given that you cannot police it.

The Deputy of St. Ouen:

It would seem a bit odd, though, for the Chamber to be promoting on the one hand restricting the ability of individuals for choice and purchasing opportunities with regard to tobacco and yet promoting competition.

President, Jersey Chamber of Commerce:

I think the answer to that is we do not see it like that. If you support the local trade by reducing duty free, then there may be more options to buy tobacco within the local market and alcohol within the local market rather than just in the 2 duty free outlets.

Senator S.C. Ferguson:

Going on to capital projects, you mentioned that you welcome the creation of activity in the construction sector with the major capital projects but you want to see as much work as possible undertaken by local firms. Is there sufficient expertise within local firms to undertake projects of this nature and size and complexity?

President, Jersey Chamber of Commerce:

I think the answer to that is in part. I am sure within a project as sizeable as the hospital redevelopment there will be aspects of that project that cannot be done locally and there will be some specialist areas of that which you cannot get in Jersey. I am equally sure there is a lot of that work that could be done locally if there was a reason to do so and a focus on doing so and it was politically unacceptable not to. So I think it is a question of balance. I am sure the whole project, no, but the majority of it, yes.

Senator S.C. Ferguson:

Okay, fine, but we are also hearing that the construction sector is getting busier. As Chamber, what is your impression of how the construction industry is going?

President, Jersey Chamber of Commerce:

I think it is a slow turn of the corner at the moment. We do not get feedback from members that would say that business is picking up with any great speed at the moment but I think they would certainly say they are more positive than they were 6 months ago. So it is a very slow transition from a flat market to a slightly better market at the moment, but it is slow and it is vulnerable. It would not take much for that recovery to be slowed down.

Chief Executive, Jersey Chamber of Commerce:

Just to back that up, I think it is very much that people are saying it is less negative rather than more positive.

Deputy R.J. Rondel:

What is your view on the amount of planning applications that have been passed and have been waiting in the pipeline for a couple of years and not coming to fruition, or they are not starting projects, against the actual applications that people are not putting forward to receive planning application?

President, Jersey Chamber of Commerce:

I do not think we take the view that the problems can all be attributed to the Planning Department. There are some live applications. There are a lot of live applications in the market that could be pursued if the funding was there to do so but because of the economic circumstances at the moment much of it is not. Having said that, there are applications - I am thinking here in terms of the Co-op or in terms of Le Masurier - when funding was available and they were not able to progress both of those. I do not want to debate the merits of either of those 2 projects, I am sure there are views either way, but looking at it purely from an economic stimulus point of view there is useful investment that could have gone into the economy. So it is not so much the scale. It is a

question of having the money in the right place at the right time. When we see the statistics that say there are X number of planning applications passed and could go ahead, that is useful but it is not fundamental. It is a question of having it in the right place at the right time.

Senator S.C. Ferguson:

What is your view, for instance, on the proposal that £250 million be borrowed to fund the housing project?

President, Jersey Chamber of Commerce:

I think it is difficult to think of other ways that that money could come through, given the other commitments the Island has at the moment in terms of the hospital. That is a big spend. Maybe I have missed it but I have not seen that much debate around other potential funding sources. I have not seen many things suggested, rejected or brought forward for any reason, and I would quite like to see some of that to see if there were alternatives. The downside with borrowing is you have to pay it back. I am not going to argue against it per se and I think if you borrow something and the bank manager is putting some pressure on you to deliver then that does tend to focus the mind a little bit and so there are some positives in the commercial imperative of having to pay back borrowing. So I do not think it is necessarily a bad thing and I am not ruling it out as an option, but I would certainly like to have seen some other alternatives pursued before the Island takes the fairly sizeable step of going down the borrowing route, which I am not aware we have done previously.

Senator S.C. Ferguson:

What is your view on the proposal to use the Strategic Reserve to fund the hospital project?

President, Jersey Chamber of Commerce:

I will look at the negatives first and then I will come to the positives. The negatives are obviously always easier. The advice that I get is that investment returns rarely come in a straight line and what the return on the Strategic Reserve to be used for the hospital suggests is either I think it is 2 per cent, 5 per cent or there is a top end scenario as well, but it is very static and it is like we will get that every year. If there is one thing that is not going to happen, that is not going to happen every year in that way and it will go up and down and there will be good years and bad years. In a bad year, how do we fund it? There is an example of that. I am not saying it is a bad year but just an example of the fluctuation. I think in 2016 there is a £55 million requirement in that one year, which would need something like a 7.6 per cent return in that one year; £55 million, 7.6 per cent. That is a sizeable return and if we do not get that where does the balance come from? So I think there is an issue in terms of saying we will definitely get 2 per cent, we will definitely get 5 per cent

or we will definitely get whatever the top end number was and we will get it every year. I just do not think that is going to happen and you have to build a little bit more sophistication into it.

Senator S.C. Ferguson:

What would you suggest?

President, Jersey Chamber of Commerce:

It brings me to the second point, which is what other sources of funding are there for a £300 million project? I have not heard that many useful suggestions as to how else we could fund it. So, in terms of is it a good idea or a bad idea, I think it is an idea worth progressing but I would like a bit more debate around some of the certainty that is being placed on the investment return.

Senator S.C. Ferguson:

Yes, because one of the things that is proposed is that we are going to have to receive a credit rating. What impact do you think there is going to be if the Island does go about getting a credit rating?

President, Jersey Chamber of Commerce:

I do not think Chamber has a strong view on that one. I do not know if Ian has anything to mention on that, but I do not think Chamber has got a view on whether we could or not. I am not well enough up on how you get credit ratings and whether Jersey could get one or not, what the implication would be. I do not think I have got a useful answer to that, to be honest.

The Deputy of St. Ouen:

Did you support the creation and use of the Stabilisation Fund?

President, Jersey Chamber of Commerce:

Yes, we did.

The Deputy of St. Ouen:

Are you aware that there are no plans currently to replenish the Stabilisation Fund that is now at zero?

[14:30]

President, Jersey Chamber of Commerce:

I was not aware of that, no. I think one of the other implications for the use of the Strategic Reserve is that my understanding is that relying on the investment return would effectively tie up

the capital for that period because you need the return from the invested capital. So quite what would happen if we needed that capital for anything else, I am not so sure.

Senator S.C. Ferguson:

Are you aware that £100 million of the Strategic Reserve is earmarked to support the Depositor Protection Scheme?

President, Jersey Chamber of Commerce:

No.

The Deputy of St. Ouen:

With regards returns on investment, I would just like to look at perhaps some of the funding proposals that are mentioned for liquid waste, and they talk about a total requirement of £75 million and how it will be funded and how it will be repaid. I am just wondering what your thoughts are, because certainly to my mind I am not aware currently of any charges that are being levied to support any loan to finance liquid waste infrastructure.

President, Jersey Chamber of Commerce:

No, nor am I. Nor are any of us.

The Deputy of St. Ouen:

Have you been asked or have you considered whether the Chamber has a view on yet another additional charge?

President, Jersey Chamber of Commerce:

We have not been asked for a view on it. I think, or I am sure, our view will be that the number of user pays charges in Jersey, which have increased over the last 5 years, are many-fold and we certainly would not want to see something else coming through that is going to ask people to pay even more money. I am sure that would not get Chamber support.

The Deputy of St. Ouen:

Are you aware that apart from the long-term care law, there are other matters that have been flagged up by this Council of Ministers that require attention, including the new health services that were agreed more recently in a development over a 10-year period and obviously the manpower that is required to support a new hospital. Has the Chamber any view on those matters?

President, Jersey Chamber of Commerce:

We have not been consulted on those yet, no.

The Deputy of St. Ouen:

I am interested that on the one hand you say that you think it is good to put money back into people's pockets when you talk about the changes from a 27 per cent marginal rate to 26 per cent, and yet, quite rightly, you flag up the fact that a 0.5 per cent charge on all those who pay income tax will be levied in January 2015, climbing to 1 per cent in January 2016. I am struggling to get to grips with exactly what your thoughts are. Your thoughts are it is okay to have a short-term win but equally accept a long-term loss?

President, Jersey Chamber of Commerce:

I think we are saying in the short term customers, consumers will welcome a bit more cash but before we trumpet it as a big give back and a great measure, we would want it to be put in the context that you do realise that this money is going to be clawed back in part a little bit down the road. So it is great news short term. People need some money at the moment. They are finding things hard, but they need to be aware this is not a long-term give. It is a short-term give.

The Deputy of St. Ouen:

When do you think they will see the benefit of the change from 27 per cent to 26 per cent in their actual income tax bill?

President, Jersey Chamber of Commerce:

Not until about a year onwards, presumably.

The Deputy of St. Ouen:

Which would be what, in 2015?

President, Jersey Chamber of Commerce:

Towards the end of 2014, early 2015.

The Deputy of St. Ouen:

Which would correspond to an increase of taxation by 0.5 per cent to meet long-term care?

President, Jersey Chamber of Commerce:

As I understand it, that is going to be done through Social Security immediately in the month the money is due, if you see what I mean. So, in other words, the effect is felt straightaway. Is that right?

The Deputy of St. Ouen:

I would be interested to hear the Chamber's views at another time on the long-term care funding proposals because it seems as though we are moving towards a tax that will be on all money, all income, and not simply focused on wage earners.

President, Jersey Chamber of Commerce:

I think our views are on the record in part, Deputy Reed, already because we have described it as the tax that is not a tax. We are not allowed to call it a tax even though everyone has to pay it who earns a certain amount of money. So it is a tax but we cannot say that. Chamber's view is as we have described it. In the short term if people can have some more money in their pockets that is good news for the economy but you have got to bear in mind it is not a long-term thing because of these other measures. I think our views are the same. I am agreeing with you on it. We are just phrasing it in a different way.

The Deputy of St. Ouen:

I just need to press you. You talk about short-term gain, but from what you just said previously actually there will be no gain because any benefit that will be seen by the majority of taxpayers will happen in 2015 when an additional charge is going to be levied of 0.5 per cent, rising to 1 per cent in 2016. Is that not the case?

President, Jersey Chamber of Commerce:

Yes. Remember there are other measures in the package though, are there not? There is the allowance and the education support, so maybe those will come through more quickly. You are not getting from Chamber a huge round of applause for some of the measures and saying it is brilliant and it is going to make people a lot better off, because for the reasons that we have given I do not think that is the position.

Senator S.C. Ferguson:

What do you understand Jersey's long-term tax policy to be if we look at tax overall?

President, Jersey Chamber of Commerce:

I think there is reference to it in the budget, is there not, about developing a long-term policy for tax. I have not seen it yet. It seems to change year on year with a basic premise of keeping things as low as possible, but I would not put any more detail on it than that, certainly from my point of view, no. We would quite like to see a long-term tax policy. I think it would be a useful discussion.

Deputy R.J. Rondel:

There is reference to that in the Medium-Term Financial Plan. Appendix 11 does give quite a few pages on the long-term tax policy for Jersey so it would be quite useful to get...

President, Jersey Chamber of Commerce:

Does it say what it is?

Deputy R.J. Rondel:

As I say, it is about 8 pages long but it does: "Supporting economic growth and hence employment growth through providing a simple, stable and certain tax regime, further supporting growth in employment and by ensuring there are no barriers to people taking up employment." It goes on and on and on. So it would be useful, maybe, to get your views on the long-term tax policy.

President, Jersey Chamber of Commerce:

I think we would need to see some more detail on that. I do not disagree with the words that are used there, stable, simple, certain, all those, but it is a question of how, when it is actually applied, that is put into practice.

Deputy R.J. Rondel:

Absolutely.

President, Jersey Chamber of Commerce:

I do not think anyone would disagree with the words at that level but the application, the execution of the strategy is slightly different.

Deputy R.J. Rondel:

I agree. In terms of this budget, I believe middle Jersey are the ones that have been particularly hard hit for the last few years and seem to be paying a lot of the taxes. Who do you consider the winners, or losers for that matter, are in this budget?

President, Jersey Chamber of Commerce:

I guess low to middle income non-smokers, non-drinkers.

Deputy R.J. Rondel:

Obviously you must welcome the university fees.

President, Jersey Chamber of Commerce:

Yes, agreed. That is obviously important. In terms of boosting skills going forward, we want people to be able to afford to go to university in as many numbers as possible. I do not think you would find many people who would disagree with that. But it comes back to the conversation we had a few moments ago with Deputy Reed around the extent of that benefit. The fact that it is there is useful. Deputy Reed's point that it is only there for a very short period of time is well made, but the extent of it, as in that money is clawed back in other ways, is important.

The Deputy of St. Ouen:

You talked about stimulating the economy and the need for more creative thinking and then you spoke about seed investment. Are there any other areas that you believe should have been explored by the Minister for Treasury prior to the production of this budget?

President, Jersey Chamber of Commerce:

There is a reference in the budget to the fact that capital allowances were rejected. I would just like to understand why. I have not seen the details of exactly what capital allowances and how that would have worked and the rationale behind their rejection. I would like to have seen that. The lack of any sort of seed investment scheme is obviously one we have mentioned so far. But I think generally what Chamber would want to see at the moment is some sort of exemption for small businesses from some of the onerous tasks they are asked to undertake at the moment. My issue with that in this forum though is I am not quite sure how you deliver that in a budget so I would not want to hang that on the door of the Treasury. I do not know how you would quite deliver that in the budget, but I think that would be one of the main benefits that we would like to see at the moment.

Deputy R.J. Rondel:

So you would welcome significant tax breaks for inward investment for new start-ups?

President, Jersey Chamber of Commerce:

I would certainly welcome tax breaks for inward investment, yes. The scale of them and how they were applied we would have to debate, but Jersey has got to do a little bit more to attract this business and to grow its economy. My basic concern with the budget is that it is a very stable and a very certain budget but this is not necessarily a time just for stability and certainty. We need a little bit of motivation, a little bit of action, and we need to get going.

Deputy R.J. Rondel:

Stimulate businesses to then flourish.

President, Jersey Chamber of Commerce:

Exactly right, and I am not really seeing that in the budget so far. I think the main ways the budget supports business is construction projects and people maybe have a bit more money in their pockets, but those are indirect oblique benefits. They are not direct initiatives to stimulate the economy and prosperity by creating more profitable businesses and we would have liked to have seen something a little bit more direct, innovative, immediate, those kind of things.

Senator S.C. Ferguson:

Like what?

President, Jersey Chamber of Commerce:

The seed investment scheme is the main one.

The Deputy of St. Ouen:

Obviously that takes money. Where would you expect that money to come from to help finance that sort of investment?

President, Jersey Chamber of Commerce:

It is an interesting debate that one, is it not, whether it takes money or not? Clearly if you are going to give a tax allowance then you could say we will take less in tax because we are giving some money back. I think our argument would be, yes, but you are stimulating the development of growth in business. People are getting jobs, therefore they are paying personal tax and they are potentially coming out of the state system in terms of benefits. So there is a benefit generally to the prosperity of Jersey by the stimulation of profitable businesses and there is the benefit there, which you are paying for with the tax allowance. Whether or not there is a net gain or loss, I am not so sure.

The Deputy of St. Ouen:

If there are the benefits, as you describe, why do you think that the Minister for Treasury would not have supported that sort of approach?

President, Jersey Chamber of Commerce:

I would like to see the formal confirmation of this but my suspicion is that the concern is about abuse, so it is used as a tax loophole, and whether or not that net effect is quantifiable or not, because it is quite hard to isolate the benefit to the cause, if you see what I mean. You are creating more businesses and I am saying that will mean there is more personal tax receipts and fewer people on benefits, but the chain between those 2 is quite a long convoluted one. To prove cause and effect is not simple and I think there is a reticence there.

Deputy R.J. Rondel:

Do you think there may have been an opportunity to decrease G.S.T.? What is your view on G.S.T. levels?

President, Jersey Chamber of Commerce:

After the debate around whether or not we should have it, when Chamber was split 51 per cent in favour and 49 per cent against, I think we are beyond that now. It is in place and we have accepted it and 5 per cent seems a reasonable amount. So there is no pressure from a Chamber point of view to reduce it. Equally, we would be very keen not to see any increase. 5 per cent seems something that people are happy with and have got used to, and we would have to see a very strong argument for it be changed from that.

Deputy R.J. Rondel:

Do you think there is a significant issue with the online purchasing and the de minimis level?

President, Jersey Chamber of Commerce:

I absolutely agree. It is the note that Ian has just written for me here. My predecessor talked about a review of the de minimis level and that got somewhat mistranslated into calling for a reduction, so I am not going to go down the same road as that. I suspect that there is a case for it certainly to be looked at to see if it is at the right level or not but that is different from saying it should go up or down. I would like to see the evidence for why it is at the level it is at the moment, because clearly it does create a difference between online and domestic trade. I think it is a rather more complex picture than that, just to finish off my argument.

[14:45]

I think there are other things that local retailers need to do themselves and that need to be done for local retailers beyond a review of the de minimis. I do not think it is the complete solution.

Deputy R.J. Rondel:

It needs help for local businesses to have an online presence and things like that?

President, Jersey Chamber of Commerce:

It is. It is threefold. I can go through those now quickly if you want me to. Chamber's thoughts on it are, firstly, parking. As the Minister for Economic Development rightly said, parking is part of the solution. It is not the whole solution, it is part of it. But certainly a review of parking in terms of getting cheap spaces in the right places at the right time would be welcome. The second one is investment. I mentioned the 2 developments either side of St. Helier, Le Masurier and the Co-op.

Had those 2 developments gone ahead and stimulated those 2 areas of town you may well have seen a positive ripple effect through the whole of the rest of St. Helier. So there is an investment argument. The third one is technology. There is a reticence from some retailers to get online at the moment and to embrace the benefits of it, which I happen to think is much more about convenience from a consumer point of view rather than price. Chamber's role in this is to help retailers understand what they need to do and try to provide some support to them to do it if we can. It is an area that Chamber is going to try to provide some direct help in if we can do so, because I think retailers who are not able to embrace the internet are going to find things increasingly hard. It is a rather more complex answer than just a review of de minimis. I think that is one aspect on the landscape.

The Deputy of St. Ouen:

We spoke earlier about that the budget aims to stimulate economic growth and job creation. I would like to ask what actions are being taken by the Chamber to help deliver those aims?

President, Jersey Chamber of Commerce:

Chamber's main role in these kind of issues is to lobby, to push to people like yourselves the kind of answers that we think might have effect, and I will mention a couple of those in a second. So lobbying is a main role of Chamber. Secondly, to try to increase the knowledge and the contacts among our membership. In terms of stimulating growth, if we can put the right business in touch with the right business then that might help them both. We have got work to do in both of those areas. Probably of more relevance today is the first one; what would we say to you needs to be done. I have just talked about retail and there are those 3 areas, parking, investment and online, that that breaks down into. The second area for Chamber is planning. I think there is an announcement that has gone out today about in principle planning applications. You might not have had a chance to have seen it yet but I have seen a media release on it. We have discussed that with Planning over the last couple of months and I think that is a positive step forward. So in other words, rather than having to go to the final application stage before you pay your many thousands of pounds, you can perhaps get an in principle application earlier than that that reduces the development risk. That is good news. Secondly, in terms of planning, it is about getting the investment in the right place at the right time. So I think perhaps a review of which applications are currently live, which ones will have a chance of going ahead and which ones will not could be quite a useful exercise to go down. The third one is producing some sort of pro forma whereby the advice that is given, whether it is email or telephone or just over the counter in the Planning Department, is consolidated into a single document that people can see and work from. Although that is not going to have legal standing, it will at least clarify what people are getting advice on so then that advice is less likely to be changed at a later stage, which I know is an issue that has come up recently.

The Deputy of St. Ouen:

Moving away from construction and planning matters, I would like to know do you think that the current plans outlined in the budget will help to reduce unemployment?

President, Jersey Chamber of Commerce:

Unfortunately I do not think there is a clear yes or no to that. I think they will support the economy in part and then you could argue that because of that support there is a knock-on effect on employment. Again it comes back to the argument I was making 5 or 10 minutes ago that there is not a clear link between the 2. I would not give you the answer that the budget will provide jobs. I just do not think you can make that statement.

The Deputy of St. Ouen:

Given that there has been significant investment and still is significant investment in helping people get into work, what actions are the Chamber taking to help provide additional jobs and support those looking for work?

President, Jersey Chamber of Commerce:

We had a very useful meeting with Social Security 3 or 4 weeks ago. We are supporting them with their skills accelerator project in terms of publicising that to our membership and making sure as many people as Chamber can possibly deliver...we have 550 members, employ about 20,000 people collectively. If more people can get to do that project that is good. The second one is to support them on direct schemes. I think the one that is going to be offering is retail.

Chief Executive, Jersey Chamber of Commerce:

Yes. The whole of the Back to Work programmes that are being run by Social Security, we support those and endorse them and help them come to fruition.

President, Jersey Chamber of Commerce:

There is a retail apprenticeship scheme coming through, which you may be aware of. What they wanted from Chamber was for us to say we would endorse that scheme and thereby give it a bit more standing and credibility. Our answer to that was yes.

The Deputy of St. Ouen:

If I came to you and said: "Show me the evidence that the Chamber and the businesses that are employing 20,000 people are actually helping to deal with and provide additional jobs", do you have the evidence at hand, that information at hand that could demonstrate that to us?

President, Jersey Chamber of Commerce:

I doubt it. I do not know how we would, to be honest. You are probably far more aware than we are of the actual unemployment numbers in Jersey.

The Deputy of St. Ouen:

You do not require your membership to identify or highlight whether they have taken on additional employees to support their current labour situation?

President, Jersey Chamber of Commerce:

No, it is not a requirement Chamber makes.

Chief Executive, Jersey Chamber of Commerce:

I do not see that that is directly a Chamber of Commerce role. There are 3,200 unemployed people or registered as seeking work, and there probably are considerably more than that. I am not sure that it is Chamber of Commerce's role to actively assist them. We can facilitate with our members, but to put programmes in place, if that is what you are suggesting, I am not sure that that is our role.

The Deputy of St. Ouen:

Not programmes. You say your membership of the Chamber of Commerce is business, if I am correct. You are endorsing the access to work but ultimately words are great, as you keep saying, actions are better, and one of the actions that obviously everyone is looking for is to see more people being employed.

Chief Executive, Jersey Chamber of Commerce:

Does it not go back to the point of investment and making the environment correct for investment for businesses to create employment?

President, Jersey Chamber of Commerce:

I think it does. I think that is the right answer. There is no point employing people just for the sake of it, whether that be in the public or the private sector. The point is you want a profitable business that can afford to employ people profitably, which is why all of these debates come back to how prosperous is Jersey and whether or not we welcome successful businesses or not. If we have successful businesses, successful businesses provide jobs. Those people then pay tax and they do not need to ask the state to provide for them. So a profitable and successful business community is fundamental. Would I ask a company just to employ people, make itself less profitable just to reduce the unemployment numbers? No way.

Deputy R.J. Rondel:

Do you get any feedback from your members regarding taking on unemployed from the various schemes, whether successful or otherwise?

President, Jersey Chamber of Commerce:

I think it is mixed, to be honest on that. It is very anecdotal. I would not say Chamber has done any sort of formal survey and I could give you statistics that were robust. Anecdotally, we have heard both sides. We have heard from people who have gone through some of the employment schemes and still have not found the people they are looking for. There could be a variety of reasons for that. Equally, there are several people, even on Chamber Council, who work quite closely with Social Security and who have employed through some of their schemes and are real advocates of it. So it is a mixed picture, I am afraid.

Deputy R.J. Rondel:

Would you say perhaps it is the larger companies, employers, that are more successful than the smaller ones?

President, Jersey Chamber of Commerce:

I do not think I can categorise it like that. It may be a useful piece of work for us to do, to try to come up with some data for you, but again whether that should be Chamber or the Social Security Department. One thing that we could do, we would be more than happy to support them on that. If they wanted to try to get to that data, which I agree with you would be really useful, I would be quite happy to work with them to access the Chamber membership to get to that data. That would be a really useful piece of work.

Senator S.C. Ferguson:

Looking further ahead, do you have any concerns about the economy in the medium term, 3 to 5 years, and what?

President, Jersey Chamber of Commerce:

I think we do. I have used the phrase fairly regularly that Jersey needs to catch the ripple of recovery in the U.K. I think since I first started using it it has probably grown to slightly more than a ripple, which is good for the U.K. but we need to make sure that we are on the back of that. If we do not, I think we are in serious trouble because the U.K. is our main source economy so we need to be following their ripple of recovery. I am not sure that we are so far because things are still very tight in Jersey. You have seen the G.V.A. (gross value added) figures recently, which were disappointing. Equally, you have seen the recent business tenancy figures, which were ... is it less negative or more optimistic, whichever round it is. Anyway, slightly better.

Deputy R.J. Rondel:

How do you react to how the Minister for Treasury is so confident about income receipts being maintained for the next year? He is confident.

President, Jersey Chamber of Commerce:

As ever, we hope the confidence is justified. It is very important not to be negative because business trades on confidence, so we do have to be quite careful how we phrase things. But it is why we try and put forward a more positive solution to this, which is that we need some action and we need some impetus. We need to stop telling ourselves everything is fine and go into bat a little bit and be creative and realise there is a problem to solve. If we do all of those things, I am a firm believer in Jersey. I think we have a very positive future if we do something about it, but the longer we sit and we tell ourselves it is all great and do not worry, things will turn up next year, I just do not see it.

Senator S.C. Ferguson:

Just one final thing. Does this budget do anything to readdress Jersey's dependence on the financial services sector? What is your opinion, or what is Chamber's opinion?

President, Jersey Chamber of Commerce:

I am not sure I could come up with a measure in there that would support that, no. I think it supports the economy to the extent that we have discussed obviously. It supports the economy generally. Does it prompt diversification? I am struggling to think of a specific measure in there that is directly in support of diversification.

The Deputy of St. Ouen:

Just as a final summing up, you said at the start that you generally agreed with the aims of the budget and that there are strengths and weaknesses to it. The Minister for Treasury and Resources would say it is a complete package, you take it and leave it as it is. What is the Chamber's view regarding the package as a whole?

President, Jersey Chamber of Commerce:

I think rather than Chamber's view, it is your view that is a bit more important. The reason I say that is because we will be looking to States Members over the next 6 weeks to the budget to bring forward some amendments to improve the budget. I think the question for the Treasury is, is it perfect? If they say it is perfect, I think we would disagree. So, can it be improved? Yes. We are looking to States Members to improve it with some sensible amendments over the next 6 weeks.

The Deputy of St. Ouen:

Within the confines of the money available presumably?

President, Jersey Chamber of Commerce:

I do not think there is money that is going to come out from pots that we have not heard of.

The Deputy of St. Ouen:

You are not promoting additional spend?

President, Jersey Chamber of Commerce:

No, I think we would be supporting you sticking within the envelope you have been set but that still gives you room for manoeuvre. So, what is Chamber's view generally? I think the budget is okay but we will be looking to you to come forward with some suggestions for improvement in the next 6 weeks.

Deputy R.J. Rondel:

You will not be suggesting any specific things yourselves?

President, Jersey Chamber of Commerce:

The obvious ones would be around Impôts. I think there are States Members who are already considering amendments to the Impôts levels. As I have said, Chamber's view on that is something like R.P.I. plus 2 per cent, something around that mark. If you want something specific, that is pretty specific.

[15:00]

The Enterprise Investment Scheme, if you could think of a way of bringing that into the budget via an amendment then we would certainly work with you on that. It would be a useful discussion.

Senator S.C. Ferguson:

I think that is it. Thank you very much indeed, gentlemen.

President, Jersey Chamber of Commerce:

No problem. Thank you for your time.

Senator S.C. Ferguson:

I declare the meeting closed.

[15:00]