

**WRITTEN QUESTION TO THE CHIEF MINISTER
BY DEPUTY M.R. HIGGINS OF ST. HELIER
QUESTION SUBMITTED ON MONDAY 11th APRIL 2022
ANSWER TO BE TABLED ON WEDNESDAY 20th APRIL 2022**

Question

“Will the Chief Minister explain –

- (a) the various factors that it has been assessed will impinge upon the cost of living for Islanders over the next 24 months;
- (b) what identified economic philosophy, if any, underpins the Government’s economic approach to dealing with these factors; and
- (c) more specifically, the various measures, broken down by Ministerial portfolio, which the Government is proposing to take to deal with this situation?”

Answer

- a) A number of factors are noted for their impact on cost of living, the Living Costs and Household Income Survey tracks several contributing factors including:
- Housing costs
 - Fuel and energy costs
 - Food costs
 - Transport costs

The inflationary pressure particularly comes from a disruption to supply chains caused by the combination of Brexit and Covid. This is then overlaid by the pent-up demand from Covid worldwide lockdowns being released over a short period.

Additional contributing factors at the present time include rising energy prices - in part caused by the war in Ukraine and ongoing sanctions against Russia, as well as rising interest rates and inflationary pressures both in the UK and globally.

It should be noted that it is difficult to make accurate economic projections over a 24-month period. Indeed, just six months ago the Bank of England gave little credence to concerns over inflationary pressures which have recently exacerbated cost of living pressures.

- b) The Government has not identified its economic policies with an underlying economic philosophy. The Government takes regular independent advice from the fiscal policy panel, which comprises three very experienced economists who each put forward their own views on current situations. The overarching aim of the Government is to maintain Jersey as a jurisdiction that is identified as politically and economically stable.
- c) The [Government Plan 2022-25](#) included a number of measures intended to assist Islanders with the cost of living. As the Deputy will appreciate, these measures were adopted and will be delivered by the Council of Ministers and Government as a whole.

These included a new affordable purchase product, which the Minister for Housing and Communities will be leading on, that will help more Islanders own their homes. We will also take steps to ringfence the £13 million land value from the development of South Hill to support future assisted purchase schemes.

Furthermore, the Minister for Social Security introduced a one-off scheme which will fully fund a cohort of children in families who receive income support to become dentally fit. This is in recognition of the disruption to children's dental services during the COVID pandemic and the risk that those from lower income households would have been disproportionately affected. Some 700 secondary age children are covered by the dental catch up scheme.

Predating this, in 2020 the Minister for Social Security brought forward a major scheme to significantly reduce the cost for a general practice services for families in receipt of income support and pensioners in receipt of the Pension Plus benefit. Under this scheme adults pay just £12 for a GP appointment (£9 to see a nurse) and children receive surgery consultations free of charge. The Health Access Scheme benefits approximately 11,000 individuals.

Noting the current inflationary pressures in particular, the Government has taken a targeted approach to rapidly deliver assistance to those groups most in need. As the Deputy will recall, the Minister for Social Security has recently approved monthly payments to support those most vulnerable in our community. This will take the form of a direct monthly payment of £20 to every adult or child in a household (a household of four will therefore receive an additional £80 per month) claiming Income Support as well as additional "just about managing" households who have recently received a benefit/bonus (e.g. pension plus health scheme, community cost bonus, cold weather bonus). This scheme will run until December 2022 and will benefit well over 11,000 individuals.

The Inflation Strategy Group has been reconstituted. This group monitors changes in inflation and recommends steps the Government can take to assist Islanders. It is chaired by the Minister for Economic Development, Tourism, Sport and Culture and includes the Chief Minister, Minister for Treasury and Resources, Minister for External Relations and Financial Services and the Minister for Social Security as members.

A dedicated project team will be working with the Ministers of the Inflation Strategy Group to examine the impact of inflationary issues on Islanders and will report back with firm options to the new Council of Ministers as soon as it is elected, I have also, as Chief Minister, asked officers to look into the practicability of utilising something similar to the Spend Local Card but targeted in specific areas.

Further information

In the spirit of giving a comprehensive reply, the Deputy will be aware of several other measures which have been suggested such as a reduction in fuel duty.

Reducing fuel duty is not being actively explored further at this time as it is not considered to be an effective means of delivering help to Islanders. It does not benefit all households equally. Households on lower incomes - who have lower rates of car ownership - make up only a small percentage of motor fuel spending. A reduction in fuel duty would therefore disproportionately benefit those households with higher incomes and more vehicles, with some of those least well off receiving no benefit at all.

In particular, the Jersey Consumer Council's Price Comparison.Je website on 12 April showed the cheapest litre of unleaded petrol in Jersey was 151.9p (in St Saviour) while the most expensive was 190p (in St Helier) - a difference of 38 pence. For diesel, the cheapest litre is to be had in St Saviour at 155.9p and the most expensive litre can also be had in St Helier for 190p - a difference of 34 pence.

Islanders therefore have the ability to achieve significant savings by being selective in where they purchase their motor fuel.

The component of fuel duty hypothecated to the Climate Emergency Fund is essential in delivering on the commitments identified in the Carbon Neutral Roadmap that is due to go before the States later this month. The Carbon Neutral Roadmap proposes a suite of policies that seek to reduce Jersey's reliance on fossil fuels over the long term for reasons of sustainability (carbon reduction) but also to increase the affordability and security of our energy supplies. By reducing resources to deliver these policies, Jersey will remain exposed for longer to energy market supply issues and the geopolitical tensions associated with fossil fuel production that we are seeing causing the current market volatility and associated impacts.

Finally, in relation to a reduction in fuel duty it would also be important to have some degree of confidence that such a reduction would be passed on in full to consumers and I note that this concern is also being expressed in the United Kingdom.

Other suggestions have included allowing free bus journeys to St Helier and/or three hours free parking. Whilst theoretically attractive, experience and evidence does suggest that these proposals can result in unintended consequences which would not achieve the desired outcome. Previous surveys indicate that Jersey consumers value the convenience of a location above the price of parking when choosing where to shop. Indeed, the percentage of respondents who considered the price of parking to be a factor was less than 10%. It should be recognised that free parking could therefore work contrary to its intended result. As it removes the price incentive to walk, cycle or use the bus for town workers, this could generate additional demand for parking spaces making it harder to find a parking space which in turn may put people off shopping in the town. Regarding free bus journeys, the most recent Household Spending survey found that bus fares averaged less than 0.2% of total expenditure – and that actually it was higher earners that spend more on public transport than lower earners.

In conclusion, we all recognise that the cost of living has significantly increased in recent months, and that is why the first steps have been taken to support vulnerable Islanders. Further work is being considered and will be ready for the next Council of Ministers to consider.