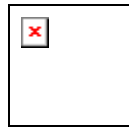


MOTOR FUEL DUTY

**Lodged au Greffe on 25th April 2000
by Senator L. Norman**



STATES OF JERSEY

STATES GREFFE

PROPOSITION

THE STATES are asked to decide whether they are of opinion -

to request the Finance and Economic Committee to reduce the impôts duty on motor fuel to zero, and to charge that Committee to take any necessary legislative and administrative steps to give effect to the reduction as soon as is reasonably practicable.

SENATOR L. NORMAN

Note: The Finance and Economics Committee's comments are to follow.

Report

The Finance and Economics Committee has announced that it wishes to see the gap in the inflation rate between Jersey and our near neighbours such as Guernsey and the United Kingdom narrowed. At present the gap is so significant that mere tinkering with the economy will not be sufficient to make a meaningful difference.

Probably the greatest impact on our inflation rate has been the several increases over the past few years in the duty on motor fuel, which has meant that a litre of unleaded 95 octane petrol currently retails at 58½ pence in Jersey, while the same litre in Guernsey costs 39 pence - a difference of 19½ pence. Clearly we have here an opportunity to reduce significantly the inflation rate in Jersey. According to the Statistics Office at the Policy and Resources Department, if duty had been reduced to zero, the percentage increase over the year to 15th December 1999 would have been 3.2 per cent instead of 4.4 per cent, a drop of 1.2 per cent. These are meaningful figures. Additionally, this move would reduce all road transport costs, which in turn would feed through to consumer prices, reducing the increase in the Retail Price Index further.

Indirect taxes, while abiding by the principle of “user pays”, have the unfortunate affect of impacting most adversely on those in our community on the lowest incomes. Therefore the move that I am suggesting will contribute to the States’ policy of eradicating poverty. The long-term benefit to States finances is also significant. All pay claims tend to be based on the increase in the Retail Price Index. A reduction in that index of 1.2 per cent would inevitably reduce pay claims by the same 1.2 per cent, reducing the potential wage and salary bill of States’ employees by £2.5 million each and every year.

I was finally driven to bring this proposition by the announcement made on Monday 13th March that the tax receipts for 1999 were to be some £25 million more than was anticipated. The President of the Finance and Economics Committee stated that this “windfall” was not for spending, as to spend it would fuel inflation. No one would disagree with that. But what this means is that we do not need the money raised by impôt duty on motor fuel. Even with the extraordinarily high rate of duty, receipts from this source are expected to be £12.3 million for the year 2000. So by returning this sum to the taxpayers, the Treasury will still be better off than anticipated by some £12 million.

In summary, by reducing impôts duty on motor fuel to zero we will -

- reduce inflation by a minimum of 1.2 per cent;
- reduce future wage and salary demands in the public sector by £2.5 million per year;
- improve the quality of life for the poorer members of our community;
- leave the Treasury about £12 million better off than expected;
- improve the well-being of all Jersey residents;
- prove that we are serious about tackling inflation;
- provide a welcome boost for the tourism industry;
- reduce the demand for increased taxi fares.

Events have conspired to give the States, and in particular the Finance and Economics Committee, a rare and perhaps unique opportunity which I hope they will be bold enough to take.

CHANNEL ISLAND FUEL PRICES AS AT SATURDAY 18TH MARCH

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Jersey

<i>Grade</i>	<i>Retail (pence)</i>	<i>Wholesale (pence)</i>	<i>Impôt (pence)</i>	<i>Trade profit (per cent)</i>
LRP*	64.5	50.00	23.2	22.55
ULG**98	64.5	50.01	23.2	22.55
ULG 95	58.5	46.79	21.7	20.00
DERV***	59.5	47.90	21.7	19.50

Guernsey

<i>Grade</i>	<i>Retail (pence)</i>	<i>Wholesale (pence)</i>	<i>Impôt (pence)</i>	<i>Trade profit (per cent)</i>
LRP*	41.0	32.34	6.1	21.10
ULG**98	40.5	32.30	6.1	20.30
ULG**95	39.0	31.20	6.1	20.00
DERV***	31.0	24.61	0.0	20.70

* Lead Replacement Petrol

** Unleaded Grade

*** Diesel