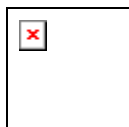


MOTOR FUEL DUTY (P.59/2000): COMMENTS

Presented to the States on 20th June 2000
by the Policy and Resources Committee



STATES OF JERSEY

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180

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Comments

The Policy and Resources Committee recognises, and endorses, the sustainability argument (for equity) which is embraced in the comments by the Finance and Economics Committee's Report (P.59/2000 Rpt.) under the paragraph heading of *Quality of life for the poorest in the community*. This reiterates the view expressed by the Fiscal Review Group that adjustments to indirect taxation in favour of the less well-off is not the most appropriate way to assist those in need.

From a different sustainability angle, there is a recognised and legitimate use of fiscal measures to achieve specific environmental objectives, and increases in fuel duties both here and in the United Kingdom in recent years have been directed towards that purpose. The States has endorsed a Sustainable Transport Policy for Jersey which, *inter alia*, seeks to reduce car usage in support of environmental and health initiatives.

Moreover, Jersey is a party to international conventions requiring reductions in the emissions of greenhouse gases which are causing significant global climate change. Jersey has a very high level of car ownership and usage and approximately a third of the Island's greenhouse gas emissions arise from vehicle use. Therefore, measures to discourage the use of vehicles should receive States support.

The relationship between fuel cost rises and car usage, car use elasticity, has been well-researched in the United Kingdom

and figures have been calibrated on the basis of historic data. The long run fuel cost elasticity for car use is about -0.20, i.e. a ten per cent rise in fuel prices implies a two per cent fall in fuel consumption in the long run. We cannot be certain that these figures would be the same in Jersey, but the principle no doubt holds true. However, an added aspect is that the fuel cost change does have an impact on people's choice of vehicle with higher prices producing a switch towards smaller cars.

The reverse effect (due to lower fuel costs at the pump) is deemed to be true so that, conversely, measures which can be seen to encourage car use should be discouraged. As indicated in the Finance and Economics Committee Report (P.59/2000 Rpt.), Jersey is no exception to the rule that a reduction in costs will increase usage. Thus, whilst local annual mileage may be perceived as being comparatively low in relation to off-Island situations, the removal of motor fuel duty would send a very clear signal that the Island is not serious about its international obligations to the climate change conventions.

For these reasons, and the other corporate arguments advanced in the Finance and Economics Committee's response (P.59/2000 Rpt.), the Policy and Resources Committee supports the position of that Committee in opposing the proposition to reduce the duty on motor fuel.