

By email

25th September 2023

Dear Chair,

Thank you for your letter of 13th September, in which you provide a number of questions in relation to your ongoing review of supply chain resilience. Answers to the specific questions you have raised are set out below:

1. *In your view, what are the key elements of Jersey's supply chain?*

- **Customers**
 - Both individuals and businesses who rely on the supply chain for the timely delivery of goods.
- **Suppliers**
 - The producers and vendors of both inbound and outbound freight.
- **Shipping providers**
 - The operators of vessels transporting both RoRo and LoLo freight to and from the island's harbour.
- **Airlines and air freight providers**
 - The operators of aircraft carrying freight to and from the island's airport.
- **Freight distributors**
 - The freight forwarders both on and off the island who provide for the movement of goods and freight by land.
- **Critical infrastructure on-island**
 - Including not only Jersey's harbour and airport but also warehousing space and the island's road network.
- **Critical infrastructure off-island**
 - Including ports serviced by the island's shipping providers, airports, road and rail networks, warehousing space.
- **Regulatory Authorities and policymakers**
 - Including myself as the Competent Authority for food security and Minister with responsibility for air and sea transport policy, customs agents operating at critical infrastructure on and off the island as well as the regulatory authorities overseeing each of the above elements.

a. *Who would you identify as key operators in Jersey's supply chain?*

As with any supply chain, each of the elements listed in the answer to question 1 are highly integrated with one another. Therefore, the operators listed below are not an exhaustive list but rather provide examples within each element.

- **Customers**
 - Individuals

- Local retailers including food retailers
- The Department for Health and Community Services in particular with regards to the importation of medicines.
- **Suppliers**
 - Amazon
 - Local businesses and exporters
 - Jersey Post and Royal Mail
- **Shipping providers**
 - Condor Ferries
 - Normandy Trader freight services
- **Airlines and air freight providers**
 - DHL chartered freight plane
- **Freight distributors**
 - Ferryspeed
 - Woodside Logistics
 - Channel Seaways
- **Critical infrastructure on-island**
 - St Helier Harbour, including warehousing space
 - Stevedores services
 - Jersey Airport
 - Rue des Pres Post Office and trading estate
 - Ports of Jersey Ltd
 - The island's road network
- **Critical infrastructure off-island**
 - Portsmouth International Port, associated warehousing space and road network.
 - St Malo Port
 - Port of Granville
- **Regulatory Authorities**
 - Customs services at both on-island and operating at off-island critical infrastructure
 - Government of Jersey, in particular the Department for Economy, the Department for Justice and Home Affairs and Department for Infrastructure, Housing and Environment.
 - Government of the United Kingdom
 - Government of the French Republic
 - European Union

2. *What are the key opportunities and threats to Jersey's supply chain. For example, how might any of its processes be improved?*

Securing a strong, resilient and varied supply chain has a number of benefits for operators, businesses and consumers. As the JCRA noted in its recent Market Study:

'Competition in the freight logistics market could be more effective. If there was more competition, freight logistics operators would face stronger pressure to deliver the right prices, quality and range to satisfy a diverse range of preferences'¹.

I would agree with this assessment. An effective, competitive and varied supply chain presents a number of downstream opportunities for consumers both in driving down prices and ensuring a variety of products.

¹ JCRA (2022) Freight logistics market study: findings and recommendations

In particular, expanding the use of the southern supply route offers a number of benefits to source a greater variety of more competitively priced goods on a route which is less susceptible to weather related disruption. Increasing the number of points of origin for goods transiting to Jersey also mitigates the risks posed by reliance on single operators such as Portsmouth International Port.

This point was also identified by the JCRA in its market study which notes: *‘Jersey is heavily dependent on one RoRo operator / one large freight logistics provider / trade with UK. This could be a potential market resilience risk’* and furthermore that *‘proximity to France creates an opportunity to diversify and increase supply resilience’*².

Additional threats associated with Jersey’s heavy reliance on the UK for its supply chain include the susceptibility of local prices to external fluctuations based on UK inflation.

3. *What are the impacts of competition and diversification in the Island’s supply chain?*

Further to answer above in response to question 2, I would direct the panel to the JCRA’s recent market study which explored the impacts of competition and diversification in the freight logistics sector.

a. What threats and benefits do single market operators present?

Single market operators can offer benefits to generate savings through economies of scale which may otherwise be difficult to accumulate on a small island. This in turn may allow for greater capital investment in infrastructure and potential savings to be passed onto customers.

As noted in response to question 2, the JCRA has identified Jersey’s heavy dependence on single operators as a “potential market resilience risk”. I would add that as well as strengthening resilience, competition is widely recognised to result in lower prices, innovation and greater choice for consumers.

The creation of a southern supply chain also has the potential to be an economic enabler and expand trade in Jersey. It should also be noted that additional trade via either the northern or southern supply chain is not necessarily detrimental to the other.

4. *Are there any barriers to entry regarding the arrangement of the Island’s supply chain?*

- **Operating agreement**
 - While the operating agreement with Condor does not restrict another operator from utilising the RoRo ramp, any other operator would be required to provide the same RoRo and passenger services as Condor which, by design creates a high barrier to entry.
- **Condor Rate Card**
 - As noted in the JCRA’s recent Freight Logistics Market Study, the rate card offers substantial discounts at the highest volume over those for the lowest volume, privileging established operators over new entrants.
- **Warehousing space**

² Ibid

- The existing harbours estate is ageing and there is a clear need to modernise and increase freight handling capacity at Jersey's principle harbour.
- **Road restrictions**
 - Also identified by the JCRA, Jersey's road restrictions require freight to be broken down and distributed in smaller vehicles. This means any new entrants to the market require a larger and more varied fleet of vehicles and also transit space at the port to transfer freight. This limits the utility of more available warehousing space elsewhere in the island.

5. *What are your experiences of supply chain disruptions and how have they impacted upon the provision of Ports of Jersey's services?*

Jersey's supply chain has proven to be resilient throughout both Brexit and the COVID-19 pandemic despite significant external pressures. During the pandemic in particular, Government worked effectively with Ports of Jersey, Condor, and other members of the supply chain to ensure that freight could continue to arrive in the island safely and with minimal disruption.

Short term disruptions do occur, typically due to adverse weather conditions or technical problems such as mechanical faults with ferries or harbour infrastructure.

In the case of the former, such disruptions are typically very short in duration and both operators and Ports of Jersey work effectively to clear backlogs and minimise downstream impacts.

In cases involving mechanical issues these are typically mitigated through regular maintenance and inspection and the ability to charter alternative equipment and vessels if needed. Importantly Condor Ferries maintains arrangements to charter alternative vessels at short notice.

a. *In your view what contingencies are required in order to continue provision of products to businesses and are these needs currently met?*

Further to the answer above, risks to the island's supply chain are also monitored and evaluated within Government by the Economy Supply Chain Resilience Officer Group which meets regularly to assess emerging risks.

6. *What consultation have you undertaken with stakeholder representatives in establishing policies related to supply chain, contingency planning and competition in this area?*

As Minister, I meet regularly with operators at all levels of the supply chain including Condor Ferries, freight distributors, Ports of Jersey, the JCRA, Jersey Post, the Chamber of Commerce, local retailers including supermarkets and local exporters.

The Department for the Economy's policies and contingency planning towards the supply chain are governed by the Air and Sea Transport Policy 2003 and the Food Security Strategy 2018. Any further reviews or amendments to these policies would of course involve extensive engagement with stakeholders.

Recent work on competition in the supply chain by the JCRA involved extensive engagement in line with the process for Market Studies.

The Ports of Jersey Elizabeth Harbour Masterplan has similarly included extensive engagement with stakeholders and members of the public on its planned developments, many of which have implications for the supply chain.

7. *Do you have any views regarding volumes and economies of scale with respect to the provision of services within the Island's supply chain?*

Further to the answer to 3a above it can be difficult on a small island to establish economies of scale. Where Jersey can benefit is through accessing wider supply hubs and infrastructure such as Portsmouth International Port and the Port of St Malo, amongst others.

It should also be noted that the total volume of freight is not fixed and should not be treated as a zero-sum equation. An increase in southern bound freight need not necessarily come at the expense of north bound freight and vice versa.

- a. *Has any analysis of the viability and sustainability of competition in different components of the supply chain been undertaken by government or any government owned entity or government grant funded organisation to your knowledge to support policy in these areas, and if so can supporting evidence, information and documents be forwarded?*

The JCRA's Freight Logistics Market study, the findings of which I support, makes a number of findings around competition in the freight handling market.

In retail, I support the development of a southern supply chain route, not only because competition increases consumer choice but because it diversifies the supply chain which is mostly reliant on the northern maritime route.

As I reference above, an operating agreement with Condor does not restrict another operator from utilising the RoRo ramp, any other operator would be required to provide the same level of service as set out in an Service Level Agreement (SLA).

However, there is value in having an Operating Agreement with any operator to ensure a Service Level Agreement (SLA) is maintained, which might not be the case in an entirely open market.

8. *What analysis of the economics of the freight logistics sector has been undertaken by the Government of Jersey, Arm's Length Organisations or States Owned Entities?*

To date, economic analysis of the freight logistics sector has not featured within the programme of work of the Economic Analysis team or FEP. The Economic Analysis team has conducted research on a sector by sector basis and in some cases, logistics has been raised, for example by members of the construction industry who have noted an interest in securing new opportunities via a southern supply route.

- a. *Please can any relevant information, documents or analysis be forwarded?*
- b. *Please identify what further analysis was undertaken following the recommendations of the 2022 JCRA Freight Logistics Market Study, and provide relevant documents and information?*

The following recommendations from the JCRA Market study relate to Government activity:

Recommendation 2:

Government/DVS to review traffic/accessibility issues on Jersey to create temporary and targeted 'freight corridors'.

Recommendation 5:

Government should develop a policy framework to support effective competition in the freight logistics sector, including a Ports Policy.

Recommendation 7:

Government to support the development of existing and new freight routes to France.

I remain supportive of the JCRA's recommendations and each of the above will feature within the forthcoming Ports Policy Framework. My Department has been engaging with colleagues in IHE and Ports of Jersey in developing this policy and in determining how to effectively implement the recommendations.

c. Has any relevant analysis taken place during the formation of the Future Economy Programme?

Analysis of the existing freight logistics sectors falls outside of the scope of the Future Economy Programme and has not featured within the programme of work to date.

9. The Jersey Competition Regulatory Authority (JCRA) Freight Logistics Market Study acknowledges that it was not intended to provide a comprehensive economic review of the potential for alternative (French) supply routes, with Recommendation 7 encouraging further Government of Jersey consideration of the matter. What consideration and analysis has been undertaken and can any relevant reports be provided?

Government has engaged with key stakeholders including regional governments in Brittany and Normandy, sea transport operators, local retailers and Ports of Jersey, amongst others. Detailed economic analysis has not yet been undertaken by government.

10. Has a user group or trade association for supply chain freight logistics been established and what is the Governments role with this?

The Chamber of Commerce Logistics and Supply Chain group has met with Government and Ports of Jersey representatives and as Minister, I continue to hold regular engagement sessions with the Chair of the local Chamber of Commerce.

a. Can any relevant documentation, such as Terms of Reference and minutes, be provided?

This would be a matter for the Chamber of Commerce.

11. Given your role as Chair of the Ports Policy Group:

a. Is a Ports Policy being developed, how is this progressing, can drafts and relevant information be provided?

A Ports Policy Framework is being developed with an initial draft due to be considered by the Ports Policy Ministerial Group at its next meeting in October. Following this, I would be happy to arrange for the draft policy to be shared in confidence with the Panel, in advance of publication.

b. Can minutes of meetings of this group be provided?

I would be happy to provide the minutes of the group and will confirm with the wider Ports Policy Ministerial Group at its next meeting on 2nd October, with the minutes of that and past meetings to be shared in confidence shortly thereafter.

c. What is the group's role in development of the Harbour Master Plan and Elizabeth Harbour alterations?

Ports of Jersey has kept the Ministerial group updated on its Master Plan, alongside the Future Places Ministerial Group which has sought to ensure alignment between the Master Plan and broader public realm improvements.

d. Is the need for competition in the supply chain, including freight logistics sector, sufficiently established for inclusion within Policy, and can supporting analysis be provided?

Both the Government of Jersey and Ports of Jersey have accepted the findings and recommendations of the JCRA's Market Study into the freight logistics sector and the Ports Policy Framework will be informed by these findings.

e. What Policy formation has taken place in the following areas, and can any relevant drafted documents and underlying economic analysis be provided?

- i. Competition and diversification in the supply chain;*
- ii. warehousing and stockpiling; and*
- iii. onshoring of the Island's supply chain.*

It is anticipated that the Ports Policy Framework will set a high level policy direction relating to critical areas of Jersey's supply chain. In relation to the Committee's questions above, these are principally:

i. Jersey's air and sea connectivity.

ii. Jersey harbours and airport investment and development, including freight handling facilities.

Following consideration by the Ports Policy Ministerial Group in October I would be happy to arrange for the draft to be shared with the Panel.

12. How is the development of the Condor Ferries Operating Agreement progressing and can drafts, relevant documentation and information be provided?

The future of ferry services remains under evaluation and it would be inappropriate to elaborate publicly. Jersey depends upon its sea links and we are working towards an outcome which meets Jersey's supply chain needs under any new arrangement.

13. Has further regulation within the supply chain been contemplated and can any relevant drafted documents be provided?

Any prospective legislative changes will be considered following completion of the Ports Policy Framework.

14. The 2015 report "[A review of the Jersey regulatory and competition framework](#)" identified a lack of policy framework or direction set by government impacted upon the work of the JCRA. What policy has the Government of Jersey set in regard to the Islands supply chain (in response to this Report and otherwise) and what direction has been given to the JCRA to consider viability and sustainability of competition in freight logistics whilst undertaking its work in this area?

The forthcoming Ports Policy Framework will provide direction to both PoJ and the JCRA including by providing a clear policy framework for strategic maritime connectivity and supply chain resilience. This is inline with recommendation 5 of the recent JCRA Freight Logistics market study.

a. *What elements of regulation or government investment have been considered?*

Further to the answer to question 13, prospective legislative changes will be informed by the final policy.

Through the Ports Policy Framework, the Government will aim to ensure that significant investment and re-development of the Harbour and Airport is undertaken to ensure their resilience and allow them to meet the Island's supply chain needs. Jersey's Bridging Island Plan notes "*significant capital investment is required in order to renew or upgrade port-related infrastructure and to support the resilience of the island's lifeline services and supply chain,*" so the Policy Framework is being developed as a platform for this investment.

I hope the above provides clarity to the areas you have raised.

Yours sincerely,



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