15th October 2025

Dear Deputy Stephenson,

Re – Proposed Budget 2026-2029 Review

Thank you for this opportunity to present the views of the Jersey Hospitality Association which we hope will assist your panel during its review of the Proposed Budget. The JHA is comprised of over 200 businesses in the hospitality sector. Those range from large hotel groups and Michelin Star restaurants to small beach side cafés and single person businesses.

We represent members involved in supply chain, entertainment, attractions, catering, production, transportation as well as the businesses you would normally associate with hospitality and the visitor economy.

Hospitality touches every corner of our island. It ensures that we continue to have the vital connections to and from the UK and Europe.

The JHA works closely with Ministers, government officials and arms-length organisations to promote growth in our sector and the wider economy and remove the barriers that hinder the ability of businesses to flourish. Our industry plays a crucial role in attracting investment in the island, spending in the visitor economy and providing the quality of life that islanders expect.

That's why it is crucial that the government gets it right when making any decision that affects the hospitality industry.

1. **Increasing duty on alcohol in line with RPI and Tap Relief**

In previous years we have lobbied hard to remove the planned increases in alcohol duty. While we've been successful in reducing the blow businesses faces every time an increase is announced, we were given assurances by the government that work would start on reforming and replacing the current duty system. A complete overhaul of the licensing system is nearing completion and will help the industry survive, but next to no progress has been made on resetting alcohol duty. Instead, we have been presented with a tap relief system that's modelled on the UK and an increase in excise duty.

We thought that the government had finally woken up to the fact that continuing to increase excise duty was doing nothing to stop harmful drinking. All it does is damage our industry's ability to compete against the off trade and hinders our efforts to provide regulated social spaces for Islanders.

To a casual observer, when the Budget was announced in September it looked like pubs, bars, hotels and restaurants were being given some relief. It was explained that the new proposals on tap relief would reduce duty on some products sold in containers of 10 litres or more. But once you run the numbers, the reality is somewhat different.

We'll repeat the example given in an article from the Jersey Evening Post.

If you take a standard 30-litre keg of 4.6% beer at a trade price of £180. Without relief, the duty bill in 2026 will be £22.72. With the 15% discount, that falls to £19.31 — a saving of just £3.41 on the whole keg, or 6.4p per pint.

Even when passed through at typical pub margins, that means about 22p off a £6.50 pint at the very best. For a stronger 5.2% beer, the saving is slightly better, around 28p off. Either way, the consumer would see a pint drop from £6.50 to around £6.20–£6.30, <u>but</u> that's only if there weren't the increases in shipping, utilities, wages and other costs that the industry has been dealing with.

We argued that the impact at the bar is tiny, barely noticeable for consumers and no consolation for operators who are facing spiralling costs everywhere. Venues have no choice other than to pass on those increasing costs from shipping, utilities and wages to the consumer. If they don't, then they will go bankrupt.

It's a point that is often misunderstood. Any increase in our cost base is multiplied as the product moves down the chain to the consumer. A couple of years ago the Treasury claimed that their 9% increase would equal 4p on a pint of beer. It made an easy headline but was misleading because, had the original duty increase been approved, that pint would have cost at least £1 more on 1st January 2024.

Tap relief is a gesture, not a game-changer and does nothing to breach the gap between the price of a pint in a pub compared to a supermarket. A pint (568ml) after relief still costs the equivalent of around £11 per litre. The same beer in a 440ml can at £1.50 retails for just £3.41 per litre, that's more than three times cheaper.

Sadly, we are forced to make the same argument every year. Harmful drinking will continue because people will pre-load or binge drink at home in unregulated environments because it's so much cheaper to do so than in our establishments.

2. An alternative approach

We have long held the belief that the duty system as a means of changing behaviour is outdated and does nothing other than widen the gap in the price paid in on-trade premises and the off-trade. It feeds the culture of pre-loading and binge drinking, with the result that harmful drinking occurs in non-regulated domestic settings. That puts pressure on the enforcement and wellbeing services, increasing the resources that are needed to deal with the aftermath of domestic abuse, public order offences and health impacts.

Furthermore, it damages the visitor economy which provides safe, regulated spaces where people spend time together, tackling loneliness and improving social wellbeing. It affects footfall into St Helier and other economic centres, damaging the island's vibrancy. We hope that you would agree that when hospitality thrives, so does the island.

We all listen to and read the views expressed that the hospitality industry is facing difficulties. There are plenty of reasons why and there are plenty of solutions, and that's why we are offering this one because the options presented in this Budget will not tackle the issues that we face.

If the point of charging excise duty on alcohol sales it to change behaviour, and the Government truly wishes to support its visitor economy, there is a clear path: separate alcohol duty for the on-trade and off-trade and abolish duty for on-trade sales.

Based on our modelling, a 4.6% pint could fall by around £1.20, to just over £5. A 5.2% pint could drop by nearly £2.40. Suddenly, the price gap between pub and shop shrinks from three times to less than two. For many Islanders, the incentive to preload disappears and drinking moves back into supervised, vibrant venues.

The effect on the economy would be more jobs, supported supply chains and an injection of energy into our social and business fabric. The government would benefit from a higher GST yield based on greater sales at higher values than from supermarkets and off-licences.

We acknowledge that this would be a bold step, by why should Jersey follow other jurisdictions with an easy and unimaginative approach? Surely, a creative solution such as this would give the on-trade an advantage, or at least level the playing the field and rebalance consumption towards safe, social environments while unlocking growth in one of Jersey's most important industries.

3. Liquid Waste Charges

We have mentioned rising base costs and how those are affecting hospitality. The higher minimum wage introduced this year, and is due to rise again in April, has had a profound effect on businesses across the industry. While everyone supports paying employees more, the net effect of policy intervention is to push up the salary bands above the lowest rate, increasing costs to businesses. It is an example of how government policy, however well intentioned, causes cost increases and contributes to inflation.

Another added cost that we have been keeping a close eye on is the intention to charge for liquid waste. We note from discussions that the Environment, Housing and Infrastructure Panel has held with the Infrastructure Minister that this is delayed and may include domestic households as well as businesses.

While that would be a fairer way of raising money for infrastructure improvements, the JHA is still deeply concerned that the Government is considering adding further costs to businesses, especially when margins are so tight.

4. Concluding Remarks on Budget 2026-2029

The Chief Executive of the Government of Jersey recently told the Public Accounts Committee that growth in the public sector workforce and increases in spending were among the reasons why public finances were in a precarious state.

Funding that growth in the public sector are private businesses and individuals who pay income tax, GST and social security, plus a lengthy list of charges and fees. If you set that out, it looks something like this: ITIS, GST, Social Security, Impôt Duty, licensing fees, business fees and permits. Add in the rising base costs from freight charges, fuel prices, electricity, water, heating and cooking oil and gas, the increase in the minimum wage and the brand-new charges being talked about (liquid waste and the Food Law licensing scheme), it’s no wonder that the government is getting grossly oversized.

With the exception of a few of those base cost increases, all of those listed above are levers with which the government, or an arm of government, can change. Move them one way and it will encourage economic growth, move them the other and it will destroy it.

It’s time to stop blaming inflation and cost increases on external factors that we have little or no control of, and to start modelling how each of those factors impacts the economy and doing something about it.

Governments are particularly good at coming up with labels for budgets that try to sugar coat the real consequences of their actions. We’re told that this one is a budget for stability. In other words, let’s do what we’ve always done rather than face up to the challenges of a swollen public sector by making an honest start at tackling its size, structure, services and funding.

The Government of Jersey must stop growing and stop spending more than it brings in before it looks at new charges and penalises businesses and ordinary taxpayers further.

We appreciate this opportunity to give you our Association's views on the Proposed Budget. We would also greatly value the opportunity to meet you in person in the next few weeks.

Yours sincerely,

Ana and Marcus Calvani

Co-Chief Executive Officers

Jersey Hospitality Association