

STATES OF JERSEY



RETAIL IN JERSEY (S.R.18/2018): RESPONSE OF THE MINISTER FOR ECONOMIC DEVELOPMENT, TOURISM, SPORT AND CULTURE

**Presented to the States on 19th February 2019
by the Minister for Economic Development, Tourism, Sport and Culture**

STATES GREFFE

RETAIL IN JERSEY (S.R.18/2018): RESPONSE OF THE MINISTER FOR ECONOMIC DEVELOPMENT, TOURISM, SPORT AND CULTURE

Ministerial Response to:	S.R.18/2018
Review title:	Retail in Jersey
Scrutiny Panel:	Economic Affairs

INTRODUCTION BY THE MINISTER FOR ECONOMIC DEVELOPMENT, TOURISM, SPORT AND CULTURE

I am grateful to have received the Panel’s considered review of the retail sector. Careful note is being taken of each of the 29 Findings. I have instructed my officials to give due regard to each of the Findings as the forthcoming Retail Development Strategy is further developed and finalised.

Both the Minister for Infrastructure and the Minister for Treasury and Resources have commented separately on several of the Panel’s Findings. These comments are reproduced in the table below.

FINDINGS

	Findings	Comments
3	There are several groups which exist to develop, improve and regenerate parts of St. Helier. The Parish of St. Helier has the greatest overall understanding of the needs of the Town Centre and in this regard, the Panel has suggested that discussions take place between the Parish and the Department for Infrastructure to determine whether responsibility for some functions, which are currently held within the Department, could be transferred to the Parish.	<p><u>Minister for Infrastructure</u></p> <p>It’s not clear how this conclusion has been reached. In terms of traffic, movement, public realm design and project management, the Department for Infrastructure (“Dfi”) holds the necessary data and provides the required professional expertise. This specialist expertise does not exist elsewhere in the Island.</p> <p>To be successful, the Town Centre must be considered in the context of being a destination from the rest of Island; the Parish does not hold this strategic understanding.</p> <p>That the Dfi / States of Jersey and Parish of St. Helier do not always agree is referred to in the Minister’s submission. This occurs because Dfi must consider the strategic needs of the rest of the Island, and not just consider the benefits for the local neighbourhood parishioners.</p> <p>The rationale for this hierarchy of authority reflects the Island’s strategic need for consistency in roads and traffic regulation and policy. It seeks to co-ordinate the efforts of the parochial authorities with the States, and to avoid a situation whereby a change is made by one</p>

	Findings	Comments
		<p>authority that is detrimental to the Island as whole.</p> <p>This is an eminently sensible legal arrangement, which is reflected in many other jurisdictions, and I am aware of no imperative for change that I could support. The powers vested by the States in the office of the Minister for Infrastructure cannot be delegated beyond his control.</p> <p>However, I can confirm that the States of Jersey has for many decades endeavoured to work closely with the Parish, and has delivered many urban renewal schemes for and in partnership with the Parish; for example, the recent improvements to Conway Street and Charing Cross, and larger schemes such as the award-winning Millennium Park.</p> <p>The Growth, Housing and Environment (“GHE”) Department has also worked with the Parish to develop other projects, such as those that are set out within the Future St. Helier Traffic Management Schemes Appraisal, although these are, at present, yet to be funded. While our shared vision for a more walkable and accessible town with improved public realm, making it an attractive destination for visiting, living and working, is broadly aligned, these types of schemes are always subject to a tension between local parochial ambitions. An efficient transport system has to be maintained as a strategic need for the Island’s economy, including Island transport links that run through the Parish to destinations beyond the town, which requires balanced adjudication; and this is not always recognised or given the required weight by the Parish. It is understandable, given the differences in strategic responsibility and constituency of the Minister for Infrastructure and the Connétable.</p> <p>Additionally, on an Island with a limited pool of specialist resources, such as those required for transport planning and traffic engineering, as are within the GHE Department, the Parish have less capability to evaluate transport impacts. Economies of scale dictate that while GHE can support individual St. Helier projects, these professionals are required to support the Island’s overall transport networks (traffic, walking and cycling and public transport), government strategic policy and the planning processes, as well as the needs of the other 11 Parishes.</p>

	Findings	Comments
		Thus, while I am able to support an ever-closer working relationship and encourage synergies where they exist, such as the ongoing project to improve co-ordination and align our processes, being pursued by officers, I could not support the divesting of strategic infrastructure to the Parish.
4	The retail sector is one of the biggest industries in Jersey and involves a vast amount of people and businesses in the production, distribution and selling of goods and services. It also has a major impact on the local economy. In 2017, the retail sector generated approximately £38 million in GST and is estimated to deliver almost £6 million in retail tax in 2019.	<p><u>Minister for Treasury and Resources</u></p> <p>The tax figures are consistent with information provided to the Scrutiny Panel by the States Treasury and Exchequer – it is noted that the £38 million GST figure provided strictly relates to “Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles” per the sectorial analysis produced by Revenue Jersey (see the published Tax Statistical Digest). It is not possible to break this sector down into its constituent parts.</p>
9	The current <i>de minimis</i> level is not in line with the tax policy principle of fairness and creates a disadvantage for local retailers.	<p><u>Minister for Treasury and Resources</u></p> <p>As acknowledged in the 2019 Budget Statement:</p> <p>“Since GST was introduced in 2008, it has been recognised that there is a level below which it is neither practical nor cost-effective to seek to collect the tax on postal/packet importations for personal (non-business) purposes. The current “De Minimis” level is £240 of goods by value (including any customs-and-excise duties), which equates to £12 in forgone tax.</p> <p>The government recognises that the existence of this exemption level conflicts with Jersey’s tax-policy principles that taxation must be low, broad, simple and fair, because it creates an “unlevel playing field” between domestic and off-Island retailers. The exemption exists solely to avoid the position where the States would be paying more in administrative costs to collect the tax than that tax would yield.”</p>
10	Before the retail tax was introduced, there was a lack of consultation with retailers and other key stakeholders, creating a lack of fairness in its implementation.	<p><u>Minister for Treasury and Resources</u></p> <p>Details of the engagement undertaken with the retail sector in advance of the retail tax being lodged in the States Assembly have been provided in the response to a Freedom of Information request.</p>

	Findings	Comments
11	<p>The retail tax only applies to companies if 60% of their trading turnover is from retail sales. Therefore there are some larger companies who supply goods wholesale as well as retail but who are not liable to pay the tax because 60% of their turnover is not from retail sales.</p>	<p><u>Minister for Treasury and Resources</u></p> <p>In December 2016 the States Assembly adopted an amendment to the 2017 Budget by 35 votes to 3. Under this amendment the then Minister for Treasury and Resources was instructed to develop a tax on the profits of large retail businesses operating in Jersey, and to bring forward the necessary legislative changes as part of the 2018 Budget.</p> <p>The States Treasury and Exchequer considered the large corporate retailer taxes introduced in the Isle of Man (2013) and Guernsey (2016), including discussions with tax officials in those jurisdictions, as part of the research undertaken into the structure of the legislative changes that would be introduced in Jersey. Furthermore, consideration was given to the existing corporate tax regime in Jersey, in particular the general approach of taxing all the profits of a company at a particular tax rate, rather than seeking to “stream profits” and then apply different tax rates to those different streams of profits.</p> <p>Following this research, it was determined that the best approach in Jersey would be to create a definition of a “large corporate retailer” – if a company falls outside this definition it continues to be subject to tax at the standard rate of 0% on all of its profits; if a company falls within this definition, the level of profits determines the tax rate, and all of the company’s profits are subject to that tax rate, irrespective of what activity those profits arose from.</p> <p>Under the definition ultimately introduced, companies which do not generate 60% or more of their turnover from retail sales are not “large corporate retailers”, irrespective of the size of their turnover or profits.</p>
12	<p>The Sustainable Transport Policy 2010 recommended that the amount of short stay (shopper) parking was increased. Since the policy was approved, however, the amount of parking spaces has decreased rather than increased, with the removal of 390 public and 230 private parking spaces at Gas Place to enable construction of the Millennium Town Park in 2011.</p>	<p><u>Minister for Infrastructure</u></p> <p>The statement “... it may have added to people having to “hunt” for available spaces” appears to be assertion of opinion, rather one with an evidential basis. The evidence shows that town shopper car parks generally have spare capacity and we aim to operate, as a rule of thumb, on an approximately 70% occupancy rate. Minden Place is the exception to this.</p>

	Findings	Comments
	<p>Although this has not resulted in increased usage of other town car parks, it may have added to people having to “hunt” for available spaces.</p>	<p>The vacant capacity is important, because customers seeking short-term parking must have a reasonable level of confidence that their demand will be served. The management arrangements put into shopper car parks, such as escalating tariffs and time limits, are designed to support this tenet (this rule does not apply to commuter parking, which is operated differently).</p> <p>The exception is peak periods, such as the lead-up to Christmas, and wet days at the end of the school summer holidays. However, to design a service to accommodate peak demand is not economically rational or sustainable.</p>
13	<p>The Sustainable Transport Policy 2010 aimed to persuade people out of their cars, reducing the demand for both public and private parking spaces. The Panel questions whether the policy has been successful as 70% of respondents to the consumer survey use their own cars whilst shopping in Jersey.</p>	<p><u>Minister for Infrastructure</u></p> <p>This appears to be a fundamental misunderstanding of the States’ Sustainable Transport Policy, which seeks to reduce peak hour commuter traffic by providing sustainable travel choices that reduce reliance on the private car, while supporting community and environmental wellbeing.</p> <p>The States’ policy explicitly recognises that convenient and adequate shopper parking is essential to support the town’s retail activities.</p> <p>GHE’s ‘on-street’ surveys of shoppers actually using King Street and Queen Street show that typically on weekdays 45% of shoppers travelled by car, and 60% on Saturdays. This information was included in the data submitted by GHE to Scrutiny.</p>
16	<p>Rating assessments were fixed in 2003, based on rental values at that time. Therefore, it is highly likely that the retail sector is currently paying a higher proportion of the rates burden than they would if there were a revaluation process.</p>	<p><u>Minister for Treasury and Resources</u></p> <p>Rateable values for properties in Jersey were fixed in 2003. The underlying basis for those rateable values were broadly the market rents for those properties in 2002. The Rates Working Group (“RWG”) is currently undertaking work to estimate how the burden of property rates would be redistributed if rateable values were to be set by reference to current market rents. The findings and recommendations of the RWG are due in summer 2019.</p>

	Findings	Comments
22	Events such as the Christmas lights switch-on, Sunday markets and street theatre play an important role in animating the town centre. Such events are highly anticipated by Islanders and are vital for supporting retailers.	<p><u>Minister for Infrastructure</u></p> <p>It is agreed that events play an important role in animating and supporting the town centre. GHE supports such events, and is investing considerable expertise and resource into facilitating events in St. Helier and across the Island, to support the product offering that is 'Jersey', to benefit of the town and the Island's economy.</p>

RECOMMENDATIONS

	Recommendations	To	Accept/ Reject	Comments	Target date of action/ completion
1	Although certain functions, particularly regarding roads, are the legislative responsibility of the Minister for Infrastructure, potential benefits could be realised by transferring some responsibilities to the Parish of St. Helier. The Panel recommends that the Parish and the Department work together to determine whether there is any advantage to be had through the delegation or transfer of certain responsibilities to the Parish. This work should be undertaken in 2019 and any outcomes should be reported to the Panel.	Minister for Infrastructure	Partially accept	While the Minister is able to support an ever closer working relationship and encourage synergies where they exist, such as the ongoing project to improve co-ordination and align our processes being pursued by officers, he could not support the divesting of control of strategic infrastructure with Island-wide responsibilities to the Parish.	Ongoing
2	The concept of consumer tourism should feature in the new Retail Development Strategy. The Department should consult with experts in this field in order to explore ways to incentivise the mass market and increase the selection of luxury brands in Jersey.	Minister for Economic Development, Tourism, Sport and Culture	Accept	<p>The intention is to develop the <i>Jersey Retail</i> proposition as part of the deliverables of the Retail Development Strategy.</p> <p>A stakeholder meeting will be held in Q1 2019 as part of the ongoing consultation with the industry.</p> <p>The market will inevitably take account of the differing demand patterns of Island residents and visitors, as highlighted in the results of the consumer survey undertaken in the latter part of 2018.</p>	Q1/2019

	Recommendations	To	Accept/ Reject	Comments	Target date of action/ completion
3	The Treasury Department should consider levelling the playing field to ensure that the Retail Tax is fair and introduce these measures in the Budget 2020.	Minister for Treasury and Resources		As noted under Finding 11, the States Treasury and Exchequer considers that the Large Corporate Retailers' tax fulfils the decision of the States Assembly in December 2016 to introduce a tax on the profits of large retail businesses operating in Jersey. The States Treasury and Exchequer have confirmed that they will keep the measure under review, and will bring forward changes which would improve the measure where necessary – for the avoidance of doubt, material changes will not be brought forward in the Government Plan 2020–23, as large corporate retailers are unlikely to have submitted their first tax return reflecting the measure (due date for the relevant tax returns being 31st December 2019).	–
4	The Department for Infrastructure should investigate new measures for improving the convenience and cost of short-term parking in town. These could include revisiting free parking pilot schemes for limited periods and increasing the availability of on street parking. These should be undertaken before the end of the second quarter of 2019.	Minister for Infrastructure	Partially accept	<p>The evidence submitted to the Panel demonstrates that the cost of parking is not a barrier to retail in St. Helier; neither lowering prices nor providing free parking would abstract spend from the Internet. This has been previously examined and trialled in practice.</p> <p>The purpose of the car park trading account is not to provide grants to retail through revenue forgone. As stated in the evidence, if it was considered desirable for the States of Jersey to grant money to the retail sector for any use, it would properly be the role of the Minister for Economic Development, Tourism, Sport and Culture (“EDTSC”), where the overall benefit of the investment could be correctly accounted for. To this end, the Town Retail Group were provided by EDTSC with a fund of circa £300,000 to support the sector in 2013/14. Tellingly, none of the funding was invested in free parking, which was on offer at the time.</p> <p>GHE constantly takes every opportunity to improve the shopper parking offer, both in the long and short term, as evidenced by the expansion of shopper parking in the temporary Esplanade and Ann Court sites, among others.</p>	

	Recommendations	To	Accept/ Reject	Comments	Target date of action/ completion
				<p>Within a mature and geometrically constrained road infrastructure, there is little or no capacity for expanding supply, without removing important pedestrian amenities or commercial loading sites.</p> <p>Given this, the remaining option for improving the availability of kerbside parking is to increase the turnover of spaces, to provide more drivers an opportunity to park. This can be achieved by reducing parking time limits and increasing enforcement, or increasing charges to encourage churn. However, it should be noted that this will encourage an increase in traffic, with additional congestion and pollution, as drivers circulate to 'hunt' for spaces, reducing the attractiveness of town as place to visit and dwell. Because of this, a balance is required to control traffic levels in urban centres, to ensure a quality of environment for all users.</p> <p>GHE will undertake a parking review by the end of the third quarter 2019.</p> <p>N.B. The benchmarking information supplied to the Panel showed St. Helier's parking charges are around 20% lower than towns of similar size in the UK. In relation to the charges made in similar-sized UK seaside towns, the benchmarking showed that on-street parking was on average 40% cheaper in Jersey.</p>	
5	The Economic Development Department should collect the data necessary to monitor rent levels on a quarterly basis.	Minister for Economic Development, Tourism, Sport and Culture	Accept in principle	<p>The Minister is mindful that significant market information is already available to stakeholders.</p> <p>The Minister will consult with various parties within and potentially outside of Government in order to establish the viability and proportionality of implementing this recommendation.</p>	Q2 2019

	Recommendations	To	Accept/ Reject	Comments	Target date of action/ completion
6	The Economic Development Department should explore whether the current practice of increase-only rent reviews is appropriate.	Minister for Economic Development, Tourism, Sport and Culture	Pending	The Minister would be grateful for the opportunity to meet with the Panel to discuss the evidence base for this recommendation, and how the Panel considers that it might be acted upon.	Q1 2019
7	In order to balance the rates system, the Minister for Treasury and Resources and the Comité des Connétables should commission a Rates Assessor to undertake a revaluation. Such revaluations should then be undertaken every 10 years to ensure fairness in the rates system.	Minister for Treasury and Resources	Accept in principle*	<i>*However, awaiting the findings of the RWG before determining way forward.</i> Under its term of reference, the Rates Working Group (“RWG”) has to evaluate the merits/demerits of undertaking a revaluation of rateable quarters, and then report jointly to the Minister for Treasury and Resources and the Comité des Connétables. Hence, the Minister for Treasury and Resources will await the findings and recommendations of the RWG before considering making any proposals regarding the valuations used for rates purposes.	The RWG is seeking to report its findings and recommendations in summer 2019.
8	The Economic Development Department, Treasury and External Relations must work together in order to seek clarity around Brexit negotiations and the impact it could have on shoppers, retailers and most importantly the security of food supplies. This should be incorporated into the new Retail Development Strategy with input from both the Treasury and External Relations Ministers.	Ministers for Economic Development, Tourism, Sport and Culture; Treasury and Resources; and External Relations	Accept	The Growth, Housing and Environment Department, the Treasury, and External Relations are working very closely together as part of the Government’s extensive Brexit Programme.	Ongoing

	Recommendations	To	Accept/ Reject	Comments	Target date of action/ completion
9	Statistics Jersey previously undertook a Retail Sales survey which sampled businesses (including food and non-food) operating in the retail trade in Jersey. Statistics Jersey had to stop collecting data in 2015 because of a lack of funding. The Minister for Economic Development should work with Statistics Jersey to restart the collection of retail data. This work should be completed and funding identified before the end of June 2019.	Minister for Economic Development, Tourism, Sport and Culture	Accept	Focused market information will feature as one of the key deliverables of the Strategy. Work is still required on defining the package of consumer and business information required, and what it will be used for. Initial positive discussions have already been had with both Statistics Jersey and the States of Jersey Economics Unit about the collation and analysis of retail sales information. Possible sources include GST takings and working with a number of credit card companies. Other avenues will also be explored as part of the delivery of the Strategy.	Q2 2019
10	In order to gain a true understanding of consumer behaviour, the Minister for Economic Development should invest in more footfall cameras in St. Helier. Additional footfall cameras should be installed before the second quarter of 2019.	Minister for Economic Development, Tourism, Sport and Culture	Accept	The need for more detailed but anonymised footfall data is accepted. Funding options for additional cameras are being investigated.	Q2 2019
11	The future of the Jersey Retail Association should not remain uncertain and a long-term funding strategy should be identified in the new Retail Development Strategy.	Minister for Economic Development, Tourism, Sport and Culture	Accept	The Jersey Retail Association is to move its operational activity within Jersey Business Limited. The initial membership funding model for the Association has been reviewed and is no longer deemed viable. There are clear benefits and synergies from incorporating the Association's services into Jersey Business.	Q3 2019
12	The Economic Development Department should work with the Parish of St. Helier and the Town Centre Manager to ensure funding is available for the provision of a year-round schedule of events. This should feature in the new Retail Development Strategy.	Minister for Economic Development, Tourism, Sport and Culture	Accept in principle	The importance of event-led retail will be reflected in the Retail Development Strategy. The question of government funding to support such a programme will need to be considered during the development of the new Government Plan.	Ongoing

	Recommendations	To	Accept/ Reject	Comments	Target date of action/ completion
13	In order to guarantee a minimum level of customer service throughout the Island's retail sector, the Minister for Economic Development should work with the Jersey Retail Association to create and deliver a customer service course that is required as part of the training of new members of staff. This should be rolled out before the end of 2019.	Minister for Economic Development, Tourism, Sport and Culture	Accept in principle	<p>The intention of this recommendation is accepted, though the delivery mechanism being employed differs slightly from that which is recommended by the Panel.</p> <p>A key outcome of the Retail Development Strategy will be that <i>'The Retail sector has access to the skills and talent it needs'</i>.</p> <p>Skills Jersey, in conjunction with key stakeholders, including the Jersey Retail Association, Population Office and training providers, are already developing a retail skills action plan. Part of this plan, which has already commenced roll-out, is offering a 2-day training programme on customer service excellence to new staff entering the sector, funded through the Business Licensing Skills Fund.</p> <p>The above parties will continue roll-out of this action plan and monitor effectiveness.</p>	Ongoing
14	When the Minister for Economic Development brings forward proposals to deregulate Sunday trading, appropriate protections for staff in terms of religious beliefs and adequate days in lieu should be included. The effects on out of town convenience stores, should also be monitored.	Minister for Economic Development, Tourism, Sport and Culture	Accept in principle	<p>The Minister intends to continue working with the Minister for Social Security, and the Council of Ministers as a whole, to ensure that employment legislation provides all Island workers with appropriate religious, working hours and rest day protections.</p> <p>The Minister would be grateful for the opportunity to meet with the Panel to discuss any specific additional legislative reforms that the Panel would wish to see implemented in the short term.</p>	Ongoing
15	The Department for Economic Development should repeat the consumer survey every two years.	Minister for Economic Development, Tourism, Sport and Culture	Accept in principle	<p>Further consumer surveys will be undertaken in the future.</p> <p>A joint public/private sector Board will be charged with overseeing delivery of the Retail Development Strategy. The current intention is that the Board will commission additional surveys on a regular basis.</p>	Ongoing

CONCLUSION

Minister for Economic Development, Tourism, Sport and Culture

I am pleased to report that many of the recommendations made by the Panel will be directly addressed in the forthcoming Retail Development Strategy. In that regard, I would warmly welcome feedback from the Panel on the finalised Retail Development Strategy in due course.

Minister for Infrastructure

As the Minister for Infrastructure, I was disappointed to note the omissions within the Economic Affairs Scrutiny Panel's report of the contributions made by my Department to the economy of town in being undervalued or just ignored, whether that be the contribution made to –

- public realm improvements and all fresco assessments
- car parking management and improvements
- the provision and improvement of public transport
- the management of commercial activities and goods deliveries
- the co-ordination of thousands of utility activities (roadworks)
- the facilitation of events that attract visitors to town
- the improvement of facilities for vulnerable persons, particularly those whose mobility is impaired
- the management and control of traffic.

Given the importance of these services to the functioning of town and the facilitation of commerce, I was surprised not to be invited to contribute in person to the Panel along with the other stakeholders. I believe that this would have assisted the Panel to arrive at a more balanced view, and avoided necessitating my use of the comments process to correct misapprehensions within the report.

Thus, with regret, I lodge my objection to this report, the process by which it was compiled, and its conclusions. I trust in the future that the Panel will consider these matters with the rigour they properly deserve.

Minister for Treasury and Resources

No further comment.