



10th December 2024

**RE: Government Plan / Proposed Impôt Duty Increase**

Dear States Members,

Since we took up this role representing over 200 businesses in the hospitality sector, we began engaging with Ministers, backbench politicians, civil servants and ALO's. We have joined and participated in round table discussions covering a number of different sectors, joined working parties, organised and participated in panel discussions, represented our industry within the IoD Industry sub-committee, and are both members of the Visitor Economy Strategy Steering Group. Between us, we have dedicated over 100 hours a week to our industry and despite being an independent non-profit entity funded by our members, the majority of our time has been taken up by government, working to help identify and remove barriers to business and plan our future. This is all on top of running our own hospitality businesses.

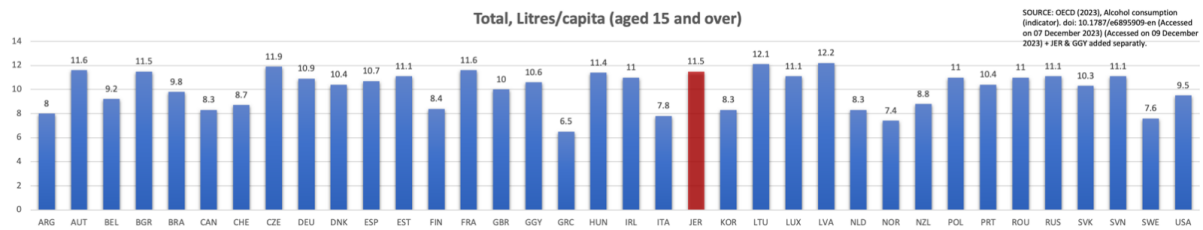
We have gone out of our way to engage, work collaboratively and explain the challenges facing our sector and the opportunities for this island if changes are made to how we all view the role of the wider hospitality industry. We have tried to demonstrate that change is urgent if we are to continue to welcome visitors, providing millions to the economy every year, and sustain the air and sea connectivity that we often take for granted. Our industry is the 'heartbeat' of our Island, offering quality of life to all Islanders, attracting other industries and high-net-worth individuals to choose Jersey as their place to live and work, and yet sadly, we are now seeing businesses close and more will follow if urgent action is not taken.

The cost base increases of the past 24 months as well as the cost increases that are stacking up against businesses are terrifying. We don't need to list those here because you know what they are, and your reports reflect your understanding of what we are facing.

HEALTH CHALLENGE:

We share the concerns articulated by our health professionals at Public Health, with whom we have met with on multiple occasions, that as an Island, our consumption per capita is higher than ideal and for the long-term health benefit of everyone, needs to be tackled. According to public health, 25% of our population are drinking a hazardous amount based on the current medical recommended amounts. These are not problematic drinkers, nor dependant drinkers, these are just normal islanders that are drinking the majority of this alcohol in unregulated environments and not measuring their consumption. As can be seen from the graph below, we consume 11.5 litres of pure alcohol per capita

in Jersey (this number includes visitors, but we are unsure as to if it includes imported alcohol stored in bond and then sold to airline and boat passengers). While we are not by any means the highest consumers, we certainly are not the lowest either. The fact is that if we could drop this consumption by 1litre, we'd all be a little bit healthier.



IMPACT OF DUTY:

The way in which Jersey and the UK calculate duty rates is very different. We have created a complicated and bureaucratic system for duty on our Island, one which is not understood, nor transparent to the end consumer. Jersey calculates in hectolitres and has bands. The UK predominately calculates per abv % of alcohol in a product. If you compare a beer at 5% abv. (Peroni for example), Jersey’s proposed 8.9% increase duty on a pint would be 82p. The UK’s duty on that same beer is 60p per pint, or 54p on a draught pint. Jersey is therefore 37% higher on a pint or 52% for a draught pint at 5% abv. The proposed duty on spirits of £47.37 is 50% higher than the UK’s £31.64. In the last 10 years, spirit duty has increased by over 50% in Jersey and by only 12% in the UK.

Despite the significant rises in impôt duty over the last 10 years, it is now clear and proven that duty rate increases do not have an impact on controlling the volume of alcohol consumption in Jersey. In the case of spirits, despite the over 50% rise in duty, consumption has continued to rise. The supporting data and evidence can be found in the Alcohol Profile 2022 report and is shown in these three illustrations:



Figure D4. Wine Duty and Quantity Long Term Trend

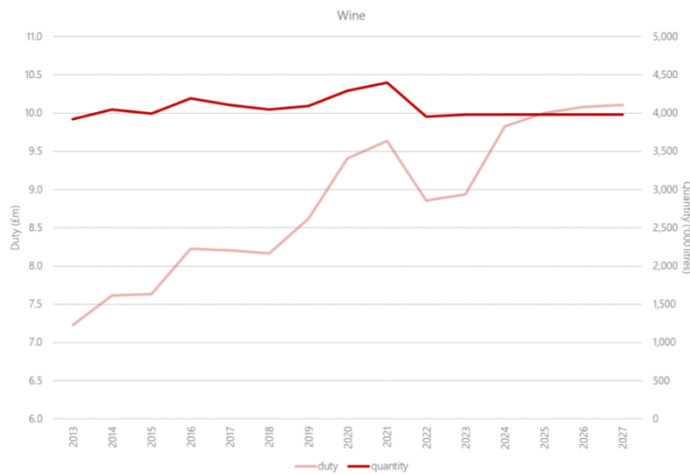
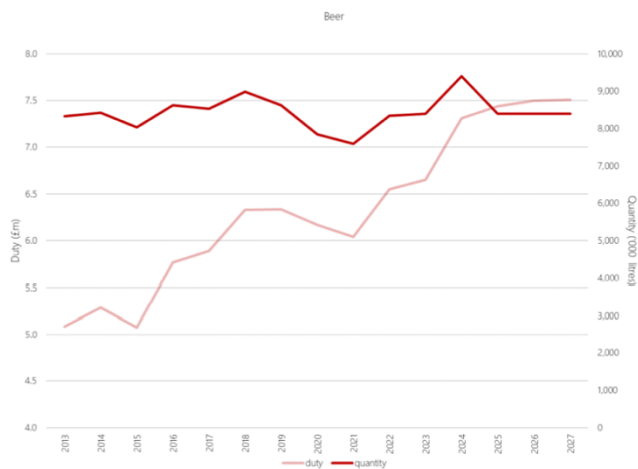


Figure D6. Beer Duty and Quantity Long Term Trend



What has significantly been affected by duty rises is the differential between on and off trade prices for alcohol. Because of compound margins and supply chain differences in these two sectors, it is now considerably cheaper to consume off-trade alcohol and low price, easily accessible alcohol is now only found in the off-trade. These raises have been a significant cause of the downturn in our Island's on-trade businesses, and have had a negative impact on mental health, lonely consumption, unregulated drinking, pre-loading, binge drinking and alcohol related domestic issues. Add to all of these negatives, we are now no longer a good value visitor destination, and this is impacting our ability to attract visitors to our island.

All that raising duty does in Jersey, other than providing an easy tax to government, is drive people to buy in the discounted off-licence trade while penalising hospitality businesses (the on-trade) that serve alcohol in controlled, regulated, measured and safe environments. If the purpose of excise duties is to change behaviour among the general population, then it is clearly not working. All that is happening is that Jersey becomes a more expensive place to live and visit, and businesses go to the wall. Raising duty yet again in this government plan will just further these problems.

If the purpose is to balance the budget, then the Government needs to have an honest conversation about its objectives as this situation cannot continue for our industry. Businesses are closing and we know that others will follow as the cost increases next year begin to bite. It is a simple choice, either you support businesses that are struggling in the current climate, or you don't.

#### THE SOLUTION:

We are happy to make ourselves available to work with you on these challenges starting in January because we feel there are ways that you can meet the much-needed health objectives, generate the needed taxes for government, improve fellow islanders' quality of life, help in the growth of our visitor economy and support struggling businesses. We want to set achievable but ambitious goals to deliver the changes that are needed.

A freeze on the duty on alcohol does not fix all these issues that we all face as an Island. Neither does the full 8.9% increase, nor the half-way compromise. But the freeze is a pause, giving us a chance to fix this by getting Health, Home Affairs, Economic Development, Treasury and Hospitality together.

In November this year, speaking from the House of Commons, Chancellor Jeremy Hunt announced that, in line with the trade's request, an alcohol duty freeze would be put in place: "I've listened closely to the persuasive arguments on alcohol duty," Hunt said, before confirming the duty freeze. "I have decided to freeze all alcohol duty until next year – that means no increase in duty on beer, cider, wine or spirits." These arguments put forward by UK trade were solely focused on the loss of business due to cost base increases, but we have a more holistic need to resolve the problems that the current system is fuelling.

We hope that the data and arguments we have put forward help you with your decisions this coming week. Duty is just one of many challenges that our industry currently faces. This matters to all of us, and it is up to us all to act in a responsible way as we work towards finding a solution that improves and enhances our quality of life.

Yours,

Ana and Marcus Calvani

Co-Chief Executive Officers

Jersey Hospitality Association

On behalf of the entire Board of the Jersey Hospitality Association and its Members