

2018.01.30

1 Senator P.F.C. Ozouf of the Chief Minister regarding actions taken by the Council of Ministers to address inflation: [OQ.25/2018]

Further to the recent report of the Statistics Unit that inflation in Jersey rose to 3.6 per cent at the end of December 2017, and given that previous Councils of Ministers produced anti-inflationary strategies, what action, if any, is the current Council taking to reduce the cost of living to ensure that Islanders get a fair deal within the housing, energy and grocery markets?

Senator I.J. Gorst (The Chief Minister):

Although the increase in inflation in the last quarter of 2017 was slightly higher than expected, inflation for the year averaged 3.1 per cent, only slightly higher than the Fiscal Policy Panel's expectations of 2.8 per cent. The weakness of sterling after the E.U. (European Union) referendum was expected to push inflation up but the F.P.P. (Fiscal Policy Panel) do not expect this trend to continue. To keep inflation under control, Ministers are planning to balance the budget at the right time in line with F.P.P. advice. We are also boosting competition through implementing the 23 Oxera recommendations, which the Senator instructed and was instrumental in overseeing, and improving productivity and business performance through the Strategic Plan priorities.

4.1.1 Senator P.F.C. Ozouf:

The introduction of the corporation tax on retail has been the subject of further debate since this Assembly decided it and there has been an outcry from retailers and more evidence into the fact that indeed the corporation tax could lead into a situation whereby grocery prices rise between 3 and 5 per cent. With this new information, which was perhaps not available at the Budget and not available to the F.P.P., is the Chief Minister concerned that this is an effectively self-inflicted inflation inevitability?

Senator I.J. Gorst:

The figures that the Senator used are figures which I think have been put forward by the Chamber of Commerce liaising with their members who are retailers who would be affected by this taxation measure. We should remember that this tax does not come into play until those retailers have made a profit of £500,000. Those figures of inflationary impact do not align with the economic adviser's. Having said that, of course, I know that Treasury, while in correspondence with the Chamber of Commerce, as I understand it, would be prepared to meet with them and consider those figures, which the Senator has just alluded to, further to see if there is any mitigation available.

4.1.2 Deputy G.P. Southern:

Why, when the Minister notes that inflation is running at 3.6 per cent, and his estimates of future inflation are around 3 or 3.5 per cent, has the States Employment Board compounded the 7 per cent drop in the real terms earnings of the public sector and followed that up with an offer for the workforce modernisation, which is also below inflation, why does the Minister and the Employment Board behave in such a way to its workforce?

Senator I.J. Gorst:

I am not sure quite where the connection is other than percentages. Of course the Deputy knows the deal that the States Employment Board have offered to employees, he knows also the workforce transformation and the change in pay spines, the reduction there, all of that will enable us in future to deliver a more joined-up and connected workforce and Government within the cost envelope that

was available at the time. The States Employment Board have found more money than the initial cost envelope but they recognise that it is a challenging offer but they think it is a fair offer.

4.1.3 Deputy G.P. Southern:

It is once again a below-inflation offer. Will the Minister accept that, while he wishes to modernise the workforce and have it joined-up, the only joining-up he is going to get is of representatives of the workforce saying no to workforce modernisation? Why can he not offer a decent rate for his changes?

The Deputy Bailiff:

I think that is moving outside the 4 walls. Could you justify where that fits within the question?

Deputy G.P. Southern:

The whole context of that is the 3.6 per cent, which is now achieved, which is also the prediction for inflation in the next 4 years, and the workforce modernisation scheme is taking place over the next 4 years at 3.5 per cent inflation.

The Deputy Bailiff:

I will allow it, thank you.

Senator I.J. Gorst:

We can keep asking the same question and I can keep giving the same answer. I am not sure that it does any of us any good. He knows the envelope in which the pay envelope has been set, he knows the offer that the States Employment Board has made, he knows that they have found extra money in order to enhance that offer, and he knows the benefits of workforce modernisation that will bring right across Government and the community. So we hope that members of unions - it is only members of unions - who are voting whether to accept this deal or not, despite the fact that is not the majority of the workforce, we hope that they will vote to accept it because they will see that the benefits outweigh the areas where there is extra challenge.

4.1.4 Deputy M.R. Higgins of St. Helier:

The Chief Minister is well aware that the reason for the retail tax coming in was to make up for reduced funds that have come in because of Zero/Ten and the burden that has been placed on individuals in our society. Now, does he accept that the Chamber of Commerce are lobbying after the fact to try to stop this coming through, but really it is in the best interests of the population, especially as the population have seen these companies pay no tax whatsoever since Zero/Ten came in?

The Deputy Bailiff:

What exactly is the question?

Deputy M.R. Higgins:

I am saying, does he not recognise that is the case that they are lobbying to have the tax not brought in, but they have had the benefit of low taxes since Zero/Ten came in and basically should not give in to it, basically should not give in before an election year. Is he going to give in to them?

The Deputy Bailiff:

Deputy, I cannot see that fits within the parameters of the question, which is to do with the steps being taken by the Council of Ministers to reduce the cost of living for Islanders to get a fair deal. Can you explain that?

Deputy M.R. Higgins:

With respect, if the firms put up their prices, that should not be a consideration. What is happening is here they are using that as an excuse to stop a tax coming in, which would be a fair tax.

The Deputy Bailiff:

Effectively, would that be a consideration for the Council of Ministers, is your question, is it not? That is within the parameters.

[10:00]

Senator I.J. Gorst:

The genesis of the change to corporate tax of retailers is well known. Senator Ferguson made an amendment to the previous Budget, the Minister for Treasury and Resources this time around brought an amendment to bring that into effect in this Budget. The challenge, and where we should be rightly focusing an argument, if there is to be one, is not about whether the tax should be introduced or not, it absolutely should be because there is public disquiet with the way that some elements of non-locally owned businesses benefit because of the zero. The challenge, and I think the point Senator Ozouf has been trying to make, and made on the day: is the rate set at the right level and does it have an intended inflationary impact on the basics of life? As I said in my opening answer to Senator Ozouf, the figures that he has quoted, which are Chamber of Commerce figures, do not align with what the economic impact assessment was and what some anecdotal conversations have suggested, and that is why Treasury will continue to communicate with the Chamber of Commerce and continue to understand where their concerns are.

4.1.5 Deputy M. Tadier:

The second half of the question asks what action, if any, the Council of Ministers is taking on issues such as housing, energy and grocery markets, to make sure Islanders get a fair deal. If I could ask specifically about housing. Is it not the case that this Council of Ministers and his Minister for Housing have been completely incompetent when it comes to grappling with the issues of affordable housing, particularly in the rental sector? We have seen today at the very last minute a very tame proposal for regulation of social housing - only social housing - being pulled and we know it has been criticised by Members across this Assembly and has been amended, of course, because it is not holistic in its approach. What action, if any, will the Minister take, apart from just building more houses and bringing more people in so that those houses will already be filled, to resolve the issue of affordable rental housing in this Island?

Senator I.J. Gorst:

Regulation, red tape and regulation again, that seems to be the Deputy's answer to every single question that we face in this community. It is about time he acknowledged, as the Minister for Housing does, that supply is a really important part of this component, and yet time and time again this Assembly, when it has come to the supply question, has found it very difficult to make the appropriate answer. The Deputy has an amendment to the proposal that the Minister for Housing has brought forward, he knows, which totally turns that proposal on its head from regulation of social housing to regulation of all housing. If that is what the Deputy wants to do then we should have a debate on that, we should have consultation on that. None of the interested organisations have been consulted on the Deputy's proposal. They have on regulation. It has been a really difficult journey to take social housing providers on in order to recognise the benefits to them as organisations, but more importantly to recognise the benefits of people who live in those houses

that regulation can have upon them. But the challenge that we really face is supply and we are going to have to get to grips with supply.

4.1.6 Deputy M. Tadier:

Does the Chief Minister accept that when the private sector are receiving £9.5 million in direct subsidies of public money that they are also social landlords and that private rentals are also social rentals when they receive public money, yet they will not come under any of the scrutiny or the same regulation as is being suggested for social landlords and that regulation is needed across the piece because so many hardworking people in Jersey do live in substandard conditions in the private sector because there is an inadequate amount of social housing in trusts and in Andium? Does the Minister agree that supply under his watch and under any of the Councils of Ministers recently has not worked, therefore it is time to try something different, it is time to regulate properly and, if necessary ...

The Deputy Bailiff:

Deputy, there are at least 3 questions there, the Chief Minister will choose whichever one he wishes to answer, so ...

Deputy M. Tadier:

I will add another one. It is time to regulate, and, if need be, introduce rent control in this sector.

The Deputy Bailiff:

Chief Minister, you can choose whichever of the questions you answer.

Senator I.J. Gorst:

I could do that; I could wrap myself up with more red tape. We cannot have it both ways, as the Deputy seems to want. The Minister for Housing has brought forward the regulation of Social Housing. That is absolutely the right thing to do. She and her officials have worked incredibly hard with the providers of social housing. She has also worked on minimum standards right across the housing stock and that has been an important piece of work as well to ensure that, together with the Environment, that housing accommodation in our community does meet minimum standards. But we still cannot get away from the fact that we need new ownership models and we need a greater supply and it is not fair for the Deputy to suggest that we could regulate and have housing control and all of the issues that we all across this Assembly want to address would suddenly vanish and be dealt with, they would not. There are some really difficult issues that need to be dealt with and I hope, if he has another supplementary, he will stand up and accept that supply is one of the most important ones.

The Deputy Bailiff:

No, there is no supplementary. I have Deputy Norton and then final supplementary, Senator Ozouf. Deputy Norton.

4.1.7 Deputy M.J. Norton:

I was heartened that the Chief Minister said if there was an argument to be had it would be over the rate of retail tax. Would the Chief Minister be prepared to go into some proper consultation as to what the proper retail tax should be?

Senator I.J. Gorst:

I have already said that the Minister for Treasury and Resources, and the Deputy knows this is not my remit, it is a Budget amendment, I have already said that the ... people seem to be shaking their heads. Surely they know that taxation matters fall within the remit of the Treasury Department. The Treasury is in communication with the Chamber of Commerce and has been addressing the concerns that they raised in their recent correspondence with the department and with Assembly Members and I have no reason to suggest anything other than they will continue to do so.

4.1.8 Deputy M.J. Norton:

Would the Chief Minister at least, having said that there is an argument to be had over the rate, at least confirm that he agrees that we still need to talk about what that rate should be?

Senator I.J. Gorst:

The Deputy knows that there were 2 occasions in this Assembly during the Budget debate where Members could have voted differently from the way that they did. I think perhaps, I am not sure whether that Member voted for the 10 per cent, I think he did, so he can stand up and make the points that he is making and it revolves around whether there is an inflationary impact and, if so, what that is, and the differing arguments about what that might be, which I think would and could be the subject of further communication with the Chamber.

4.1.9 Senator P.F.C. Ozouf:

I ask this question because the real concern that I have picked up in recent weeks about the real concern of the rising cost of living fuelled by some decisions of this Assembly and the evidence that the cost of living is likely to rise further and be in fact higher than average wages in the months ahead. The F.P.P. were wrong in their estimate but of course that is not a criticism, you get estimates wrong. That is what happens; you have no evidence of the future. In the light of all of this consideration, will the Chief Minister state categorically that cost of living is an anti-inflation strategy - are absolutely a priority for the remaining period of time of this Assembly - and would he confirm that he will be dealing with the most difficult issue in respect of the cost of living when we now appear to have a J.C.R.A. (Jersey Competition Regulatory Authority), which is, according to the Royal Court judgment, which has been issued, on the side of the incumbent, not the side of the competitor attempting to lower prices, and what is he going to do about that issue in that priority?

Senator I.J. Gorst:

Of course an estimate will never be reality; that is the point of estimates and projections, and the annual actual of inflation was slightly higher than the projection of the F.P.P., the same thing happened and was mirrored in the United Kingdom, as I have said, largely because of the effect of the strength of euro versus the sterling and, not only the F.P.P., but also the O.B.R. (Office for Budgetary Responsibility) and the M.P.C. (Monetary Policy Committee) in the United Kingdom believe that inflation will peak in the U.K. (United Kingdom) in the fourth quarter of this year before gradually declining in 2018/19. This last week I met with the chairman of C.I.C.R.A. (Channel Islands Competition Regulatory Authorities), we had a very constructive conversation about the very issues that Senator Ozouf is raising and that is the value of competition in what we might call everyday markets that affect people's everyday living standards and where they can feel the benefit from the work of the competition regulator, because competition is absolutely important in these areas. It is difficult: we know that from Sir John Vickers, the report that the Senator was instrumental in commissioning. It is difficult to get it right but it is critically important. In the coming days and weeks we will and can expect an announcement from the J.C.R.A., together with Government, talking about the work that they are going to be doing in the future in these vitally, vitally important areas.