RS/ke
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Mr Julian Morris
Fiscal Strategy Programme Manager
Treasury and Resources Department
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JE4 8UL

Dear Mr Morris,

Zero/Ten design proposal

I am sorry for the slight delay in responding to the above proposal. I had not realised we were to be treated differently than most other private companies in the Island and what with holidays and other business commitments had not had an opportunity to view the proposal within the short timescale available. I have to say that I am somewhat disappointed that someone has not contacted us to advise us that we will not see the benefit of the proposal. We are facing an increase in tariffs of at least 3% due to GST in the near future and there are murmurs of a carbon tax, which, if applied, will increase tariffs to customers. These costs come at a time of exceptional high worldwide energy prices and we are concerned that these could have a long-term detrimental affect on our business and disadvantage our customers.

I have several points that I would like to make but before doing so believe it may be useful to provide some background which I hope will help you to better understand the points.

Jersey Gas operates under the Jersey Gas Company (Jersey) Law 1989 and we are the only private company in the Channel Islands with it's own statute law. This law specifies the constitution, organisation, powers and duties of the company. We cover the complete range of duties associated with gas; we import LPG, store it, manufacture gas, distribute it through a piped system, import and sell appliances, convert them to work on our gas, install them and maintain them. We operate a 24-hour, seven day a week emergency service to deal with reports of gas leaks and any other event that our customer believes is an emergency. More recently we have taken on work associated with installing and maintaining oil systems and maintaining solid fuel systems. We own a number of properties that are rented to staff and rent part of our building on a commercial basis. We also supply LPG to our sister company Kosangas and manage the Kosangas business with Jersey Gas management. All staff that work in Kosangas are employed through Jersey Gas for simplicity.

With regard to the proposal I am confused as to why it is referred to as a 0-10% design proposal and yet the intention is to continue to tax the gas company 20% this is misleading.

In Jersey only the oil companies and the gas company are privatised, the other utilities are majority owned by the States of Jersey and in effect, the tax and the majority of profit goes back to the Major shareholder, the States of Jersey. Our main competitor, the electricity company is majority states owned and it appears unfair that it's shareholder benefits from this system whereas ours do not. They already benefit from having the States as the Majority shareholder and this proposal gives them an additional advantage. If the tax is reduced to a more reasonable level in line with the 0-10% proposal, say 10% then both the companies and their shareholders will benefit on a more even basis. Alternatively, if the States interest in the utilities were to be sold this would result in all the utilities being privately owned and we would all be competing on an even basis. I would ask that you review the decision to charge the Utilities 20% tax and consider reducing the tax to 10% for the private Utility companies. If this is not possible only apply the 20% rate when all the utilities are privatised so we are all competing on an even basis.

As stated above we cover the whole range of gas activities and the document is unclear as to what aspect would be subjected to the 20% tax. Is it the sale of gas, the distribution of gas or the whole business? Will the same level of tax be charged to companies supplying gas in cylinders? There are other companies in the Island that carry out similar activities to ours, such as appliance sales, installation, maintenance etc. and they will not be subjected to the higher rate of tax. This again will give them an unfair advantage and appears to be anti-competitive.

I am aware that the proposal is that the RUDL charge will not impact on the Utilities but these two charges are not comparable. One is a levy on head count and the other is a tax on profits. The RUDL charge penalises labour intensive companies, especially the service companies and may result in companies reducing staff numbers.

As an integrated business it will not be easy to separate out the various true costs and income for the various activities and if this is necessary this will place an extra burden on us, in addition to having to pay additional tax when compared to other privately owned companies.

Yours sincerely,

R.St.C Staddon
Managing Director