



26 September 2023
By email only

Deputy Moz Scott
Chair
Economic and International Affairs Scrutiny Panel
Scrutiny Office
States Greffe
Morier House
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Dear Deputy Scott

EIA Supply Chain Resilience Review information request

We are pleased to respond to the letter, dated 13 September, and provide further information and documents to aid the Panel's review. This letter is structured to be consistent with the information request questions, which are included for reference:

Question 1

"[Please provide] Relevant unredacted documents from the 2017 Freight market review."

We have annexed the confidential report from the 2017 Freight market review. Note this was provided to us on a confidential basis and we request the panel hold and consider the report in confidence.

Question 2

"The 2022 JCRA Freight Logistics Market Study Terms of Refence included covering any actions that could promote competition at different levels and across different market segments. Could explanation be given as to why was competition identified as an area for promotion, given previous findings of 2017 that "customers are content with prices and service levels offered"?"

Firstly, as to why "competition was identified as an area for promotion", this is of course the underlying rationale and purpose of a market study. We are responsible for promoting competition in the supply of goods and services in Jersey (together with the economic regulation of the ports, postal and telecommunications sectors).

We undertake market studies to explore whether a market, or a feature of a market, is working well for Jersey consumers. Broadly, it considers the relationship between consumer behaviour in a market, the behaviour of businesses in that market, the market's structure and other factors relevant to the performance and/or operation of a market. By looking at these issues, we can determine whether action that can encourage change will help address any actual or potential constraints to competition.

The freight logistics market was selected for study following a structured approach. This involved the identification of potential candidate markets which were screened to determine those most relevant to Jersey. This process resulted in the freight logistics market being selected as:

- Jersey is heavily dependent on its freight logistics connections for the transportation of goods onto and off the Island. All Islanders benefit from regular and reliable services available at a fair price (or will feel the impact if this is not the case).
- The freight logistics market is subject to structural and economic constraints, and it is important to understand how this impacts the market and competition within it. There had also been changes to the market since the last market study into freight logistics in 2017, including the entry and exit of different firms. Further, external factors may have also impacted on the market and businesses operating within it, such as Brexit and the Covid-19 pandemic.

Moreover, notwithstanding the previous study findings, given the significance of freight logistics to the island's economy it is critical that consumers and users continue to benefit from competition, in the form of fair prices and reliable services. As noted, market conditions and business practices can change significantly over time, to the extent that historic market study findings may not hold indefinitely.

Question 3

“Noting that the 2017 report indicated that actions to increase competition and choice would require further and more detailed analysis, please outline the analysis that was undertaken in the forming of the 2022 market study recommendations?”

a. What quantitative analysis of the economic viability of competition in the supply chain has been undertaken and can relevant information and data please be provided?”

The 2022 study developed analysis on the current market structure to understand whether it reflects economic fundamentals, or whether other non-economic barriers such as institutional, policy and other factors are determining market structure and conditions of supply. This was supported by an analysis of competition and supply in comparable - and international - freight logistics markets.

Our findings in respect of the potential competition issues were supported by Fisher Associates, and their independent report “Freight logistics market study: final report” (final report), which focused on the competition aspects of the market.¹

In outline, Fisher's analysis considered a series of key competition issues, including some of the market characteristics closely linked to the competitive process issues. For example:

- lack of space in port
- transit warehousing/depot capacity
- Jersey road restrictions
- use of the RoRo ramp
- Condor Rate Card: and

¹ The Fisher Associates final report can be found at: <https://www.jcra.je/media/598597/fisher-associates-freight-logistics-market-study-final-report.pdf>

- the impact on buyers of freight logistics services and staffing issues.

Detailed analysis of each of these issues is set out in the Fisher report (Section 3).

Annex 1 to the Fisher Report further developed the analysis on economic fundamentals and noted that freight logistics in Jersey does not reflect economic fundamentals. It found that freight logistics cannot be characterised as a natural monopoly type-activity, and there are options that would help improve competitive outcomes and benefit consumers. With respect to freight logistics, it found that the services in Jersey are highly concentrated, and that Jersey is an outlier when compared to international comparators, where multiple providers are the norm.

Fisher's observations and findings were framed relative to relevant comparators, and Annex 2 to the Fisher Report quantitatively assesses a series of comparators, namely, port capacity, access and pricing.

Question 4

"The 2015 report "A review of the Jersey regulatory and competition framework" identified a lack of policy framework or direction set by government impacted upon the work of the JCRA. What policy has the Government of Jersey set in regards to the Islands supply chain and what direction has been given to the JCRA whilst undertaking its work in this area?"

In undertaking our work on market studies, we operate within the legislative - existing legal and regulatory - framework. We note the recommendation of the 2015 report to which you refer, and observe that, at the time of the Freight Logistics market study (2022), a formal Government ports policy had not been developed or published.² Nevertheless, consistent with our general approach to market studies, we engaged with key Government Officials as part of the study to ensure their concerns/viewpoints were captured.

We would be happy to provide any further clarifications if required.

Yours sincerely



Tim Ringsdore
Chief Executive Officer

Annex: Confidential 2017 Freight Market Review Report

² We note the Ports Policy Ministerial Group was established as of 30 November. See: <https://www.gov.je/government/planningperformance/pages/ministerialdecisions.aspx?docid=99BD6156-9C75-4424-A6B7-1D45F9C58DDE>