

2025.02.25

3.7 Deputy K.M. Wilson of St. Clement of the Minister for Sustainable Economic Development regarding the DFDS freight services charges (OQ.51.2025):

Following the publication of the DFDS freight services charges, will the Minister explain why DFDS has been appointed as the new ferry operator given their higher rates?

Deputy K.F. Morel of St. John, St. Lawrence and Trinity (The Minister for Sustainable Economic Development):

I think it is very important that the Assembly understands that both ferry operators who tendered for the ferry services provided higher rates in terms of freight. Regardless of who was chosen, freight rates would be slightly higher as a result of the tender process. That is a reflection of the cost of providing a sustainable fleet and a sustainable ferry service going forward. Because I think one of the things we can probably agree on is that, particularly given the requests for multimillion pound cash injections, the previous ferry service or the current ferry service has not been sustainable from a financial perspective. As well as both tender bidders giving higher prices, DFDS scored highest overall during independent evaluation across a broad range of tender criteria including pricing, customer service, financial sustainability, fleet investment, scheduling and also commercial operations. So a tender process does not focus on just one element of any service, regardless of what you are tendering for. It has to look at the whole range of elements within that service.

3.7.1 Deputy H.M. Miles of St. Brelade:

Thank you to the Minister for his response. Can the Minister just clarify whether there was any consultation with the public and from freight providers to move to a flat rate card? Can he tell us what the outcome of those discussions were?

Deputy K.F. Morel:

I thank the Deputy for her question. I think it is very important at this point that people have been talking about a flat rate card. A flat rate card provides transparency. A flat rate card provides the ability for competition in the freight services sector, which until now has been impossible due to barriers that have been created by the current pricing system. Consultation was undertaken by the J.C.R.A. (Jersey Competition Regulatory Authority) with regard to their freight review, and informal consultation rather than formal consultation had been undertaken by officers in my department and elsewhere with regard to freight but not in a formal manner.

3.7.2 Deputy J. Renouf of St. Brelade:

I think Members will recall that the Minister was certainly hopeful that the flat rate card would lead to lower freight charges overall, and perhaps help ease cost-of-living pressures. Is he disappointed that the freight rates have gone up?

Deputy K.F. Morel:

I am neither disappointed nor the opposite of what that may be. Freight rates were going up. As I started the answer to the original question, both tender bidders provided higher freight rates in order to provide that sustainable fleet. There is a reality in life; pricing goes up. Indeed, we have seen this year - so January this year - Condor in their current pricing put their freight rates up for the first quarter of this year, the last quarter that they are serving Jersey. Obviously in the past Condor and freight providers have put their freight rates up significantly, I believe, in double figure amounts just a year ago. So, again, one of the things that we have now in the

current ... well, not the current, in the provision for ferries that will come from the end of March is we have R.P.I. (retail price index) limits on freight pricing. From now on, we have a price cap in that respect, freight rate card, and that will be the same going forward. So we can take away any surprises for freight users for the next 20 years.

3.7.3 Deputy J. Renouf:

I thank the Minister for his answer. Transparency is obviously a good thing in general. Could the Minister clarify whether he still believes that transparency will lead to more than just the good feeling of transparency, but could lead to lower prices in the long term? Or is it just a hope that it is a good thing to have?

Deputy K.F. Morel:

I understand the question, and it is impossible to 100 per cent predict the future. I cannot tell ... none of us will know exactly what will happen in 10 minutes, let alone in 20 years. So there is always an element of hope, I think, to address that element of it. I do believe transparency now means that there is no mystery about the ferry freight pricing. Until now, even at the level of Government, we have not had a full understanding of where ferry freight pricing is. From now on, we will have that. That, I think, is very, very important. Then we will be able to see how much logistics providers are offering or requesting fare pricing for their services, as opposed to this mystique and this mystery as to how much was for the ferries and how much was for the freight service providers. Now we will know exactly how much it is for the ferries, so then the freight service providers will be able to compete in a much more informed manner than they were previously.

3.7.4 Deputy A.F. Curtis of St. Clement:

Actually that last part of the answer I think is really helpful from the Minister because my question will still be around that flat rate card. Does the Minister have any knowledge as to whether any of the operators on top of the freight service have seen a lower price based on the flat rate card? In essence they were punished. It sounds like he may not know but obviously has any operator come forward and said: "Actually this is a better deal for us"?

Deputy K.F. Morel:

I believe that that is the case. Certainly if you work off the current rate card - as in Condor's current rate card - then the majority of freight logistic service providers I believe should be experiencing lower prices from the ferry company.

3.7.5 Deputy M. Tadier of St. Brelade:

The Minister said that a flat rate card provides transparency but does he also agree that it prevents the business - so DFDS - offering discounts for bulk buying?

Deputy K.F. Morel:

That is correct, it does do that. I think the kind of metaphor that I have used or the imagery I have used is it is a toll bridge. The ferry service is a toll bridge or is akin to a toll bridge. On a toll bridge you do not tend to get volume discounts. It is the same with a ferry service. What is important is that we understand how much and now we are limiting price rises in the ferry service coming forward. Everyone will be paying the same amount for that ferry service, therefore the competition can take place on a fair foundation provided by that ferry service.

3.7.6 Deputy M. Tadier:

The Minister talked about the fact that he expected that the majority of importers would see a reduction in their fees relative to what Condor Ferries currently offer, but does he also

acknowledge that there are perhaps one or 2 big importers in Jersey that previously might have benefited from a bulk discount? If that bulk discount is no longer being passed on to customers that there is a strong likelihood that that discount will not be passed on to customers and they will see their prices going up in the shops potentially.

Deputy K.F. Morel:

I should firstly qualify me saying “majority”. That was just my understanding, potentially I might be wrong in that, it may not be a majority, I do not know because I have not done a poll. But it is possible that the biggest freight providers find themselves at something of a disadvantage as a result of these changes. That is possible. It is also very difficult for us to know. We have only been able to work off Condor’s published rate card. Any further discounts, et cetera, may not be in line with things such as the Competition Law and stuff like this and matters like this. So we are not informed, as Government, of any other deals beyond the rate card itself. Were there any other deals then I think that could be problematic from a competition perspective.

3.7.7 Deputy D.J. Warr of St. Helier South:

I just want to tackle the Minister about the rate-capping policy which is brought in, because I am very conscious that there is a rate charge, but what we have seen in the past have been additional supplementary charges being made so it could be that the fuel price has suddenly jumped so we find there is a supplementary on top of the base rate charged. When the Minister talks about capping, does he mean capping for everything or does he mean capping for one element and then there is an opportunity for the freight companies to put in a supplementary charge if things change and they cannot match that capping in line with inflation? Could he elaborate on that a little more?

Deputy K.F. Morel:

It is an excellent question from the Deputy and it is really important. Yes, the capping is on the actual freight price. There is for both, and again both tenderers and currently Condor do operate a supplementary element for ... it is called B.A.F. (bunker adjustment factor), but it is for the bunker fuel and for fuel prices which provide volatility. Now, importantly, under the DFDS service, their formula for how they work out the supplementary fuel charge is public, so all Islanders will be able to see exactly how they calculate the fuel surcharge. They insist absolutely that there is no profit made out of that fuel surcharge. It is purely a surcharge for excess fuel costs. On their website you can find the fuel surcharge for every route they operate. So they are entirely transparent, telling you exactly how much their fuel surcharge is and how they calculate it. That is there. That level of transparency is not there currently.

3.7.8 Deputy K.M. Wilson:

Thank you to the Minister for those answers. One of the questions that is repeatedly being asked by Members is what support was there originally to move to a flat rate card under this tender process and if that support was ... on questioning, can he guarantee that there will be no changes to the flat rate card arrangements during the course of this tender?

Deputy K.F. Morel:

I am not 100 per cent understanding what the Deputy means by support. But in terms of the contract, yes, these are contractually written in elements and so there will, to my knowledge, be no change going forward. We have locked in kind of R.P.I. pricing rises, maximum R.P.I. pricing rises or R.P.I. linked pricing rises. I believe it is just R.P.I. While you can negotiate changes to a contract, et cetera, so that is possible, but that would need to be through negotiation. Obviously, any changes to the revenue delivered via the contract ultimately have

an impact on other elements, such as fleet investment, ticket pricing for passengers, and so on. If there are changes, because obviously the model has been built on the existing contracts, so any changes to that contract would require revision to other elements of the model, such as fleet investment.