

2016.12.12

**13 Deputy K.C. Lewis of the Chief Minister regarding the proposals in the Draft Budget Statement 2017 to increase fuel duty: [9765]**

Further to the proposal to increase the duty on both petrol and diesel road fuel in the 2017 Budget what effect does the Minister forecast that the increase will be likely to have on inflation?

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

I would like to ask Senator Ozouf whose remit this falls under to answer please.

**Senator P.F.C. Ozouf (Assistant Chief Minister - rapporteur):**

The Statistics Unit advises that petrol and diesel road fuel have a combined weight of 2 per cent of R.P.I. I am advised by the Statistics Unit that if the 2p per litre increase were passed on to consumers it would result in an increase of R.P.I. of 0.3 per cent. Last year's proposed and approved increases represented 0.02 per cent, therefore R.P.I. measures obviously the annual change in prices, therefore again stressing if the duty increases were all passed on, the annual effect on inflation of this year duty increases would be 0.01 per cent. Therefore, this very small increase in inflation is not one which would stoke inflationary pressures according to the economic adviser in the economy because it does not add to aggregate demand. If anything it dampens demand. The Council of Ministers will continue to follow the advice of the F.P.P. (Fiscal Policy Panel) to make sure that Fiscal Policy acts in a countercyclical way and from a competition and regulatory standpoint we will continue in 2017 to place a very high priority on looking into energy markets but especially the markets that the question relates to to ensure consumer value and choice. Just in conclusion, there was a written question also in relation to a similar matter and I omitted to say that the J.E.C. (Jersey Electricity Company) had frozen their prices, which is relevant, and I should have put that in the written question.

**3.13.1 Deputy K.C. Lewis:**

Everything we consume, food, clothing, *et cetera*, is transported by road. Surely any inflation on this margin is something that we should be avoiding. Does the Minister not agree?

**Senator P.F.C. Ozouf:**

I have made clear that this is ... first of all, there is increasing choice in where you buy motor fuel from and in fact the Consumer Council is giving consumers more information about where they can get better choices from that. Secondly, I have to say that the increase in inflation of 0.1 per cent is, I am afraid, simply not ... it is almost a rounding error and it is not something which could be remotely regarded as stoking inflation.

**3.13.2 Deputy M. Tadier:**

In the blog posting of the Budget 2017 by the Minister for Treasury and Resources and in the context of duty, the Minister notes that the increase in tobacco, and the reason I mention tobacco is it says that the cost of dealing with tobacco direct and indirect costs is £26 million a year and it only takes in £15 million. Now, the reason I ask that in the context of duty on fuel is whether or not an assessment has been done of what damage, both locally, and maybe globally, petrol and diesel does in the atmosphere as well as other related issues that driving

has, and has that been taken into account whether or not the increase in fuel or indeed the take in duty on fuel anywhere near covers that sum?

**Senator P.F.C. Ozouf:**

I am briefed to answer this question in relation to inflation, not in relation to the environmental matters.

**3.13.3 Deputy M. Tadier:**

Okay, let us put a different question. Does the Assistant Minister think that it is important to have a consistency of approach? We are being told that tobacco has related costs and that the reason for an over-inflation rise is because it can be justified in terms of behavioural but also in terms of funding the shortfall for the other damage that is done. So is there not a similar argument that should be applied saying that the cost of the fuel increase is not high enough and that motoring in Jersey, certainly from an environmental point of view, is still far too cheap?

**Senator P.F.C. Ozouf:**

If the logic of the Deputy is correct, therefore an increase, which is really a very small increase in price for motor fuel, is likely, as I said in my answer, to dampen demand as opposed to increase demand but these are simply not relevant factors. One cannot say that a 0.01 per cent increase in inflation on this has got anything to do with environmental factors at all but he if wants a yes, then yes, but tangentially, but it is not really relevant.

**3.13.4 Deputy M.R. Higgins:**

Can I ask the Assistant Minister whether he received advice on the impact of this increase but also based on the fact that with O.P.E.C. (Organization of Petroleum Exporting Countries) apparently getting their act together and trying to restrict the supply of fuel, prices are going to go up quite considerably so, therefore, it may not be a 2 pence increase within the Island which has the inflationary effect it has but if the oil prices do go up, back to where they were, which I doubt, but at least a way towards it, have they taken those factors into account and does he know what the extra inflation would be for different rises in the price of petrol?

**Senator P.F.C. Ozouf:**

I have not got a crystal ball but, as I have said previously, I draw Member's attention and consumer's attention to the opportunities to lower their costs in purchasing road and fuel, all prices, by a much greater extent to that which he refers or expected in relation to O.P.E.C.

**3.13.5 Deputy G.P. Southern:**

Can I seek clarification from the Minister? I think I just heard the Minister say that 0.3 per cent increase for this year is only 0.1 because you have got to subtract last year's 0.2. It seems to me ... where did he get this advice from? Was it the Economic Adviser's Office or was it the Stats Department because that is not how we treat R.P.I.?

**Senator P.F.C. Ozouf:**

I have stood in this place and tried to give the Deputy tutorials on inflation before. Let me say again, that effectively the measure of inflation is the difference in the annual change in prices, therefore if last year's increase, which I said in my answer, was 0.3 per cent ... sorry, this year's increase is 0.3 per cent and last year's was 0.2 per cent, the difference in inflation

this year is 0.1 per cent. Now, I thought he was a teacher. I have tried to teach him that. That is the measure of inflation. Surely, I do not need to repeat it again.

**3.13.6 Deputy G.P. Southern:**

The Minister is completely incorrect and does not know what he is talking about. The fact is while the R.P.I., the Retail Price Index, changes from year to year, retail prices go up and stay up. So 0.3 per cent this year is 0.3 per cent, not 0.1 per cent. You do not subtract one from the other. That is a nonsense.

**The Deputy Bailiff:**

Do you want to put a question there somewhere, Deputy?

**Deputy G.P. Southern:**

Does the Minister agree?

**Senator P.F.C. Ozouf:**

No. For the answers I gave previously.

**3.13.7 Deputy M.J. Norton of St. Brelade:**

I could not miss the opportunity of you mentioning the Jersey Consumer Council there, Assistant Minister. It is something that the Economic Development, Tourism, Sport and Culture Department grant-fund. Their website shows comparison costs of forecourt prices and heating prices. Would you not agree that competition is key here? We have seen increased transparency in competition at garages on forecourts and we have had a drop in heating oil prices as well. So competition really is key here, is it not?

[16:00]

**Senator P.F.C. Ozouf:**

I am very pleased that the Deputy is playing close attention to the work of the Consumer Council, which I also commend, and I commend the comments that he makes and to the very helpful graph that the Consumer Council put in relation ... which may help Deputy Higgins also in relation to his questions because they have got the previous prices of oil there. Yes, I absolutely agree that competition is working. We are seeing now ... I have previously declared an interest so I do have a beneficial ownership in a garage but have nothing to do with it. It is on my stated record. Nothing to do with the business. But I applaud the fact that as a result, I think, of the Consumer Council showing garages and their different prices we are now seeing a greater number of garages that were previously charging very high prices now coming to lower prices. In heating oil, the prices of heating oil as a result of the new market entrant, as a result of the data that I have got off the Consumer Price website is less by 7p. So he is absolutely right. I encourage consumers to vote with their feet, drive with their vehicles and go and get the lowest prices because that is the way that we will bring down prices and narrow that net price margin which the Minister for Treasury and Resources correctly said at the Scrutiny Panel, can be driven down further. We are making progress. We have got more to do.

**3.13.8 Deputy K.C. Lewis:**

Is the Assistant Minister still working very hard with the Channel Islands regulator to ensure the people of Jersey get a fair deal when it comes to road fuel?

**Senator P.F.C. Ozouf:**

Yes, the Minister is working very hard. The Minister is delighted to say that he is working very hard in relation to all of the issues to do with the energy market and the Minister is working very hard, even though I have got to go to London imminently to do a panel briefing tomorrow on the Value to Jersey for Britain, tomorrow lunchtime I will be meeting the gas company and I will be finally publishing an Oxera Report on the gas price market and following up then with C.I.C.R.A. (Channel Islands Competition and Regulatory Authorities) in relation to the other issues where C.I.C.R.A. is going to be also reviewing again the very helpful conditions which my colleague, the Minister for Infrastructure, put in relation to the fuel farm lease and the throughput price to allow the proper prices to be charged in Jersey. We have seen that net price in Jersey too high for too long but it is coming down and it will come down further and it will receive my personal and strong support, and C.I.C.R.A. for doing their important work.