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

ANSWER

1. Suppliers: These entities provide the raw materials or components needed to create a product or service.
2. Manufacturers or Service Providers: These businesses transform raw materials or components into finished products or services.
3. Distributors or Wholesalers: These entities handle the storage and delivery of products from manufacturers to retailers or directly to customers.
4. Retailers: These businesses sell products directly to consumers.
5. Customers: The end users who purchase and use the product or service.
6. Logistics: This involves the coordination and management of moving products through the supply chain, including transportation, warehousing, and inventory management.
7. Information Systems: These systems manage the data and communication between different parts of the supply chain, such as order information, delivery schedules, and inventory levels.
8. Financial Management: This involves managing the costs, revenues, and capital investments associated with the supply chain.

Regarding the Island of Jersey, the supply chain might have some unique characteristics due to its geographical location and economic structure. Jersey's economy is primarily service-based, with significant sectors including financial services, tourism, retail, and agriculture.

The key elements of Jersey's supply chain would likely include local suppliers (such as farmers for the agriculture sector), service providers (such as banks and other financial institutions), and retailers (both local shops and international e-commerce businesses). Given Jersey's location, logistics and transportation would be particularly important, with key operators including shipping companies and postal services like Jersey Post.

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

ANSWER

The simple answer to this question is:-

Condor Shipping
Ferryspeed

Woodside Logistics
Jersey Post
Alderney Shipping
IRIS Freight
Rozel Shipping
DHL
Amazon
Evri
Yodel

But as stated above, a supply chain is just that, a chain and one should not focus on a particular link but the end-to-end process. As in 1 above, the question is a little more complex and could include supermarkets, retailers and wholesalers.

2. What, in your opinion, are the key opportunities and threats to Jersey's supply chain? For example, how do you believe any of its processes could be improved?

ANSWER

Opportunities:

1. **Technological Advancements:** Technology can significantly enhance supply chain efficiency. For instance, advancements in data analytics can improve demand forecasting, while automation can speed up production and reduce errors. Blockchain technology can enhance transparency and traceability in the supply chain.
2. **Sustainability Initiatives:** There is a growing demand for sustainable and ethically sourced products. Supply chains that demonstrate environmental responsibility and fair labour practices may gain a competitive advantage.
3. **Diversification of Suppliers:** By diversifying suppliers, a company can reduce its dependence on a single source and thus reduce risk.
4. **E-commerce Growth:** The growth of e-commerce presents opportunities for supply chains to reach a more extensive customer base and streamline their distribution processes.

Threats:

1. **Supply Chain Disruptions:** Natural disasters, trade disputes, or pandemics can disrupt supply chains. For an island like Jersey, shipping or air transport disruptions could be particularly impactful.
2. **Regulatory Changes:** Changes in regulations or trade agreements can affect supply chains. For instance, Brexit has significantly affected supply chains in and around the UK.

3. **Cybersecurity Threats:** As supply chains become more digital, they become more vulnerable to cyber threats. Protecting against these threats is a significant challenge.
4. **Competitive Pressures:** In a competitive market, constant pressure to reduce costs and increase efficiency can strain supply chains.

Strategies to improve supply chain processes might include investing in technology to enhance visibility and efficiency, building solid relationships with suppliers, diversifying suppliers to reduce risk, and developing robust contingency plans to handle potential disruptions. For Jersey specifically, exploring opportunities for enhancing air and sea transport links and engaging with regulatory bodies to ensure a favourable business environment might also be beneficial.

3. What do you believe to be the impacts of competition and diversification in the Island's supply chain?

ANSWER

Competition:

1. **Improved Efficiency:** Competition often, but not always in a small market, drives businesses to become more efficient to reduce costs and improve service. This could lead to innovations in supply chain management, such as new logistics strategies or technological solutions.
2. **Better Services:** Competition can improve services as businesses strive to differentiate themselves. This could include faster delivery times, better customer service, or more diverse product offerings.
3. **Price Reductions:** Competitive pressures can lead to lower prices as businesses seek to attract customers. However, this could also potentially lead to cost-cutting measures that impact the quality of products or services. Conversely, in a small market, they can lead to increases in pricing.

Diversification:

1. **Risk Reduction:** Diversification can help reduce supply chain risk. For example, having multiple suppliers for a product can protect against disruptions if one supplier encounters problems.
2. **Greater Flexibility:** A diversified supply chain can offer greater flexibility, allowing businesses to adapt more quickly to changes in demand or market conditions.
3. **Access to New Markets:** Diversification can also open up new markets, either geographically or in terms of product offerings. This could help Jersey businesses to expand their customer base and increase sales.

However, it's important to note that both competition and diversification also present challenges. Increased competition can pressure margins, while diversification can add complexity to the supply chain and require careful management to ensure efficiency.

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

ANSWER

I believe that there are some potential benefits of a monopoly in the provision of logistics in a small market:

1. **Economies of Scale:** A monopoly can take advantage of economies of scale, which can lead to lower costs per unit as the volume of production increases. This could lead to lower consumer prices, although this is not guaranteed.
2. **Stability:** A monopoly can provide stability in a small market where demand may not be sufficient to support multiple providers. This could ensure consistent service availability.
3. **Investment in Infrastructure:** A monopoly may have more resources to invest in infrastructure, such as logistics and distribution networks, which could improve service quality.
4. **Coordinated Planning and Strategy:** With only one provider, planning and strategy can be more coordinated, potentially leading to more efficient operations.
5. **Potential for Cross-Subsidisation:** If the monopoly is profitable, it could potentially cross-subsidise other less profitable but socially important services.

However, it's important to note that monopolies also have potential downsides, such as the risk of higher prices, lower service quality, and less innovation due to a lack of competition. Therefore, monopolies often require regulation to protect consumers and ensure fair practices.

4. Do you believe there to be any barriers to entry regarding the arrangement of the Island's supply chain?

ANSWER

1. **Regulatory Barriers:** Customs, import/export, and transportation regulations could pose significant challenges for new entrants. Understanding and complying with these regulations could require significant time and resources.
2. **Infrastructure Requirements:** Establishing a logistics operation can require significant infrastructure, such as warehouses, vehicles, and IT systems. This can represent a substantial upfront investment.

3. Established Relationships: Existing operators may have established relationships with suppliers, customers, and regulatory bodies. New entrants would need to build these relationships from scratch.

4. Economies of Scale: Existing operators may benefit from economies of scale that allow them to operate more cost-effectively than a new entrant could.

5. Market Size: Given that Jersey is a relatively small market, there may not be sufficient demand to support multiple operators, particularly in specialised areas of the supply chain.

6. Expertise: Understanding the specifics of Jersey's supply chain and the associated regulatory environment could require specialised knowledge and expertise.

5. What are your experiences of supply chain disruptions, and how have they impacted upon your business?

ANSWER

Supply chain disruptions can significantly impact businesses, and the recent cancellation of the mail plane service in Jersey is a prime example. This service was a crucial link in our supply chain, providing businesses and individuals with reliable next-day mail services. Its loss has had far-reaching implications.

For businesses, the inability to send or receive mail and parcels on a next-day basis can disrupt operations, delay transactions, and impact customer service. For individuals, it can delay receiving important personal mail, online purchases, and even critical items like medications.

Moreover, the mail plane service's cancellation has a ripple effect on the broader logistics ecosystem. As the only airline cargo handler, our business is crucial in moving not just mail but also medical supplies, personal items, human remains, endangered species and other urgent shipments. The loss of the mail plane service has led to a significant decrease in operational volume, threatening the viability of our operations.

This situation underscores the vulnerability of our supply chain to disruptions and the need for robust contingency planning. It also highlights the importance of having a diversified logistics infrastructure that is not overly reliant on a single service (i.e. sea). We are currently exploring various strategies to mitigate this disruption's impact and ensure our services' continuity.

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

ANSWER

Given the unique geographical and logistical challenges faced by Jersey, ensuring the continuity of supply chains is indeed a complex task. Here are some potential contingencies and strategies that could be considered:

1. **Diversification of Transport Providers:** While currently, most goods arrive by sea through a single operator, exploring possibilities for additional or alternative operators could provide a buffer against disruptions. This could include additional sea freight operators or expanding air freight capabilities. But this is a theoretical answer and is caveated by my other responses about the benefits of a monopoly in a small market.
2. **Stockpiling and Inventory Management:** Businesses could consider keeping larger inventories to buffer against potential supply disruptions. This would require efficient inventory management systems to ensure stock is rotated effectively and not wasted.
3. **Alternative Routes:** While geographically limited, exploring alternative routes or methods for import/export could provide additional security.
4. **Local Production:** Where possible, increasing local production of goods could reduce import dependency. This is more applicable to certain sectors than others.
5. **Robust Contracts with Providers:** Ensuring contracts with transport providers include clauses that account for alternative arrangements in the event of disruptions could provide some level of security.
6. **Government Intervention:** In some cases, government intervention may be necessary to ensure the continuity of essential services. This could include financial support, regulatory changes, or even temporary nationalisation in extreme cases.

6. Do delays in receiving products, supplies or equipment impact ability to provide a suitable offering by your business?

ANSWER

Delays in receiving products, supplies, or equipment can significantly impact our ability to provide a suitable offering, particularly given the nature of the goods we handle. As a business specialising in urgent same-day and next-day deliveries, including critical items like blood and medical vaccines, we operate within very tight timeframes. These items often have a limited transport life, sometimes measured in mere hours, making any delay potentially critical.

Even minor delays can disrupt our carefully coordinated schedules, rendering these vital medical supplies unusable. This impacts our business operations and can have severe implications for the healthcare providers and patients who depend on these supplies.

Therefore, the reliability and timeliness of our supply chain are of utmost importance. We continually strive to mitigate potential sources of delay and have contingency plans

to address disruptions when they occur. However, given the critical nature of our deliveries, any disruption in the supply chain can have significant consequences.

7. What is your experience of receiving/storing product, supplies or equipment, for example, in warehousing in Jersey?

ANSWER

Our experience with receiving and storing products, supplies, or equipment in Jersey has been challenging due to various factors. One significant issue is the high cost of warehousing. The expense of maintaining adequate storage facilities on the Island can be a considerable burden, impacting our operational efficiency and overall profitability.

Staffing is another area of concern. The current employment strategy in Jersey has made it challenging to recruit and retain the skilled workforce necessary to manage our logistics operations effectively. This affects our day-to-day operations and our ability to scale and respond to fluctuations in demand.

Furthermore, we've faced additional financial pressures due to the 5% levy imposed on our airside activities by The Ports of Jersey. This levy and increased rental values have added to our operational costs. It's worth noting that this situation is further complicated by non-airport-related businesses occupying freight sheds, which can distort the perception of demand and occupancy.

8. Have you had the opportunity to share your views on Jersey's policies related to supply chain, contingency planning and competition in this area with the Government of Jersey or others and if so, how?

ANSWER

Yes, I have had several opportunities to share my views on Jersey's policies related to supply chain, contingency planning, and competition in this sector. I have been actively involved in the local press and TV coverage, particularly concerning the cessation of the mail plane, which has significantly impacted our business and the broader logistics ecosystem in Jersey.

I have also engaged directly with key stakeholders and decision-makers. This includes meetings with Deputy Morel, Jersey Business, and The JCRA and virtual meetings with the health minister. I have corresponded with Deputy Binet and others to voice our concerns and propose potential solutions.

Despite these efforts, it often feels like we are a lone voice in this sector. We are grappling with the challenges posed by the privileges enjoyed by Jersey Post, including their dominant position and what we perceive as predatory pricing practices. These factors create an uneven playing field that hinders our ability to compete effectively.

We understand that due to the size of the Island, the market may not necessarily need to be competitive in the traditional sense. However, it must be efficiently regulated to ensure fairness and sustainability. We will continue to advocate for effective regulation that allows all players in the logistics sector to operate on an equal footing. We believe this is not only in the best interest of our business but also crucial for the resilience and diversity of Jersey's supply chain.

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

ANSWER

In a small market like Jersey, achieving economies of scale can be challenging due to the limited volume of goods moving through the supply chain. Economies of scale occur when the cost per unit decreases as the volume of output increases. This is often due to the spreading of fixed costs over larger units, increased operational efficiency, or discounts for bulk purchasing.

Given the size of Jersey's market, it may be difficult for businesses to achieve the volume necessary for significant economies of scale. However, there may still be opportunities for efficiency gains through other means, such as process optimisation, technological innovation, or strategic partnerships.

The volume of goods also impacts the viability of different transport options. For example, the cancellation of the mail plane service may have been partly due to insufficient volume to make the service economically viable. However, the decline in mail plane volumes can be traced back to a series of questionable decisions made by Jersey Post, which appear to prioritise their interests over those of Jersey's businesses and residents. Specifically, Jersey Post moved to directly 'poach' the Amazon parcel delivery contract from their largest client, the Royal Mail, for deliveries within the Channel Islands. They did so at a rate even lower than what the Royal Mail had previously paid them, a move that raises serious concerns about predatory pricing.

Predatory pricing involves a firm with significant market power intentionally setting prices at an unsustainably low level over a substantial period to drive rival firms out of business. This behaviour, coupled with Jersey Post's dominant market position, suggests a potential abuse of that position to the detriment of market competition and consumer welfare.

To our understanding, the rate was fixed at £2 per delivery for three years. Given current inflation rates and delivery costs, it's doubtful that this contributes positively to Jersey Post's financial health. If it does contribute, it's likely at a significantly lower rate than deliveries for the Royal Mail.

This aggressive tactic against the Royal Mail significantly deteriorated the relationship between Jersey Post and the Royal Mail. Consequently, the Royal Mail restricted northbound goods on 'the mail plane' to their exclusive use, depriving Jersey of Amazon Prime services, forcing all items to be transported by sea at a slower rate, and supporting the Jersey Post owned Woodside Logistics. This restriction limited the

goods available to Jersey Amazon customers, as Prime delivery times could not be met within the 'Buy Box' specifications.

The 'Buy Box' on Amazon is a highly visible section on the right side of a product detail page where customers can add a product to their cart for instant purchase. One of the requirements to achieve 'Buy Box' status is efficient delivery, which was compromised by Jersey Post's actions.

This calculated strategy to 'steal' the contract from the Royal Mail has had numerous far-reaching repercussions:

- Relationship breakdown with Jersey Post's main client and primary responsibility, the Royal Mail
- Reduced revenue
- Decrease in traffic on 'the mail plane'
- Reduced choice for Jersey on Amazon
- Eventual termination of 'the mail plane'

These actions have impacted our business, the broader logistics ecosystem, and the residents of Jersey who rely on these services.

In terms of regulation, it's essential to ensure that any privileges or protections granted to certain operators do not unduly restrict the ability of other businesses to compete or innovate. This includes considering the impact of these regulations on the volume of goods that different operators can handle and the economies of scale they can achieve.

10. Does choice of operators within the Island's supply chain impact the ability of your business to provide products for sale?

ANSWER

The limited choice of operators within Jersey's supply chain, particularly in air connectivity, can indeed impact the ability of businesses to provide just-in-time goods and services. The recent reduction in air connectivity has the potential to significantly disrupt the supply chain, particularly for companies like ours that handle urgent deliveries. This could impact our operations, the broader economy, and the residents of Jersey who rely on these services.

On the other hand, the single ferry operator, Condor, provides an adequate service, and their significant investment in equipment and infrastructure may warrant their position as the sole operator in this sector. Similarly, Ferryspeed, as the dominant ground logistics provider, has made substantial investments in specialist equipment and staff. These investments should be protected as they contribute to the efficiency and reliability of Jersey's supply chain.

The economies of scale achieved by these operators and their investment in specialist equipment and staff make it unlikely that competing suppliers could quickly ramp up operations or investments to compete effectively. This is evident when comparing the equipment operated by Woodside Logistics and that of Ferryspeed.

While competition can drive innovation and improve service quality, a single or dominant operator can provide efficiencies and stability in certain sectors and markets. However, these operators must be effectively regulated to prevent abuse of their dominant position and ensure they continue meeting the needs of businesses and consumers.