

Peter Lamy
Economic Affairs Scrutiny Panel
States Greffe
States Assembly
Morier House
St Helier
JE1 1DD

3rd August 2023

Dear Deputy Scott,

Ref: Economic Affairs Scrutiny Supply Chain Resilience Review

Thank you for your letter of 14th July 2023 entitled 'Supply Chain Resilience Review'. Our comments and views on the points you listed are include below:

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

The quality of a supply chain is often measured by its connectivity, routes, frequency and reliability. Advanced supply chains also measure the level of integration into other networks, how many partners are needed and the ability to create efficiencies within the system.

Within the overall process of moving freight there are literally hundreds of specific requirements for different product categories. These requirements control the movement of certain categories of goods that need, for example, different temperature regimes; certification and authorisation such as needed for medicines or animals; time sensitive products such as food.

The key components of any supply chain are transportation, usually by sea, road and air; storage facilities throughout the supply chain; working capital to fund the process; specialist skills and consumer demand.

Key components in Jersey's supply chain are:

- Jersey's port facilities to receive and store goods; the road network and regulations that enable distribution and the storage facilities on the Island.
- Transportation by sea:
 - UK to Portsmouth which has daily sailings and relies on infrastructure provided by:
 - UK and European road freight
 - Portsmouth harbour infrastructure
 - Condor Ferries freight services
 - St Helier harbour infrastructure
 - Jersey's road distribution networks and regulations
 - Jersey to France (St Malo once a week and Granville twice a week - groupage)
 - European road freight connections
 - The Port of St Malo and Port of Granville infrastructure
 - Condor Ferries freight services
 - Normandy Trader freight services
 - St Helier harbour infrastructure

- Jersey's road distribution networks and regulations
- Transportation by air:
 - DHL chartered freight plane through West Atlantic
- Customs clearance agents at both the port and airport

Key operators in Jersey include Condor Ferries operating the sea links and Ferryspeed who operate land distribution in Jersey. Both these businesses have dominant market share with Ferryspeed having all the market share for temperature controlled (cold chain) containers that deliver food to retailers and wholesalers.

Other freight haulage companies, such as Woodside Logistics, Breakwell's, Hi Speed Freight, HR Air and Hub Europe, do operate on Jersey and, although they have very small market share, they do create choice.

Jersey Post is a major distributor of parcels and Evri, DHL, UPS, DPD and Ferryspeed are also operators in this segment.

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?

Opportunities:

- We must have much improved resilience in Jersey sea links as the ferries are a critical component of the supply chain for freight.
- Lessen Jersey's dependence on UK supply chain which is heavily reliant on road transport moving goods to Portsmouth and increasingly expensive.
- Agree a new 10-year contract with the ferry operator that meets the needs of Jersey to 2034 and incorporates options to reduce the cost of sea freight shipments.
 - Do not rule out other forms of ownership that would enable ferry services to be developed and run in closer conjunction with the needs of Islanders and the economy.
 - Jersey product exporters are handicapped by being situated on an island and a new contract for the Portsmouth route should include some mechanism to enable them to compete on more equal terms.
- Consider opening a reliable and regular (no less than 3 days per week) freight route to a French port to create a southernly freight route, which might require Government support to get it established. The benefit of this would:
 - Enable Jersey businesses to bypass the UK when importing from Europe, speed up delivery times and reduce their carbon footprint by lowering transport miles.
 - Provide an opportunity for French food service operators to supply Jersey and allow Jersey retailers to source seasonal food produce from the continent. Labelling requirements would need to be addressed.
 - Extend the shelf life of chilled products in particular as they would arrive in Jersey earlier.
 - Easier access to Europe for Jersey's exporters.
- Notwithstanding the potential issues, undertake a joint feasibility with the Government of Normandy to create a road link with France. The benefits of this for supply chain would be:
 - A road route that would be less likely to be affected by weather conditions.
 - Enhanced food security as a result of a more reliable freight route.
 - Introduces a competitor route to the ferries.
 - Would open up opportunities for new suppliers across all product ranges on the continent.

- The movement of road freight in Jersey could be more efficient by, for example, taking 40ft containers directly from the harbour to as many sites as practical rather than the current practice of transferring goods from these containers and into smaller local trucks for delivery. This would also have a positive impact on emissions and take time and cost out of the process.
- The lack of availability of light industry space across the Island hampers the ability of goods to be moved away from the port and La Collette into other storage facilities. Increasing the ability to move goods to other parts of the Island would free up space and enable a more efficient use of space in and around the port.
- The Lift On - Lift Off facility has availability and relocating this, as suggested in the Ports of Jersey Harbour Masterplan, could develop it into a more accessible and competitive option for some products.

Threats:

- Jersey has a significant dependence on Portsmouth as a freight hub and the fear is that freight costs will increase out of line with inflation if the contract with Condor Ferries stays the same.
- However, any significant reduction in the volumes of freight on the Jersey - Portsmouth route, including exports from Jersey, could materially change the economics of the route.
- Material volumes of products from the European Union go from Europe to the UK before coming to Jersey. This increases the length of the supply chain thereby increasing its vulnerability and its carbon footprint.
- Ferryspeed is well-regarded, however, it is a dominant player that:
 - Has the potential to stifle competition and therefore introduction of new operators.
 - Uses a significant amount of space on the port that is therefore not available to others.
 - Has the ability to negotiate a preferential rate with Condor Ferries that may not be available to others with much less volume.
- Ensuring Jersey Customs has the number of experienced customs agents in Jersey is critical to the Island's ability to smoothly operate a full external border with the EU.
- Lack of knowledge and poor planning within importing and exporting businesses means insufficient value and awareness is given to practical lead times required to move goods.

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

- Encourage initiatives to develop French trading links as envisaged in the recently released Export Strategy, and, for example, providing Government stimulus or investment support as appropriate. A French route can deliver a credible alternative and be profitable and sustainable, but its customers will need no less than three sailings per week.
- Whilst it is not unreasonable for a large volume operator to have preferential rates with Condor Ferries, the lack of transparency of Condor Ferry's rate card makes it more difficult for other or new operators to negotiate to compete.
- Addressing the issue of the use and lack of space at the port will be critical to enabling more competition and diversification.

What threats and benefits do single market operators present?

Jersey's economy will naturally support fewer operators than larger economies because of its smaller size. However, having monopoly operators that are not regulated means that there is little to no oversight of their operations by the community they serve.

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

- Given the current constraints, a new operator would have extremely high start-up costs, ongoing transport costs and no opportunity for quayside warehousing.
- Condor Ferries has exclusive rights to run the Jersey – Portsmouth route so no other shipping company can compete on that route.

5. What are your experiences of supply chain disruptions and how have they impacted upon businesses in Jersey?

- During winter storms, as experienced in early Winter 2022, there were sustained periods of ferry disruption which resulted in non-sailings with the knock-on effect of:
 - Having empty supermarket shelves for Cold Chain food, short life food such as Bread and Produce.
 - Reducing the reliability of moving goods off the Island for exporters, Jersey Post and others.
- Delays in food deliveries mean that short life food reaches its sell-by date faster. This results in the business having higher levels of waste which then impacts on their gross margin. In addition, although a transport container arrives late there is no reduction in the rate the business pays which is then harder to recover.
- Although they are understanding, Jersey's customers get very frustrated with empty food shelves and delays.
- However, local food manufacturers do not suffer from the same problems as a result of disruption. However, these producers do not currently supply enough to cater for the needs of the whole Island and there could be an opportunity to increase capacity in these businesses.
- The Ports of Jersey should work closely with Condor Ferries to ensure they have the facilities available to give the ferry the best chance of docking.

For products that suffer disruption:

- There is no transport replacement or alternative for short life cold chain, short life ambient products that are already in the supply chain and suffer disruption.
- Long life food and drink supplies are better able to cope when weather delays affect shipping.
- Non-food shipments are also able to cope when shipments that are delayed and consumers are more tolerant of the delay to these products.
- Large stores generally have property covenants that prohibit deliveries after agreed times. This particularly impacts food retailers because of the time sensitive nature of the products, and consumer anxiety when core products are unavailable. However, in these circumstances businesses do work with their local Constables to agree deliveries outside of normal hours. While their ability to do that is welcome, each time these situations occur they create additional time and cost.

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

Any delay that increases the time taken to bringing in stock for local business increases their costs, reduces their competitiveness, and has the potential to frustrate customers. This is most obvious when food shelves are empty, however it does apply to all retailers.

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

- Warehousing in Jersey is expensive, often of a poor quality and very limited in supply. Jersey has shortage of "general" registered warehouses and but a good supply of "agricultural" registered units many of which are empty.
- Food businesses, especially those in large buying groups, who sell chilled food cannot store stock in Jersey for long periods as their supply chains are driven by very sophisticated systems that work to just in time deliveries. However, some smaller wholesalers who have taken the decision to invest more heavily into warehouse storage have seen significantly fewer issues from disruption from weather.
- For non-food businesses the increase in customs regulation and delivery times as a result of Brexit has meant that some now hold higher stocks and consequently require more space as they move from just in time stock holding to just in case.

8. Does Jersey's supply chain impact Jersey businesses' ability to provide products for sale or services?

- For importers no because, except for weather disruption, ships arrive 6 days a week all year round and typically, replacements are used if ships are taken off route due to technical issues.
- For exporters, the cost and time needed to supply goods overseas can be prohibitive.

9. Have Jersey businesses had the opportunity to gain and share 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?

There have been a number of recent studies and consultations addressing these issues in recent years including:

- The Jersey Competition and Regulatory Authority (JCRA) Freight Market Study in 2022.
- The Barriers to Business workstreams undertaken by Jersey Business in 2023.
- Government of Jersey's Economy Department hold regular meetings with the supermarket groups.
- The Government's Export Strategy, published in July 2023, was developed through consultation, and identifies supply chain opportunities.

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

- Jersey does have "Jersey" scale in both Condor Ferries and Ferryspeed.
- There is evidence that the size of Jersey's market means some businesses struggle to negotiate terms and have no or little ability to negotiate improved rates.
- Collaboration and consolidation of shipments may enable businesses to get lower rates or investigate alternative options that may help take some of the cost of bringing orders into Jersey.

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

The Island's supply chain works well to enable local businesses to provide goods. It also facilitates the option for consumers to buy online. However, there is a limited, and in some cases, no choice and therefore the tactics and behaviour of these operators must balance their own returns with the needs of the Island.

12. What are the practical implications of the Jersey Competition Regulatory Authority Freight Logistics Market Study [recommendations](#)?

The JCRA Freight Market Study Report was well received, and we believe that Ports of Jersey, in particular, are focused on implementing the Report's recommendations. In our view, the following recommendations must be taken forward to improve Jersey's supply chain:

- Recommendation 1: Review of facilities and current leasing arrangements at the port of St Helier
 - Ports of Jersey should develop a coordinated leasing strategy for the allocation of port land and how freight logistics will be overseen as part of its Ports Masterplan. Reserving certain facilities to operate on a common user basis would provide flexible space so buildings are fully utilised during any 24-hour period.
- Recommendation 2: Review of traffic/accessibility issues to create temporary and targeted freight corridors.
 - As discussed above, the restrictions on Jersey's roads for large vehicles requires freight operators to breakdown loads on the port estate for onward distribution. Relaxing some of the road restrictions, in the form of a freight corridor, would increase the efficiency of the supply chain.
- Recommendation 3: Support initiatives to drive improvements in operational efficiency within current constraints at the port of St Helier.
 - Regular engagement with all freight and logistics operators should identify areas where improvements can be made for the benefit of all parties.
- Recommendation 5: development of a government policy framework to support effective competition in freight logistics, including a ports policy
 - Negotiation of the new Condor Ferries operating agreement and rate card is a real opportunity for the Government of Jersey to achieve the outcomes Jersey needs in relation to freight movements to and from Portsmouth.
- Recommendation 6: The ports masterplan to support effective competition in freight logistics sector.
 - The Ports masterplan must ensure there is the flexibility to adapt to future freight needs. Consideration should be given to having multi-user warehouses which could offer the capability to manage peaks and troughs in demand and provide maximum flexibility to meet the needs of all port users.
- Recommendation 7: Support the development of existing and new freight routes to France.
 - As discussed above, developing additional supply chains through France, including the ability for Condor Ferries to carry freight to St Malo, is an option for diversification that already has interest from retailers and wholesalers.

13. How will the Elizabeth Harbour plans and Harbour Master Plan impact the island's supply chain?

Investment is needed in Jersey's port and the Master Plan, currently in consultation, addresses many of the key challenges currently faced by the port. To ensure this investment is made in a timely manner that enables a more efficient and accessible use of the space, focus needs to be put on:

- Ensuring the planned changes will provide facilities that are fit for Jersey's future freight and logistics needs.
- Maximise the efficiency of the space and make it accessible and cost effective for all operators.
- Ensure that the planning process supports the development in a timely manner.

I hope our comments and views are helpful for your deliberations.

Yours sincerely,



Paul Murphy
Chief Executive Officer