

STATES OF JERSEY



DRAFT BUDGET STATEMENT 2017 (P.109/2016): AMENDMENT

Lodged au Greffe on 25th November 2016
by Deputy R. Labey of St. Helier

STATES GREFFE

PAGE 2, PARAGRAPH (a) –

After the words “as set out in the Budget Statement” insert the words –

“except that the estimate of income from taxation during 2017 shall be decreased –

- (i) by £690,000 by increasing duty on all categories of alcohol by the June 2016 RPI figure of 1.5% and not by the percentages proposed in the draft Budget Statement;
- (ii) by £590,000 by increasing duty on fuel by the June 2016 RPI figure of 1.5% and not by the 4.3% proposed in the draft Budget Statement;”.

DEPUTY R. LABEY OF ST. HELIER

REPORT

The following table details the increase on alcohol at 1.5%.

Item	Impôts duty increased by 1.5% per unit (pence)	Impôts duty plus GST increase (pence)	Increase per unit rounded (pence)
Spirits (per litre 40% abv)	20.74p	21.77p	22
Wine (75cl bottle)	2.20p	2.31p	2
Standard Beer (per pint under 4.9% abv)	0.52p	0.55p	1
Standard Cider (per pint under 4.9% abv)	0.52p	0.55p	1

The following table details the increase on fuel at 1.5%.

Item	Impôts duty increased by 1.5% per unit (pence)	Impôts duty plus GST increase (pence)	increase per unit rounded (pence)
Litre of unleaded petrol	0.68p	0.71p	1p

Recent Budgets have sought to ensure that impôt duty increases after the effect of GST result in whole penny increases. To follow this policy the increase in impôt for each alcohol type will need to be adjusted accordingly (i.e. it will not be exactly 1.5%).

The repeated justification for inflation-busting duty increases is that alcohol is bad for us and we must be deterred from consuming it. That argument might be valid if the rises had the desired effect. They don't. Worse still, evidence suggests the contrary is true and consumption is increased by driving drinkers to imbibe away from the controlled environment and modest measures of licensed premises to the home – where we drink more.

If the much-heralded 'Alcohol Strategy' was intended to advance the debate it's clearly an unfortunate waste of time and money on behalf of all parties involved.

Similarly a hike in fuel duty might represent a quick buck to a Treasury bent on reducing a deficit but at what price to growing the economy? Small businesses report years of treading water as far as their revenues are concerned. Many have pegged charges for their services to remain competitive whilst the cost of doing business increases year on year. With the current fiscal uncertainty now is not the time for government to make matters worse.

The correspondence which follows reflects the current sentiments of those involved in the Licensing Trade –

“Good morning Russell

As an Industry that is slowly recovering, but still fragile, we are starting to see a return on the work that Visit Jersey is undertaking to get the island back on the global market place as a destination.

*Therefore the one thing **we do not need** is any further increases in duty that will make us uncompetitive for visitors plus give local residents more of a reason to not go out and support the local hospitality sector by visiting Pubs, bars and restaurants but instead stay and drink at home.*

As an industry we are already under pressure with the challenges of recruitment, licensing and are bracing ourselves for the proposed wastage charges that have been agreed in principal with little or no detail of what they will look like and cost, although charges are aimed at “business” in this instance all businesses are not created as equal for example an office block in the Finance sector compared with a hotel.

We continue to feel that increasing duty is always an easy option for the budget and generation of income and to then claim it’s for the benefit of health is wearing very thin.

Due to our Licensing laws (which are due to be revamped, since consultation was done earlier in the year it’s all gone quiet. The current law is 42 years old not fit for purpose and customer needs in the industry we work in today) as an industry we are in a better position to help manage drinking limits compared with when customers decide to stay at home and drink with no limits on how much they can consume.

*What is even more disappointing as an industry that has just had a generally positive season and in the current climate of global change there are opportunities for the industry to build on this, **there was no consultation** regarding these proposed charges and once again there seems to be little appreciation of the contribution the Hospitality and Tourism sector makes to the island economy, in regard to Duty, GST, Social Security, Tax, investment and employment.*

I wish you every success with your amendment

With best regards

*Helen Hart FCMI MCIM DipM DipCAM (Digital M)
Association Manager
Jersey Hospitality Association”*

“Morning Russell

It was positive news to hear of your proposed amendment which would be very welcome by the Liberation Group and also the wider hospitality sector across Jersey along with ordinary responsible Jersey consumers who would be impacted by the outrageous inflation busting increases in alcohol duty being proposed by Alan MacLean.

The Liberation Group is the leading pubs and drinks business across the Channel Islands and the UK West Country, including 46 Jersey pubs, the Victor Hugo drinks business and our 145 year old Liberation Brewery here in Jersey. In the past twelve months we have paid £10m in impôt duty and £1.5m in GST to the States of Jersey.

I saw comments from Alan at his Chamber of Commerce presentation last Friday where he quoted amounts that alcohol harm was costing the States of Jersey and comparing these amounts to the amount of impôt duty raised. I am unclear where the cost figures came from however by Alan only highlighting the impôt duty amounts he is forgetting all of the jobs and investment that are created and that he is now putting at risk by the proposed excessive increase.

Often duty rises are talked about from a stance that they somehow improve the health of the Jersey population, however the actual reality is that a 5% duty increase will further raise prices driving any problems of alcohol misuse out of the legally controlled environment of the pub and into the completely unlicensed home environment where under age and excessive drinking could increase unchecked. Tax is not the way to educate sensible drinking, alcohol misuse or anti-social behaviour.

The levels of impôt duty from alcohol have been falling over the past few years as people in Jersey consume less alcohol, this is despite the ongoing duty increases, therefore the policy is not raising further revenue for the States, despite claims to the contrary.

We now have pretty much the highest duty rates in the whole of Europe and these inevitably are a brake on further jobs and investment for the hospitality sector. Without a vibrant and well invested hospitality sector, the finance sector along with the wider economy will also be impacted as people need places to eat, drink and socialise – something that is also good for Jersey society as a whole.

Liberation Group has demonstrated its support for the Jersey hospitality sector with recent large scale investments such as the Old Court House in St. Aubin, the Square in St. Helier and our new five barrel brewery. However future investments will have to be made against a backdrop of the excessively high Jersey alcohol duty rates. We are lucky as a business that we have choices in where we invest, Jersey or Guernsey or Alderney or the UK and a lack of support from States of Jersey with the proposed excessive duty increases doesn't help fight Jerseys corner!

Pubs are a major employer and generator of economic value for Jersey, contributing to vibrant high streets along with supporting rural communities. The proposed 5% increase is a real threat to that particularly at the current time when the economic back ground is so challenging.

Finally, I thought the attached report from the UK would be of interest. Here there have actually been duty cuts on beer which have had demonstrable positive impacts on the sector, it would be great to get the same support for hospitality from the States of Jersey

*Many thanks
Mark Crowther
CEO – The Liberation Group”*

(Part of “The story of beer duty: 2008 to 2016” report attached at Appendix)

From a bleak future to confidence and stability

The story of beer duty: 2008 to 2016

“We will now scrap the beer duty escalator altogether.

And instead of the 3p rise in beer duty tax planned for this year I am cancelling it altogether.

That’s the freeze people have been campaigning for.

But I’m going to go one step further and I am going to cut beer duty by 1p.

We’re taking a penny off a pint.”

**Rt Hon George Osborne MP,
Budget Speech 2013**



From a bleak future to confidence and stability

Foreword

Whilst some may think a penny or two off beer duty is simply a good headline, or a political gimmick even, nothing could be further from the truth. When an important industry is struggling under a tax burden considerably greater than its European counterparts, and with significant rises each year leading to thousands of community pubs closing for good, even the smallest of respites can make a huge difference. Repeated again and again, as will be demonstrated here, the effects can be extraordinary.

The UK brewing and pub sector is an integral part of the nation's social, economic and cultural identity. The footprint of the sector covers every region and constituency across the country. Across the nation 30 million people visit Britain's pubs each month, with over 15 million sampling one of the country's great beers.

The sector supports nearly 900,000 jobs across the country in a vast range of positions, from farmers to brewery technicians to head chefs and into managerial and entrepreneurial roles. One in thirteen young people currently in work are employed in our sector.

The Great British pub and British beers are also strong symbols of this country, both domestically and overseas. The pub is a tourist icon, being the fourth most popular attraction for visitors. Our beers are recognised as high-quality with a strong heritage coupled with cutting-edge innovation. Beer is also worth over half a billion in export value and is consumed in 100 countries around the globe.

This brief report articulates the two different approaches to beer duty between 2008 and 2016. It demonstrates how the action taken since 2013 has led to a major turnaround in the beer and pub sector, setting it up to be an important engine for growth as the UK prepares to leave the EU - providing of course the action taken continues, even if it is one penny at a time.



2008 to 2012: An industry undervalued and under attack

Despite its importance to consumers and the economy, the sector has felt under attack and undervalued at times and an easy target for Governments seeking extra tax.

This manifested itself most prominently with an unprecedented 9.1 per cent increase in beer duty in March 2008 and the introduction of what became known as the 'beer duty escalator' – a mechanism that increased beer duty by 2 per cent above inflation each year.

In December 2008 beer duty was then hiked by a further 8 per cent at the time of the temporary cut in VAT. Suffice to say the increase in beer duty was not temporary.

The 'escalator' continued up to and including Budget 2012, by which point beer duty had increased a staggering 42 per cent. In this time VAT had also increased, adding further to the cost of beer to the consumer and burdening Britain's pubs and brewers.

A change in tack and a revival: 2013-2016

After a long campaign by consumers, brewers and publicans, at Budget 2013 the duty escalator was finally abandoned and instead beer duty was decreased by 2 per cent, or a 'penny off a pint'. The Government then proceeded to cut beer duty by a penny per pint in the next two Budgets, before freezing duty in Budget 2016.

This change in policy from Budget 2013 onwards sparked a surge in confidence in the sector, reversing falling beer

sales and generating much needed investment in pub estates and breweries. For the first time in many years it looked like Government had recognised the importance of the industry and was willing to support it.

The integral link between beer and pubs

The British pub sector of the modern day has changed dramatically from that of previous generations. There is now a wide range of pub types, offering a very broad range of products and

services to their customers. For example, pubs now serve over 1 billion meals per year.

The one factor that has remained consistent is the importance of beer to the pub. There are very few people who would agree that an outlet is a pub if it does not offer beer. Draught beer, and cask ale, in particular, are unique selling points of the British pub. The latest data shows that nearly seven out of every ten alcoholic drinks sold in pubs are beer.