



Senator S C Ferguson
Chairman - Corporate Services Scrutiny Panel
States Greffe
Morier House
St. Helier
JE1 1DD

19 Royal Square
St Helier
Jersey JE2 4WA
Channel Islands
Tel: 01534 764000
Fax: 01534 619745

24th October 2013

Dear Senator Ferguson,

Review of the Draft 2014 Budget Statement

Thank you for your letter dated 14th October 2013 inviting the Liberation Group to make a written submission regarding the Draft 2014 Budget proposals. Our submission relates to the planned duty increases of tobacco +11%, Beer (5%abv+) and spirits +11% and Beer below 5%abv and wine +5%.

We feel that these proposed increases are excessive and will cause real harm to Jersey's tourism hospitality sector as well as hitting the hard working people of Jersey. With June RPI at 1.5%, these increases are between three and seven times the rate of inflation!

The poorer in society tend to be higher consumers of alcohol and tobacco and this rise is therefore particularly targeting this section of the community which feels unjust.

If the proposed beer increase was applied, duty on a 5% abv pint of beer such as Peroni for example would be higher than the UK (53p UK per pint versus 57p Jersey) where politicians have finally stopped their relentless duty increases and actually reduced UK duty on beer by a penny a pint. This move in April 2013 boosted UK pub spend by 4% (Source: Barclaycard research comparing 2 weeks preceding and 2 weeks following the duty cut, adjusted for seasonal influences).

When we look at our other European neighbours, the duty on a 3.8% abv litre of beer post the proposed increase in Jersey at 61p is now well ahead of Spain 25p, France 24p, Greece 9p, Italy 8p and Germany 3p. Remember also that we add 5% GST to this duty in what is a tax on a tax.

Similarly the duty on a litre of 40% abv spirits will be £12.79 in Jersey versus £11.29 UK, £2.89 Spain, £5.87 France, £8.52 Greece, £2.68 Italy and £4.53 Germany. (Source: European Commission Excise Duty Tables. Euro rate calculated 1.15 to £)

The result of the proposed spirit increase would actually see Jersey move to having the third highest duty rate in the whole of Europe behind only the states controlled alcohol monopoly markets of Sweden and Finland.

The Liberation Group Limited

Registered Office: 19 Royal Square, St Helier, Jersey JE2 4WA, Channel Islands
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The proposed tobacco increase will push smokers further into smoking duty free tobacco, already at least 41% of tobacco smoked in Jersey has no duty paid and recent increases have seen this figure grow with no impact on the stated claim that high duty will reduce smoking. (Source: CITIMA 2013 Jersey duty free survey).

We have been unable to find another global market that has seen such heavy and relentless duty increases through the course of the recession, even Guernsey is only seeking an increase in tobacco of +5.7% (in line with their tobacco strategy of 3% above RPI) and alcohol of +5%.

Jersey's duty increases are a blunt instrument that clearly has not worked in the past. Actual duty collections are markedly down in 2013 after last year's excessive rise, 2014's proposals would deliver the same result! Looking at alcohol importation trends over the past 40 years, you can clearly see the large reductions that have taken place in Jersey duty collections. We therefore see no evidence to back up the claim that the alcohol duty increases for example would raise £1.25m in extra duty?

We feel that the budget should be supporting economic growth and jobs, rather than attacking the hospitality sector and the people of Jersey. This is the worst possible time to hit us with these increases as we are struggling to see any green shoots of economic recovery in the island.

The hospitality industry in Jersey faces high operating costs compared to our competitor markets so it is important that our sector of the economy is not constrained further through excessive above inflation duty increases and we are allowed to try and remain competitive particularly as we expect significant challenges again trading in 2014.

We continue to work with the various initiatives to get more locally qualified people in to employment, with up to half our employees in our pubs aged 25 and under, we clearly have a key role to play with recruiting and developing this key age group and the proposed increases would impact on our ability to invest in our people.

There are various comments in the Draft Budget Statement regarding purported health benefits from the proposed increases but we have seen no evidence from anywhere around the world that clearly demonstrates increasing duty benefits healthy drinking. The two are completely unconnected.

Only last week in the UK it was revealed that alcohol consumption continued the decline which has been ongoing since 2004. This fact challenges the inaccurate perception that there is a general issue with alcohol. There are specific problems with a very small minority of Jersey's population but these need to be solved with targeted education, increasing duty will have no impact on their consumption habits.

One of the unintended consequences of continual excessive duty increases is to drive people to seeking cheaper alcohol from the supermarkets. This switch of consumers out of the regulated environment of the pub and into home consumption does make it harder to control sensible and under-age drinking. The on trade is also a labour intensive way to retail alcohol and supporting the on trade through restricting duty increases will help retain and create employment. Finally, the pub has been at the centre of the community for Jersey for many years, to lose this would have a real impact on the wider Jersey community.

Finally, in a PR move to try and bury the bad news of these excessive proposed increases, we were dismayed to find our sector under attack for charging too much for retailing alcohol. There are high costs of operating in Jersey ranging across many areas including transportation costs getting goods to the island, utilities, refuse collection, repairs and maintenance, Sky subscriptions, legal fees etc. We recently refurbished the White Horse pub and we believe it cost c£250k more than it would have in the UK due to the high cost of local labour and materials.

The table on page 43 of the Draft Budget Statement was used to attack the hospitality sector on pricing but we do not believe the figures are an accurate representation of the facts, indeed the note below the table confirms they are from a narrow range of sources with considerable price variations.

To look at the facts on pricing, the average Jersey Retail Price for a pint of standard lager in our 74 pubs is £3.50 for Carling, not £3.79. Indeed I had a pint of our standard 4% abv cask beer, Liberation Ale, in the Post Horn last night and paid £3.05.

The UK Retail Price for a pint of standard lager is £3.50, not the £3.30 in the table so again the figure in the table is incorrect. (Source: London & SE Average Price per Measure of Alcoholic Drinks, GB On Trade, Beer & Pub Association Statistical Handbook Oct 2013.)

In summary, we feel that it would be a disappointing legacy for the members of the States of Jersey to continue the excessive duty increases throughout the recessionary years, a move that to date has led to actual reductions in the amounts of duty collected but caused many negative impacts across the Jersey economy.

We are a business that has invested heavily in Jersey, we employ up to 500 people and we provide enjoyment to thousands of customers every week. We feel that the proposed increases are excessive and unjust. We hope that some of our arguments above will support our view that this is the time to give something back to the hardworking people of Jersey whilst supporting economic growth and jobs for 2014.

Yours sincerely



Mark Crowther
Chief Executive Officer
The Liberation Group