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R O M E R I L S

Kitchens

Domestic Appliances

Bedrooms

Curtains & Soft Furnishings

Blinds & Curtain Poles

Bathrooms & Accessories

Tiles & Flooring

Spas

Lounge, Dining & Garden Furniture

Paint & Wallpaper

Fireplaces & Stoves

Lighting

Tools & Fixings

Ironmongery & Doors

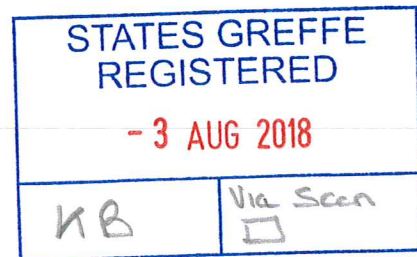
Electrical Accessories

Plumbing & Heating

Building Materials

31st August 2018

Deputy Kirsten Morel
Chair of the Economic Affairs Scrutiny Panel
The Scrutiny Office,
Morier House,
Halkett Place,
St. Helier,
JE1 1DD



Dear Deputy Morel

Re: Retail Policy Review

Your recent announcement on the above was pleasing to see, and we are delighted to have the opportunity to feedback into this process.

To this end, I have consulted with senior colleagues at Romerils to formulate our response. We have restricted our input to four key areas to ensure that sufficient weight and importance is attached to these, as they represent some of the most significant challenges faced by local retailers currently and in the near future.

I am sure that other participants will identify additional areas of concern. If it is possible, I would welcome the opportunity of meeting with you and discussing these, which would also give me the chance to and elaborate on our four key points:

1) GST & a "Level Playing field"

We believe this is a fundamentally flawed and unfair tax, and is extremely harmful to local retailers.

Jersey retailers are already disadvantaged against UK mainland retailers in a number of ways, so why government would want to layer in another advantage to off-island retailers does not make any sense.

We already have disproportionately higher operating costs than UK businesses and we do not have the same buying power as them with a comparatively smaller market, yet the de minimis level of £240 gives off-island retailers a 5% price advantage.

We are not asking for any advantage for Jersey based retailers. However, the delivery of a level playing field is essential to the local retail economy and we would strongly support either of the following:

- a. Jersey retailers only charging GST on sales over £240.00
Or:
- b. Removal of the de-minimus level and GST being charge on ALL imports

Or:

- c. UK retailers agreeing to charge, collect & pay over to Jersey Government the 5% GST

The third option is viewed by us as the least favourable since we do not believe that all UK retailers would be motivated to support this, despite reports that have been published to the contrary.

2) Retail Corporate Tax

We applauded Government when this new tax structure was finally discussed and implemented as we fully buy in to the concept of capturing a tax contribution from non-local retailers that ceased contribution when 0/10 came in many years ago.

As far as Romerils is concerned this will make no difference overall to the amount of tax we pay on profits with a 100% local shareholding, but we do see two flaws in this tax:

- a. 20% is too high. We were particularly disappointed when the amendment to apply a lower rate was defeated in the States, although, arguably, 10% would have been too low.

In the UK, Corporation Tax for all sectors currently stands at 19%, and we know there is a lot of discussion in Government to reduce this, to, perhaps 17% to support retail.

There is, therefore, no incentive, for UK owned retailers to declare Jersey profits accurately and pay a higher rate on those than in the UK.

In our opinion 15% would still be attractive to non-local retailers, and also would not deter other UK retailers coming to Jersey, particularly as we are aware that the 20% rate did scare off one large operator.

- b. Why only "Retail"? By definition, and declaration; Government will only collect tax on retailers with 1) Profit over £500k and 2) with 60% of their business directly to the consumer, the States of Jersey are missing out on some significant revenue.

For example, Romerils could easily qualify as non-retail with our wholesale (B2B) business as way over 60% figure of turnover is supplied to Jersey contractors and other businesses. However, and as stated, there isn't any benefit for us to do this as it won't make any difference to the amount we ultimately pay over in tax, as a 100% Jersey-owned and operated organisation.

However, not all of our "Trade" competition is local, in fact the largest two competitors happen to be two of the largest merchants in the world. (Wolsely Centres & Saint Gobain).

Therefore, and with their significant profits, why not classify "Builders Merchants" and other "wholesale" as retailers. I know other States of Jersey Departments do classify "us" as retail so this divide on corporate taxation could be viewed as semantic on the definition of the type of businesses we are.

3) HR

We absolutely agree, that delivering a high quality of customer service is an essential requirement for retailers especially when trying to compete with online retailers. The review mentions that customers will more readily discuss their experiences of bad service than that of good customer service and we note that this is of increasing prevalence with Facebook groups such as: "Good and Bad Jersey Businesses." These pages provide customers with a readily available platform to share their experiences to a wider audience and, unsurprisingly, there are many more reports of bad than good examples which again highlights the importance of delivering excellent customer service and therefore additional support for training on customer service to continually improve on this is needed.

As an active member of the JRA; we have been involved in discussions on training with specific relevance to retailers i.e. Entry level customer service training AND middle management retail training. The funded initiative through Trackers was, in our opinion, very effective and one that had a specific benefit for this organisation as one of our colleagues completed the City and Guild Level 2 Diploma in Retail Skills. We would like to see more opportunities for customer service training at different levels, for instance an introduction to customer service that people who are new to the industry attend.

Overall however, there presently is a real dearth of industry specific training for people who are entering more senior positions and whom would benefit from courses covering, for example, stock management, buying, merchandising, retail marketing etc. which are hard to source locally. The review mentions that Jersey Business outlines that there are a number of possible reasons for poor results with regard to customer service, namely; "poor management capability in the sector" which we believe should be regarded as an area of growing concern for all involved in the local economy.

It is no secret that presently, recruitment in the island for all industries is tough. Unfortunately, the retail industry is one of the sectors that suffer the most during this challenging time, as other industries will entice our "home-grown" talent with higher salaries or benefits that we simply cannot match. In addition, retail is seen as a 'stop gap' for school leavers or graduates who often do not regard the sector as a viable or prestigious career choice.

It would be beneficial for there to be more 'PR' around retail as a career choice particularly to make people aware of all the different roles available and the skills required. This issue is compounded by the fact that most of the recruitment agencies in the island focus heavily on roles within Finance and therefore ambitious and capable school leavers and graduates who are looking for guidance and options are only given information about opportunities within the Finance industry. Not only does this mean that other industries miss out on graduates but the graduates themselves are rarely able to apply the skill sets relevant to their degree choices. For example, someone who has studied design, could transfer their skills as a kitchen designer but instead, is working in a graduate position in an accountancy firm. It is a sad truth that people accepting roles within the retail industry do not enter it with a future career in mind and therefore are less engaged with training opportunities so retailers do struggle to recruit or promote people with the right attitude and aptitude into management positions which in turn impacts on the performance of the shop floor team(s).

Finally, the issue of licences for non-entitled /non-resident employees presents another area of concern for Jersey retailers. Currently, licences are awarded based on the economic value

that the employee can bring to the island with regard to their earnings and subsequent tax. Retailers applying for licences will simply not be in a position to compete with the high earners within other industries. There needs to be a consideration of sector and the real recruitment struggles that each licence applicant is facing.

4) Continued support of the JRA

Through EDD, Government's support of the Jersey Retail Association and the Island's 2nd largest employing industry has been excellent especially in terms of the two- year financial support It has also made it self-evident to the Retail Sector that that the Economic Development Department (& Government in general) wanted to support local "Retail".

However, the two year financial deal does need to be extended, as I do not believe the JRA has the ability to self-fund in the same way as other organisations (JeCC, Chamber of Commerce, IoD, AJA) do. If the JRA and supporting retailers have the support and time to deliver on their business plan and objectives this will have strong all around economic, social benefits, Island wide.

We are active members of many of these organisations, and the JRA is putting together a strong team, but will need longer period of time to gain traction amongst other retailers. However, they do have a great business plan coming together that Government can utilise to ensure the viability of Retail in Jersey.

I hope this relatively short summary of our views on these key "Retail" topics helps your Scrutiny Panel in its review, and if possible, I would appreciate the time to catch up and discuss these and more in a bit more detail.

Yours sincerely

STEVE JEWELL

Steve Jewell
Managing Director

Cc: Lorie Rault - JRA