

3.12 Deputy S. Power of the Minister for Economic Development regarding the impact of low freight rates on the viability of shipping to the Channel Islands:

Can the Minister advise whether some companies involved predominantly in R.O./R.O. (Roll On/ Roll Off) freight shipment to the Channel Islands are quoting unsustainable freight rates and, if so, is he concerned that these low rates have the potential to damage the viability of shipping to the Channel Islands?

Senator A.J.H. Maclean (The Minister for Economic Development):

As background, freight rates have declined over the last 5 years and both shipping and logistic companies have fought aggressively for business with the market becoming very competitive; a situation many will argue is a positive outcome for the local economy. With regard to R.O./R.O. I understand that Condor Ferries has a published freight shipping tariff scaled to volumes shipped. At the time of the Huelin-Renouf collapse I understand that they also introduced a commodity rate to ensure continued transportation of key building materials during the period of uncertainty. To answer the Deputy's specific question, at this stage I do not have any clear evidence on whether any unsustainable freight rates are being quoted. However, what I can tell Members is that the J.C.R.A. are reviewing certain freight rates to ascertain whether they may indeed be anti-competitive. I am awaiting their early determination on this matter which I am told will be made very soon. Thank you.

3.12.1 Deputy S. Power:

I thank the Minister for that information. He did refer to the loss of Huelin-Renouf Ferries, is he also aware that unsustainable long-term freight rates, including low commodity rates on Channel Islands routes, has in the short term the potential to add benefits to local importers and suppliers but in the long term has the potential to cause rates to go up largely because of monopolistic trading conditions that could occur? Is he aware of this risk?

Senator A.J.H. Maclean:

Yes, I am aware of the risk. It is a risk if indeed it is the case. That is the reason why the J.C.R.A. are looking at the market and looking at certain tariffs, to see if there is any prejudicial pricing being deployed at the moment in the marketplace which would not be a satisfactory outcome.

3.12.2 Deputy S. Power:

There are 2 parts to my final question. One is: has the C.I.C.R.A. given the Minister an indication of timescale? Is he also aware that there is another risk that if a company does try to increase its market share as a percentage of the total overall freight market, does get a new licence permit and does have an option on the new fleet replacement that that company could be being prepared for sale and that his department could be used as a pawn in a much bigger game, in either an equity release or a sale of one company?

Senator A.J.H. Maclean:

With regard to the timescale, I am told by the J.C.R.A. that they expect to make a determination during the next week or so, so very imminently. With regard to the second question, there were, I think, about 4 or 5 "coulds" in the Deputy's question; there was, therefore, a lot of speculation. Yes, in short, I am aware of the potential risks, as indeed the team negotiating any potential long-term arrangements are as well. That will form part of any agreements that may or not be concluded.