

Supply Chain Resilience Review

The Economic and International Affairs Scrutiny Panel

1. In your view what are the key elements of Jersey's supply chain?
 - a. Who would you identify as key operators in Jersey's supply chain?

Key Operators	Area of operation	Ownership
Condor Ferries	Sole RORO Ferry operator	Brittany Ferries, Columbia Threadneedle Investments
Ferryspeed	Trucking & Logistics	Privately owned
DSV	Trucking & Logistics	Ferryspeed
OceanAir Handling	Sole operator of freight handling at Jersey Airport	49% Ferryspeed remained private
Ports of Jersey	Operator of Port and Airport	Incorporated-Government
Solent Stevedores	Sole operator of Stevedore services to Ports of Jersey	Privately owned
DVS	Road infrastructure and licensing	Government department
Jersey Post Limited	Licensed USO provider of Postal services	Incorporated - Government
Woodside Logistics		Jersey Post Group
DHL	Sole operator of cargo aircraft and next day delivery courier	DHL Group
JCRA	Regulator	Government

2. What are the key opportunities and threats to Jersey’s supply chain. For example, how, in your opinion, might any of its processes be improved.

Opportunities	Threats	Improvements
<p>Negotiations of Ferry Services to and from Jersey / France</p>	<p>One company supply, investment in infrastructure – Single point of failure</p>	<p>Improve resilience, security of supply, improve efficiency, reduce carbon emissions and open new trade lanes. Price controls to ensure a fair return whilst not increasing islanders cost of living</p>
<p>Jersey Port redevelopment providing a fit for purpose greenfield approach to freight entry into Jersey</p>	<p>Dominant players controlling Port assets and choking the port of competition and blocking optimum use of limited space</p>	<p>As we are only a minority player in the freight market, it’s difficult to provide substantial views on the ports freight operation. However, we note there is significant dispute between the dominant player Ferryspeed and its subsidiary companies with PoJ around the Port plan's ability to meet future needs.</p> <p>We would recommend the following to avoid competitive advantage being gained by any one operator at the port.</p> <ul style="list-style-type: none"> • Shared user cargo facility owned and operated by PoJ or it’s appointed third party contractor • The freight terminal should only be used as a transit area, not for storage or non-freight transit activities • Pricing control over any handling charges that demands efficiencies being passed through to users not discounted on volume <p>This should be added as a requirement to the Ports policy.</p>

<p>A collaborative approach across government to consider the end-to-end supply chain.</p> <p>We should build a world class, fit for purpose end-to-end supply chain that uses AI, Robotics, autonomous vehicles driving low cost and environmental solutions.</p> <p>Given the labour issues we will face in the future it will be difficult to attract and traditional drivers and operatives. Build new exciting jobs in logistics will be well paid and highly skilled.</p>	<p>Without a government department that has overall responsibility for overseeing supply chain resilience it is maybe difficult to reach an optimal agreement on resource, funding and infrastructure.</p> <p>There are many competing commitments for land and funding.</p>	<p>The primary activity for freight handling, cross docking and also fulfilment takes place at the port. It is clear that the port space is at a premium and serves passengers and plays a role as economic driver of growth for the island.</p> <p>Consideration of developing infrastructure away from the port, a Logistics & Distribution Park, would see dwell time for freight at the Port reduce significantly.</p> <p>Looking at governments land portfolio, road infrastructure and regulatory framework may provide an opportunity to optimise cost, reduce carbon emissions and speed / efficiency.</p>
<p>Jersey Airport has a sole operator for cargo handling. The recent cessation of the Mail plane has seen the operator OceanAir suggest the business is at risk and therefore all cargo handling services could stop.</p>	<p>This is a realised risk to resilience;</p> <p>ITV Press quote:</p> <p>The boss at OceanAir has said that without the daily mail flights, it would likely cease trading - leaving Jersey Airport without staff to handle incoming airborne shipments for other delivery firms.</p> <p>Chris Bee from Ocean Air, said: "I think that will cause the island an infrastructure problem because we don't only handle the mail plane, we handle cargo from Blue Islands, British Airways, we handle the DHL aircraft. "So we handle critical infrastructure, and the ability to do that will disappear, causing a gap in services and</p>	<p>Understanding the choke points in the supply chain is critical. Where dominance exists in a private operators' hands there needs to be safeguards for service standards, pricing and availability.</p> <p>Similar to the PoJ port redevelopment, PoJ should control essential services on the island. Loading freight on and off aircraft, ensuring compliance with international security standards and not having these services at risk is essential to resilience.</p> <p>PoJ or it's appointed contractors should provide this critical service, not be left to risk with a private company.</p>

	<p>potentially the inability to carry any air freight."</p>	<p>This should be added as a requirement to the Ports policy.</p>
<p>Only one operator is regulated in the parcel delivery market – Jersey Post. This means when Jersey Post delivers an Amazon parcel we operate in a regulated environment and when eVri or Ferryspeed deliver a parcel they aren't.</p> <p>All operators delivering parcels should be licensed, the whole market should be regulated to avoid a race to the bottom.</p> <p>This should cover quality of service, security, meeting all regulatory safety standards, environmental fleets and providing a fair living standard for Postal workers.</p>	<p>There is a real threat to the Universal postal service in Jersey. Since the cessation of LVCR the fulfilment business has all but left the island.</p> <p>The gap has not been filled by exporters producing and distributing value items from Jersey.</p> <p>Without the whole market being regulated the power sits with the big senders from the U.K, these being Amazon and Royal Mail who rightly look for the best commercial deal.</p> <p>Jersey Post provides an island wide infrastructure of low carbon delivery options, over 300 local colleagues in every community 6 days a week. The value of these services was never more appreciated than during covid.</p> <p>Competitors use a “gig economy model” with no regulatory oversight.</p> <p>There is a systemic risk in the market structure that could see universal services unaffordable commercially and therefore a requirement to subsidise services or close them altogether.</p>	<p>In line with the JCRA’s review of Postal Services a Postal Policy should be created to provide the JCRA with a framework to regulate against.</p> <p>All parcel and postal services should be covered by regulation.</p> <p>Regulation should extend to protect Postal workers rights, quality of service, environmental factors and community access to provide a fair and competitive market.</p>
<p>Greater regulatory transparency on pricing of market dominant players.</p> <p>The Islands freight demand is not infinite; therefore the dominant operator is the only operator that can achieve the highest discount from the</p>	<p>The current freight rate card structurally supports a single monopoly provider.</p> <p>The highest level of discount is only available to the dominant player and therefore concentrates pricing power</p>	<p>A smoothing out of the Condor rate card would provide the opportunity to increase competition, clearly there are advantages to having different charges based on volume, large users should have the ability to leverage it’s buying power.</p>

<p>Ferry operator plus any operational or additional commercial advantage due to it's unique opportunity to leverage.</p>	<p>with Condor and the dominant freight provider.</p> <p>Any increased costs are purely passed through the supply chain to buyers in Jersey who in turn increase consumer pricing.</p> <p>In turn, this fuels the cost of living, RPI and consequences for the islander's ability to stay in Jersey.</p>	<p>However; given the restricted demand, we suggest the top level of discount be given to all operators that reach a 25% market share.</p>
<p>Government funding for supply chain infrastructure projects</p>	<p>Jersey's size, population and demand may not be commercially attractive to investors in supply chain solutions.</p>	<p>If Government were to develop a "Supply Chain Blueprint of the Future" and make money available for start-ups and global supply chain companies they may use Jersey as a sandbox environment, bringing skilled jobs to the Island.</p>

**3. What are the impacts of competition and diversification in the Island's supply chain?
a. What threats and benefits do single market operators present?**

Jersey seems to have several markets where there are market dominant players, this is of course true in the Islands Supply Chain. Notably, Post, Shipping, Ferry operations and Cargo handling at the airport.

Each of Condor Ferries and Ferryspeed, OceanAir are privately owned businesses that are not subject to market specific regulatory controls. To be fair, these privately owned businesses appear to have served Jersey well, proven particularly through the pandemic.

Geographic monopolies often exist where there are no incentives to enter the market, for example scale or where the barriers are high. High barriers of entry protect monopolies. In the case of Jersey's supply chain, these are access to Port infrastructure, the Ferry companies rate card and in terms of Post, the poor if not negative financial return delivering the USO.

Of course, this doesn't mean monopolies are a bad thing, if the dominant players scale can optimise efficiencies and cost and that passes through to competitive pricing and investment in future needs then a single provider may prove to be the best market construct.

Having said that, regulatory frameworks and government policy should play a primary role in ensuring the dominant player isn't applying discriminatory pricing, has efficiency measures

in place and isn't itself a single point of market failure due to ownership change, lack of investment or failure to meet a set of expected legal requirements.

The Island may represent a very small and limited market that has insufficient scale to support a diverse and competitive environment, particularly where natural barriers to entry are created through the need for substantial infrastructure investment that is disproportionate to the size of the market. This hypothesis should be tested before it is assumed that dominant market control either state or privately owned is the accepted economic model. Additionally, the question of resilience is a critical factor in addition to purely the creation of a competitive market with consumer choice.

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

This is not an exhaustive list:

- Dominant players controlling key Port and Airport infrastructure and blocking optimum use of the limited space/facilities available.
- A ferry freight rate card that structurally supports a single monopoly provider through the provision of the highest level of discount to the dominant player.
- Significant investment in infrastructure, rolling stock, facilities in Jersey and the UK.
- In conjunction to the above, Jersey's size, population and demand may not be commercially attractive to investors in supply chain solutions.

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

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

The nature of our Island based position underlines the importance of our supply chain. It is acknowledged that some disruption is inevitable based on weather conditions etc. A more proactive approach with key businesses would enable them to better plan for expected non-sailing days.

The size and composition of the Condor Fleet does however expose the Island to additional risk which needs to strike a balance between commercial efficiency and the social needs of the Island. The introduction of a third conventional freight vessel is welcomed as a mitigation to operational challenges however further investment is required in order to ensure that the fleet is modernised and meets the needs of the Island.

On-landing critical infrastructure that has previously been outsourced to the UK may be worth considering. The fragility of services could be exposed if commercial links to Jersey fail to be attractive to commercial businesses; this became apparent when Royal Mail decided to take off the Mail Plane.

Holding of inventory on Island, encouraging local production and optimising the supply chain are all opportunities that could be considered.

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

Goods are largely received 'just in time' following a continuous delivery pattern, based on customer demand. This leads to bottlenecks at the harbour when a particularly busy shipment has arrived.

Freight logistics space including Warehousing is constrained and substantially controlled by the dominant freight provider. Access to portside transshipment facilities/sheds at the Harbour is therefore restricted which undermines the efficient/flexible use of the limited space available.

7. What difficulties do you have, if any, in performing your role within the supply chain?

The Postal service has been under threat since the demise of letter mail, additionally the cessation of LVCR has seen a massive reduction in export volume. Therefore, dominance and power exist with the senders of large volumes to meet islanders demands. This sets a cap on pricing to deliver service, with no barrier to competition in an unregulated Postal Market.

Our colleagues deliver services to every community, there is a high cost to serve with a commitment to providing our regulated Postal workers a good standard of living.

Diversification is difficult, our entry into the freight market has proved to be capital hungry and low returns due to the market structure as explained throughout this paper. Global diversification is also proving difficult as a niche player without scale whilst unregulated market dominant competition transfers its profits to deliver parcel services in a gig economy.

Viability of the USO has been at risk for some years, the current supply chain market structures build stress into delivery of these services to Islanders.

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? Regular dialogue with Government

a. Are you satisfied with the manner in which any consultation with you was conducted?

As a States owned enterprise, we are in regular dialogue with Government.

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?

As referred to in our response to Question 3 above, it is acknowledged that the Island represents a very small and limited market which may, in some cases, lend itself to natural monopolies. Where such circumstances exist, this may result in cost efficiencies however it

is important that such efficiencies are fairly distributed across the supply chain including most importantly with the end user.

In addition to Competition Law, it may also be appropriate to provide regulatory oversight to ensure that market power is not abused and that the economic benefit derived from a monopoly position does not disproportionately exit the Island.

10. What are the practical implications of the Jersey Competition Regulatory Authority Freight Logistics Market Study recommendations?

We maintain a strong working relationship with the JCRA as our regulator however it is recognised that the existing regulatory framework results in Jersey Post being regulated rather than the relevant market. As freight logistics volumes move between Jersey Post and any alternate carrier, this results in a transfer of freight from 'regulated' to an 'unregulated' environment. This is clearly inconsistent and undermines a level playing field. This is a matter of further consideration which may result in the expansion of the current regulated framework.

The omission of a review of the rate card with Condor is disappointing and a clear miss in terms of setting a fair playing field for competition. However, in essence we believe the report has strong deliverables particularly in respect of making space available at the Port.

11. How, in your opinion, will the Elizabeth Harbour plans and Harbour Master Plan impact the island's supply chain?

We welcome investment in the Islands infrastructure and the opportunities that this presents for improving the efficiency of supply chain operations.

We note however that concerns have been raised within the logistics industry that insufficient consultation/engagement has been undertaken with the industry on the harbour master plan. These concerns include whether there is sufficient provision of space to accommodate the Islands current and future need for 13.6m trailers which are essential to the efficient operation of the supply chain. We are hopeful that further dialogue will avoid potentially relocating existing problems without addressing the root cause (being a fundamental shortage of freight logistics operational space).