

# STATES OF JERSEY



## **PROPOSED GOVERNMENT PLAN 2024- 2027 (P.72/2023): TWENTY-SIXTH AMENDMENT FUEL DUTY**

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**Lodged au Greffe on 28th November 2023  
by the Economic and International Affairs Scrutiny Panel**

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**STATES GREFFE**

PROPOSED GOVERNMENT PLAN 2024-2027 (P.72/2023): TWENTY-SIXTH AMENDMENT

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**1 PAGE 2, PARAGRAPH (a) –**

After the words “Article 9(2)(a) of the Law” insert the words –

“, except that total estimate for 2024 Impôt Duties shall be decreased by £2,700,000 by freezing the Impôt Duties for Fuel, with the relevant figures in Appendix 2 – Summary Table 1 updated in line with the following table, and subsequent figures updated accordingly –

	2024 Estimate (£000)	2025 Estimate (£000)	2026 Estimate (£000)	2027 Estimate (£000)
Impôt Duties Fuel	24,689	25,857	25,797	25,850

”.

**2 PAGE 2, PARAGRAPH (h) –**

After the words “of the Report” insert the words –

“, except that, to accommodate a drop in States income caused by freezing the Impôt Duties for Fuel –

- (a) the Head of Expenditure for the Central Reserve shall be reduced by £1,350,000;
- (b) the Head of Expenditure for the Cabinet Office shall be reduced by £932,000; and,
- (c) the Head of Expenditure for the Economic Development, Tourism, Sport & Culture shall be reduced by £418,000”.

**ECONOMIC AND INTERNATIONAL AFFAIRS SCRUTINY PANEL**

**Note:** After this amendment, the proposition would read as follows –

**THE STATES are asked to decide whether they are of opinion –**

to receive the Government Plan 2024 – 2027 specified in Article 9(1) of the Public Finances (Jersey) Law 2019 (“the Law”) and specifically –

- (a) to approve the estimate of total States income to be paid into the Consolidated Fund in 2024 as set out in Appendix 2 – Summary Table 1 to the Report, which is inclusive of the proposed taxation and impôts duties changes outlined in the Government Plan, in line with Article 9(2)(a) of the Law, except that total estimate for 2024 Impôt Duties shall be decreased by £2,700,000 by freezing the Impôt Duties for Fuel, with the relevant figures in Appendix 2 – Summary

Table 1 updated in line with the following table, and subsequent figures updated accordingly –

	2024 Estimate (£000)	2025 Estimate (£000)	2026 Estimate (£000)	2027 Estimate (£000)
Impôt Duties Fuel	24,689	25,857	25,797	25,850

;

- (b) to refer to their Act dated 30th September 2016 and to approve the application of existing resources for work on the development of ‘user pays’ charges in relation to all aspects of waste, including commercial and domestic liquid and solid waste;
- (c) to approve the proposed Changes to Approval for financing/borrowing for 2024, as shown in Appendix 2 – Summary Table 2 to the Report, which may be obtained by the Minister for Treasury and Resources, as and when required, in line with Article 9 (2)(c) of the Law, of up to those revised approvals;
- (d) to approve the extension of the use of the existing Revolving Credit Facility to include the provision of funds that would otherwise be implemented through bank overdraft or bank overdraft facilities under Article 26 (1)(a) of the Law, should they be needed, subject to the limits outlined in that article;
- (e) to approve the transfers from one States fund to another for 2024 of up to and including the amounts set in Appendix 2 – Summary Table 3 in line with Article 9(2)(b) of the Law;
- (f) to approve a transfer from the Consolidated Fund to the Stabilisation Fund in 2024 of up to £25 million, subject to a decision of the Minister for Treasury and Resources based on the availability of funds in the Consolidated Fund as at 31 December 2023 in excess of the estimates provided in this plan, or from budgeted underspends identified before 31 December 2024;
- (g) to approve each major project that is to be started or continued in 2024 and the total cost of each such project and any amendments to the proposed total cost of a major project under a previously approved Government Plan, in line with Article 9(2)(d), (e) and (f) of the Law and as set out in Appendix 2 - Summary Table 4 to the Report;
- (h) to approve the proposed amount to be appropriated from the Consolidated Fund for 2024, for each Head of Expenditure, being gross expenditure less estimated income (if any), in line with Articles 9(2)(g), 10(1) and 10(2) of the Law, and set out in Appendix 2 – Summary Tables 5(i) and (ii) of the Report, except that, to accommodate a drop in States income caused by freezing the Impôt Duties for Fuel –
  - (a) the Head of Expenditure for the Central Reserve shall be reduced by £1,350,000;
  - (b) the Head of Expenditure for the Cabinet Office shall be reduced by £932,000; and,

(c) the Head of Expenditure for the Economic Development, Tourism, Sport & Culture shall be reduced by £418,000;

- (i) to approve the estimated income, being estimated gross income less expenditure, that each States trading operation will pay into its trading fund in 2024 in line with Article 9(2)(h) of the Law and set out in Appendix 2 – Summary Table 6 to the Report;
- (j) to approve the proposed amount to be appropriated from each States trading operation’s trading fund for 2024 for each head of expenditure in line with Article 9(2)(i) of the Law and set out in Appendix 2 – Summary Table 7 to the Report;
- (k) to approve the estimated income and expenditure proposals for the Climate Emergency Fund for 2024 as set out in Appendix 2 – Summary Table 8 to the Report; and
- (l) to approve, in accordance with Article 9(1) of the Law, the Government Plan 2024-2027, as set out at Appendix 3 to the Report.

## REPORT

The Government Plan 2024-2027 (the Government Plan) proposes to increase alcohol duty by 8.9% and fuel duty by 10.9%. During the course of its review the Economic and International Affairs Scrutiny Panel (the Panel) has received submissions that indicate that this will have a detrimental impact upon the Island’s economy, predominantly through placing unacceptable burden upon the hospitality sector.

This amendment therefore proposes to continue the freeze to fuel duty in order to provide support to the hospitality sector, and Island’s economy more generally.

### Rationale

During its review of the Government Plan, the Panel received submission from the [Institute of Directors](#) that highlighted potential impact of increases in duty on fuel, identifying that this will impede the growth of the hospitality. The organisation also indicates that there has been little collaboration with industry to assess the impact on business and opine:

*“The Plan infers that duties on alcohol and fuel serve to address the health of islanders and address environmental issues. Whilst we recognise that these are understandable reasons, there has been little collaboration with industry to assess the impact on business. The impact on business of these duties will be to increase prices. This, in turn, will impact the quality of life of islanders which appeared to be the main driver of the Government Plan with the foreword stating, “it puts the needs of Islanders first and supports hard-working individuals and families””*

The Panel is aware that the [Business Tendency Survey report for June 2023](#) outlines that the outlook for the hospitality sector remains relatively negative, particularly in input costs, profitability, business optimism and business activity:

Hotels, restaurants, and bars

Indicator	2018				2019				2020				2021				2022				2023	
	Dec	Mar	Jun	Sept	Dec	Mar	Jun	Sept	Mar	Jun	Sept	Dec	Mar	Jun	Sept	Dec	Mar	Jun	Mar	Jun		
Business Activity	-16	-27	-23	-4	-7	-42	-100	-44	-98	-72	-15	40	-14	11	28	19	-23	-4	-30			
New Business	-27	-20	-27	-10	-18	-45	-100	-50	-84	-51	-7	30	-22	16	33	4	-19	-4	-16			
Capacity Utilisation	-25	-24	-28	-5	-12	-44	-37	-65	-90	-78	-40	14	-20	-29	3	7	-30	-35	-20			
Input costs	-70	-83	-75	-68	-72	-47	20	-38	-13	-20	84	92	88	83	-100	-95	-89	-93	-98			
Product prices	23	58	38	35	47	8	-36	-22	-36	-16	57	49	33	55	53	64	68	69	58			
Profitability	-46	-39	-15	-31	-39	-62	100	-85	-94	-83	-63	-29	-48	-11	-35	-31	-62	-56	-77			
Employment	-15	-19	-12	-13	-14	-25	-85	-44	-43	-45	-27	-4	-33	-21	11	12	-17	-12	-5			
Business optimism	-35	-8	-12	-16	-10	-78	-89	-90	-94	-16	-18	13	-27	-9	-3	-30	-39	-11	-48			
Future business activity	-37	25	5	-41	-5	-49	-62	-71	-79	44	23	-22	-4	25	21	-8	-37	23	3			
Future employment	-26	22	-15	-36	-10	-35	-42	-63	-38	37	7	-9*	-2	34	9	-12	-19	39	1			

During course of its consideration, the Panel requested confirmation of the impact of increased duty on the Island’s economy, with the Minister for Sustainable Economic Development (the Minister) indicating that he had been engaging with the hospitality sector and taken discussion forward to the Minister for Treasury and Resources, with options remaining under consideration by the Council of Ministers.<sup>1</sup>

The Panel is cognisant of the environmental arguments for these duties, and understands it to be Government of Jersey policy to increase these generally. Following consideration, the Panel believes that a continued freeze to the duty imposed on fuel is required to provide direct support to the Island’s economy at a time of economic

<sup>1</sup> [Letter - MEDTSC to EIA re Government Plan follow up - 22 November 2023](#)

uncertainty. In the short term, this will provide monetary relief, or at least lack of increased costs on fuel products, for the hospitality sector as well as other industries including retail and the wider public.

The Panel understands that the Government Plan will reduce fuel duty on specific biofuels to support the transition to greener transportation, such as renewable diesel. This amendment will not alter that proposal. The reduced cost of such biofuels compared to other types of fuel would remain a potential incentive for conversion to vehicles using such biofuels.

At a time when local businesses are being challenged to improve their productivity while facing increased costs and a staffing crisis, the proposed reductions in expenditure offer the Cabinet Office and Economic Development, Tourism, Sport & Culture opportunity to align with Government's message to the business community of the need to deliver more in the way of economic productivity with less, while attending to concerns raised by the Fiscal Policy Panel in its [November 2023 Annual Report](#) regarding increased public spending.

### **Conclusion**

The Panel is concerned at the low business optimism in the hospitality sector and believes that direct support through lower duties is required at this time.

### **Financial and staffing implications**

The Panel has been informed that removing the proposed fuel duty increases will lower predicted revenue by £2,700,000. The Panel has considered various ways to meet requirement to maintain a balanced Consolidated Fund. The Panel proposes that half of the requirement is met through the Central Reserves. Mindful that reducing the reserve will risk being unable to meet unforeseen expenditure, including inflation, the Panel proposes that the remaining funding requirement is achieved through proportional reduction in the heads of expenditure of the Cabinet Office and Economic Development, Tourism, Sport & Culture. The Panel understands that this will have financial and staffing implications within departmental budgets following the reduction of their heads of expenditure. The Panel anticipates that the Council of Ministers will bring forward necessary arrangements, which may be in line with the existing Value for Money programme.