

FREIGHT LOGISTICS MARKET STUDY

CASE M-002

DRAFT REPORT 17 FEBRUARY 2022

JCRA 22/15

Fisher Advisory Ltd (t/a Fisher Associates), UK
September House, Boughmore Road, Sidmouth, EX10 8SH
Tel: 07786 806 535
www.fisheradvisory.com
Company Number: UK 10411446



Contents

Executive Summary.....	4
Background	5
What aspects of freight logistics were included in the study?	5
Does the current market structure reflect economic fundamentals?.....	7
Theme 1: Barriers to competition.....	8
Theme 2: Lack of diversification	9
Theme 3: Understanding and driving improvement	10
Next steps	11
1. Introduction	12
1.1 Overview	12
1.2 Approach.....	12
1.4 Structure of this document.....	13
2. Background	14
2.1 Freight logistics market In Jersey	14
Shipping services to Jersey.....	16
Triangular routing with Guernsey	16
Freight logistics	17
The Port of St Helier	17
2.2 Freight logistics markets in comparators.....	18
Ferry services companies.....	19
Shetland triangular routing.....	20
Freight logistics services companies	21
3. Does the current market structure reflect economic fundamentals?.....	22
Economic theory	22
Application to Jersey	23
4. Theme 1: Barriers to competition.....	25
4.1 Introduction	25
4.2 Supporting evidence	25
Lack of space in the port	25
Access to RoRo ramp	26
Condor Rate Card.....	28
Cold chain facilities	28
Staffing issues.....	28

4.3 Findings from the comparators	29
Space in the port.....	29
Access to a RoRo ramp.....	29
Pricing.....	30
Cold chain facilities	31
4.4 Options for recommendations.....	31
Option A. Facilities planning and leasing strategy	31
Option B. Multi-user facilities	32
5. Theme 2: Lack of diversification	33
5.1 Introduction	33
5.2 Supporting evidence	33
One RoRo operator	33
RoRo ferry company failure	35
Asset failure	35
Failure of the RoRo ramps	35
Scheduling issues	36
One large freight logistics provider.....	36
Trade with the UK	37
5.3 Findings from the comparators	38
Resilience of RoRo services.....	38
5.4 Options for recommendations.....	39
Option C. Support LoLo	39
Option D. Support the development of French routes	40
6. Theme 3: Understanding and driving improvement	41
6.1 Introduction	41
6.2 Supporting evidence	41
Understanding performance.....	41
Information technology and innovation	43
Sharing information and communication	45
Carbon emissions	45
6.3 Findings from the comparators	46
Performance targets and monitoring	46
Information technology	47
Sharing information	48

6.4 Options for recommendations.....	49
Option E. Data reporting.....	49
Option F. User forum	49
Option G. Encouraging innovation	50
Annex 1: Stakeholder engagement.....	51

EXECUTIVE SUMMARY

The Jersey Competition Regulatory Authority ('the Authority') has commissioned Fisher Advisory to support its market study into the freight logistics market. The market study is being carried out against the published terms of reference¹ which identified the key areas to consider as:

- Competition – what choice is available to purchasers of freight logistics services.
- Supply resilience – what is the market's ability to handle unexpected events and to respond and recover quickly to these disruptions.

Focused on these two areas, the study seeks to understand:

- The current structure of the market: the extent to which economic fundamentals (such as the cost of transport) shape the market, versus other non-economic barriers (such as procurement policies or institutional factors).
- Comparable international experience: experiences in other jurisdictions which have similar market features to Jersey and to understand if lessons can be drawn from them.

From this understanding the study aims to identify any actions that could promote competition at different levels and across different market segments. These actions should ensure efficiency and supply resilience in the freight logistics market, and constructively and sustainably reduce any barriers to entry found.

The freight logistics market was also analysed in a market study by the Authority in 2017². The 2017 study was aimed at understanding the market from the demand perspective, with a focus on the choices available to purchasers of freight logistics services. This study extends and complements the 2017 study by considering the supply side/structure of the market and looking at the lessons that can be learned from international comparators. The freight market was selected for the following reasons:

- Jersey is 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 have been structural changes to the market since the last market study into freight logistics in 2017, including the entry and exit of different firms.
- Recent external environmental factors may have also impacted on the market and businesses operating within it, chiefly Brexit and the Covid-19 pandemic.

This document is a draft report and sets out draft findings and options for recommendations for Consultation. An overview of the Consultation process and questions is provided in Freight Logistics Market Study Consultation Paper which has been published alongside this report³. The closing date for responses is 1 April 2022.

¹ <https://www.jcra.je/media/598360/freight-logistics-market-study-terms-of-reference.pdf>

² The documentation from the 2017 study is available at: <https://www.jcra.je/cases/2017/c1255gj-freight-market-study/>

³ Authority document number: JCRA 22/14

BACKGROUND

A market study is a flexible tool to explore whether a market is working well for Jersey consumers. It considers the relationship between consumer behaviour in a market, the behaviour of firms in that market, and the market's structure. By looking at these relationships, the Authority can determine whether action that will encourage changes to consumer behaviour, business behaviour, or both, will help address any market problems found.

An important point to note is that the focus of a market study is on the structure and behaviour of the market itself, not the actions of any specific business or firm. This is reflected in the study, which adopts a holistic approach to understanding the freight logistics market, as opposed to a detailed firm by firm analysis of behaviour, financials and processes.

That said, interviews were held with a full range of market participants and a number also supplied additional information. We would like to thank all stakeholders for their engagement with the process so far and encourage the continuation of this at all stages of the study. This input is essential to deliver an outcome which ensures that freight logistic services are provided in a way that best contributes to positive outcomes for Jersey.

These interviews were supplemented by a site visit, data analysis, structured comparisons with international comparators, including Shetland / other Scottish islands, Isle of Man, Isle of Wight, Bornholm (Denmark) and Menorca (Spain) and the commissioning of two supplementary parallel pieces of work by Jersey-based consultants. These sought to canvas a wider number of stakeholders, in particular users of freight logistics services and also to look at the practical issues related to developing trade with France.

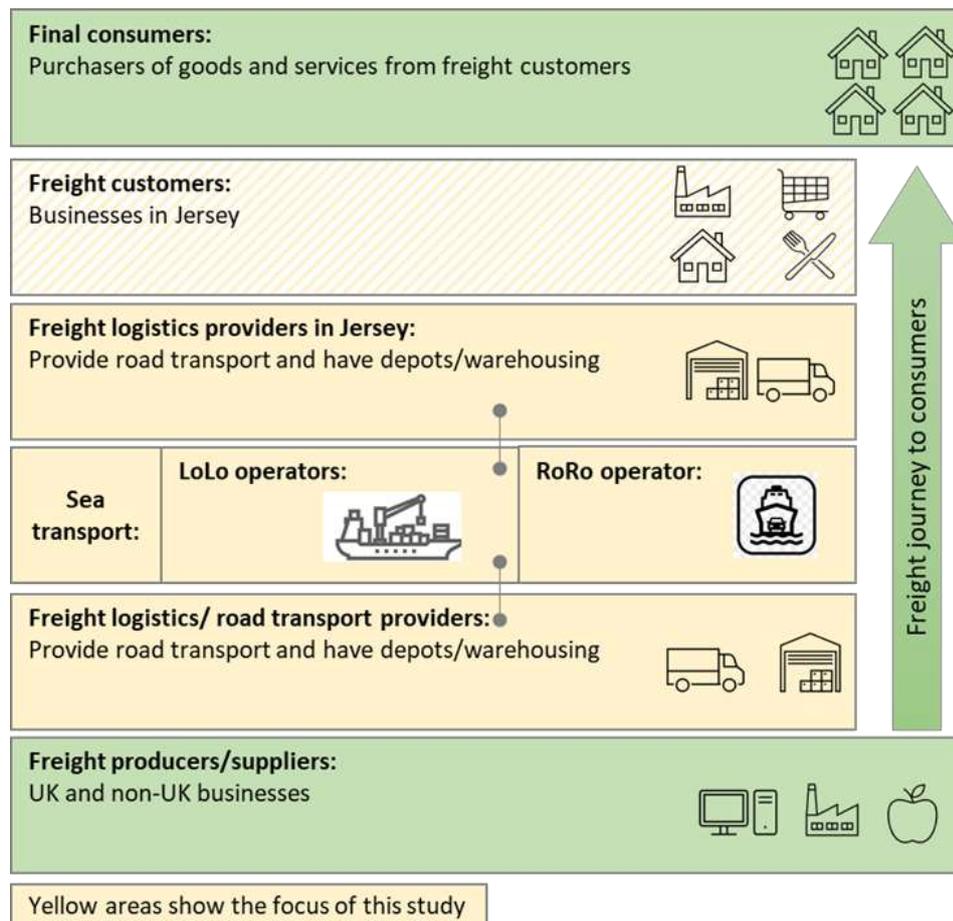
WHAT ASPECTS OF FREIGHT LOGISTICS WERE INCLUDED IN THE STUDY?

The terms of reference defined freight logistics as:

“For the purposes of this terms of reference Freight Logistics is defined by the Authority as the facilities and services available for transporting goods between a point of specific despatch to the island and arrival at a local distribution, forwarding or storage point and between a local point of despatch and arrival at a specific non-local distribution, forwarding or storage point.”

The study excluded air freight, the bulk transport and storage of fuel and related products, and review of the Condor shipping rate card. The specific areas covered is shown in Figure 2.

Figure 1: Overview of freight logistics in Jersey



Of freight logistics providers in Jersey, the largest, by a significant margin is Ferryspeed who are considered by freight operators to account for 75-90% of freight on/off the Island. Woodside Logistics is the largest competitor of Ferryspeed but is a much smaller scale. Other providers of freight logistics include UK-based companies, such as Breakwells.

The Figure highlights the role of the ferry services as a crucial link in overall freight logistics which cannot be disentangled from other activities. Ferry services to Jersey take two forms:

- Roll-on, roll-off (**RoRo**): Transport of freight in trailers and lorries that are driven on and off ferries; and
- Lift-on, lift-off (**LoLo**): Transport of predominantly containerised freight, which is lifted on/off ships using cranes and then transported to its end destination via lorries.

The RoRo operator is Condor Ferries (**Condor**). There is an operating agreement with the Government of Jersey for use of the RoRo ramp. It does not restrict other operators from using ramp, but they have to provide the same designated RoRo services in terms of both passengers and freight as Condor. In practice this restriction has meant that only Condor has provided RoRo services.

With respect to LoLo there are multiple operators including Chanel Seaways, Iris Freight, Normandy Trader Freight Services, Rozel Shipping and Nostos Marine. Ferryspeed also operate a LoLo vessel.

In terms of capacity, approximately 75% of freight is brought in by RoRo and 25% by LoLo. At the margins there is competition between the two different types of ferry services, however this is product dependent. For example, all temperature-controlled goods are brought in by RoRo, which is also predominantly used for time sensitive products. In contrast, LoLo is often used for less time sensitive goods and bulk products.

Ports of Jersey, which was incorporated in 2015, operates Jersey's Airport and Harbours. They have contracted the day-to-day operations in the port to Solent Stevedores, who have the stevedoring licence for Elizabeth Harbour and New North Quay, and the professional services contract for managing the Elizabeth Restricted Zone and New North Quay in the Port.

DOES THE CURRENT MARKET STRUCTURE REFLECT ECONOMIC FUNDAMENTALS?

As a starting point, our market study is trying to distinguish between economic fundamentals and non-economic barriers to a less concentrated market. This distinction is driven primarily by whether regulatory and/or policy drivers can be adjusted to influence the extent of competition in the market.

With respect to ferry services, given the requirements of the Operating Agreement, it is recognised that there is unlikely to be more than one RoRo operator. LoLo is a more competitive area, with multiple providers, competing for cargo against other LoLo providers and with RoRo on the margins.

Freight logistics is highly concentrated on Jersey and this is an outlier when compared to international comparators. The sector is also not characterised by high fixed costs and low marginal costs, the cost structure that would be seen in a natural monopoly, where it is impractical to have more than one firm producing the good/service. This suggests it is other factors and not economic fundamentals that drive this outcome, which means that regulatory and/or policy drivers can help improve the performance of the market.

The factors identified that drive this outcome are geography, demand for temperature-controlled goods, the Condor Rate Card⁴, requirement for transit space and high cost of service. It is noted that these factors, when combined, have led to Ferryspeed having a strong market position and made it difficult for effective competition to be developed and maintained in freight logistics.

Recognising this and wider issues, three key themes for the study have been developed to organise the findings and recommendations. A thematic approach is adopted to the report, focusing on these, to provide structure and clarity. The themes are:

- Theme 1: Barriers to competition.
- Theme 2: Lack of diversification.
- Theme 3: Understanding and driving improvement.

The options for recommendations under each theme will require both work and support by the Authority, Government, Ports of Jersey, businesses and wider stakeholders.

⁴ This sets out Condor's charges for freight. It specifies the charge per lane metre and declines in bands as volume increases, based on a 12-month rolling total.

THEME 1: BARRIERS TO COMPETITION

The key issue that emerged under this theme related to the lack of space at the Port of St Helier. The Port of St Helier is physically constrained because of its location within the town, and this causes operational challenges, as well as limiting new entrants and expansion of existing operators because they cannot get additional transit warehousing. Ferryspeed, by virtue of the size of their operation and long-standing presence in the port, have the majority of the warehousing.

The temperature-controlled business currently lies solely with Ferryspeed, and this has reduced the choice for the supermarkets who import fresh and frozen produce. Significant investment in equipment is required for an operator to have cold chain capability, but it also requires space which comes back to the main issue.

Ports of Jersey are developing a masterplan for the Port of St Helier. The plans are not yet in the public domain, but they consider moving LoLo to Elizabeth Harbour⁵. The masterplan provides the opportunity to improve the operating environment, rationalise the use of facilities and create more flexible working areas. In the meantime, the space issues will need to be managed.

The study did not include examining the Condor Rate Card, but stakeholders have complained that they cannot compete on price because of the substantial volume discounts it allows. Without first addressing issues of the lack of space at the port for warehousing, however, changing the Rate Card would have limited impact on attracting new freight logistics operators, because there is no transit space in the port.

Access to the RoRo ramp was also mentioned; there appears to be some interest in setting up RoRo freight services alone, but this is effectively not permitted under the Condor Operating Agreement as any new entrant has to provide both freight and passenger services at the same scheduled level of service as Condor.

In effect, this means that Condor's services are already regulated by government as the operating agreement sets out the characteristics of the service that must be operated; the performance criteria; and it includes the prices charged to freight users (reflected in the Condor Rate Card). It was, however, also acknowledged by stakeholders that there is a complex relationship between passenger and freight services and a desire not to jeopardise the provision of passenger services.

In light of the draft findings, the following options for the recommendations are proposed. These options aim to increase competition and benefit consumers by reducing the identified barriers to competition. The Authority, through its role as the ports regulator, can also help influence the implementation of these options. For example, by considering steps to support their implementation within the context of the upcoming Regulatory Framework Review for Ports of Jersey included in the Authority's 2022 Business Plan.⁶

⁵ <https://www.bailiwickexpress.com/jsy/news/north-north-quay-and-la-folie-housing-new-ports-plan/>

⁶ <https://www.jcra.je/strategic-plans/business-plan/2022-business-plan/>

Options proposed

A. Facilities planning and leasing strategy

The Port Masterplan should improve the working environment. It is also important to have a holistic plan focused on freight logistics to overcome space constraints and ensure flexible use of infrastructure, which is responsive to the changing needs of the sector. This includes a review of all leases in the port estate.

B. Multi-user facilities

Ensuring access to warehousing for all, with facilities managed by a third party logistics provider as opposed to individual freight firms. This could increase efficiency and capacity and provide the flexibility required to meet the needs of the sector.

THEME 2: LACK OF DIVERSIFICATION

The freight logistics market in Jersey is characterised by lack of diversification. It is very reliant on:

- One RoRo operator
- One large freight logistics services provider
- Trade with the UK

This market structure has served Jersey well during the pandemic, and there was overwhelming agreement that freight logistics has performed well. However, there are risks to future resilience, and most users were concerned about choice going forward, “what if something happens to Ferryspeed?” was a common question.

Possible adverse events include the failure of the assets such as the RoRo ramp, the vessels, either Condor or Ferryspeed ceasing trading, and problems with the UK supply chain/logistics.

Jersey has not followed the trend in some other comparators where freight has mostly transferred from LoLo to RoRo; indeed LoLo traffic remains strong. Although LoLo cannot replace RoRo for convenience and speed of handling, it can be more cost-effective than RoRo and more eco-friendly, and provides an alternative in an emergency.

Jersey is heavily dependent on the UK for imports and exports. Even goods sourced in Europe tend to come via the UK on grounds of cost. This places Jersey at the end of a long supply chain, and subject to knock-on effects from problems being faced in the UK. There was general consensus that having trade with France makes obvious sense. The Covid-19 pandemic and impact of Brexit has also opened eyes to the risks associated with focusing solely on the UK market. Previous attempts to trade with France have not succeeded for a variety of reasons, not least the need for regular services. This seems to be changing as Condor plan to provide some RoRo freight capacity and a new LoLo ferry service starts up.

In light of the draft findings, the following options for the recommendations are proposed. These options aim to increase competition and benefit consumers by increasing diversification.

Options proposed

C. Support LoLo

Address any infrastructure requirements to support LoLo e.g. for refrigerated cargo, and thereby strengthen resilience by offering alternative to Condor roll-on, roll-off services.

D. Support the development of French routes

Welcome and encourage initiatives to develop French trading links, for example providing Government stimulus support as appropriate. This could also include the development of customs skills and dissemination of market information.

THEME 3: UNDERSTANDING AND DRIVING IMPROVEMENT

The freight logistics sector is undergoing significant change in terms of IT and other technology. This presents challenges to traditional practices, but also opportunities to improve efficiency, enhance customer service, better understand how well services are performing, and reduce waste and make a positive contribution to carbon emissions targets.

This theme acknowledges the difficulty in securing data to understand how well Jersey's freight logistics market is operating, a problem we faced in this study, and identifying improvements which could help support better performance. It also notes the challenges in developing a coherent approach to customer service such as track and trace, and ensuring communication between all users of freight and associated services.

In light of the draft findings, the following options for the recommendations are proposed. These options aim to increase competition and benefit consumers by increasing the understanding of how the market is performing and helping to drive improvement.

Options proposed

E. Data reporting

Improvements both measuring and sharing information should be made. This will improve efficiency and enable a better understanding of how the sector works and whether Jersey is being served well.

F. User Forum

This would be a safe space to encourage the sharing of ideas; greater communication and collaboration between all players in the supply chain; and to drive improvements and innovation.

G. Encouraging innovation

There are a broad range of options that could stimulate enterprise and encourage greater innovation and research and development, for example best practice awards, pilot funding schemes.

NEXT STEPS

Our draft report is now open for consultation. An overview of the Consultation process and questions is provided in the Freight Logistics Market Study Consultation Paper which has been published alongside this report. The closing date for responses is 1 April 2022.

After the Consultation closes, we will progress our assessment of our draft findings and options for recommendations, particularly in light of the stakeholder feedback we receive. These considerations will be captured in our final report as appropriate and our aim is to publish this in June 2022. The final report will set out our findings and recommendations to increase competition and benefit consumers.

1. INTRODUCTION

1.1 OVERVIEW

Jersey is clearly heavily dependent on freight logistics, and Islanders quickly feel the impact of disruptions to services. There have been significant changes since the last market study by the Authority in 2017. In particular, key players have entered and left the market and there have been additional external factors, such as the Covid-19 pandemic and Brexit.

Within this context, this market study is being carried out against the published terms of reference which identified the key areas to consider as:

- Competition – what choice is available to purchasers of freight logistics services.
- Supply resilience – what is the market’s ability to handle unexpected events and to respond and recover quickly to these disruptions.

Focused on these two areas, the study seeks to understand:

- The current structure of the market: the extent to which economic fundamentals (such as the cost of transport) shape the market, versus other non-economic barriers (such as procurement policies or institutional factors).
- Comparable international experience: experiences in other jurisdictions which have similar market features to Jersey and to understand if lessons can be drawn from them.

In the context of the study, freight logistics is defined as the transportation of goods to and from Jersey. The key focus is on the supply side for freight by sea, which encompasses: the ferry services (both Roll-on, Roll-off (RoRo) and Lift-on, Lift-off (LoLo) vessels); land-side transportation; and logistics services. The study does not cover air services, bulk transport/storage of fuel and related products, nor the Condor shipping “Rate Card” (tariff) although this is commented on in broad terms.

1.2 APPROACH

The Authority has been supported by experts from Fisher Advisory in the delivery of the study. The approach to the study has incorporated:

- Interviews with key stakeholders (mostly via video conferencing) in Jersey and elsewhere, covering ferry services, Ports of Jersey, freight transport companies, Government, and some customers in retail and wholesale sectors. These have been insightful, with contributors speaking openly about the sector and any concerns and problems.
- Site visit by three members of the Fisher team to see the facilities first-hand, have follow-up meetings, and discuss the Port of St Helier masterplan proposals.
- Analysis of data and fact gathering to provide evidence to support or question issues raised in the interviews.
- Structured comparisons with markets in Shetland / other Scottish islands, Isle of Man, Isle of Wight, Bornholm (Denmark) and Majorca (Spain). These locations were selected because they are island economies with broadly similar populations. It is obviously not possible to find a mirror image of Jersey, but some of these locations face similar challenges and present different solutions. The findings are based on interviews with stakeholders and desk research.
- Commissioning two supplementary parallel pieces of work by Jersey-based consultants to:

- Canvas a wider number of stakeholders, in particular users of freight logistics services.
- Look at the practical issues related to developing trade with France.

As an additional step, as set out in an Information Note published on 13 January 2022⁷, this draft report has been prepared. This report includes draft findings and options for the recommendations. Securing stakeholder feedback on these will help increase the Authority's understanding of the freight logistics market and ensure the recommendations are appropriate for Jersey.

We identified a number of issues that coalesced around three key themes. We have adopted a thematic approach focusing on these, to provide structure and clarity to our report:

- Theme 1: Barriers to competition.
- Theme 2: Lack of diversification.
- Theme 3: Understanding and driving improvement.

This document sets out our draft findings on the market, supporting evidence, how Jersey compares to other locations in a similar position, and options for recommendations.

1.4 STRUCTURE OF THIS DOCUMENT

The remaining sections are as follows:

- Background.
- Does the current market structure reflect economic fundamentals?
- Theme 1: Barriers to competition.
- Theme 2: Lack of diversification.
- Theme 3: Understanding and driving improvement.

The three themes represent our draft findings and are organised in a consistent format:

- Introduction.
- Supporting evidence.
- Findings from the comparators.
- Options for recommendations.

The document also includes an annex:

- Annex 1: Stakeholder engagement.

⁷ <https://www.jcra.je/cases/2021/m-002-freight-logistics-market-study/freight-logistics-market-study-information-note-1/>

2. BACKGROUND

2.1 FREIGHT LOGISTICS MARKET IN JERSEY

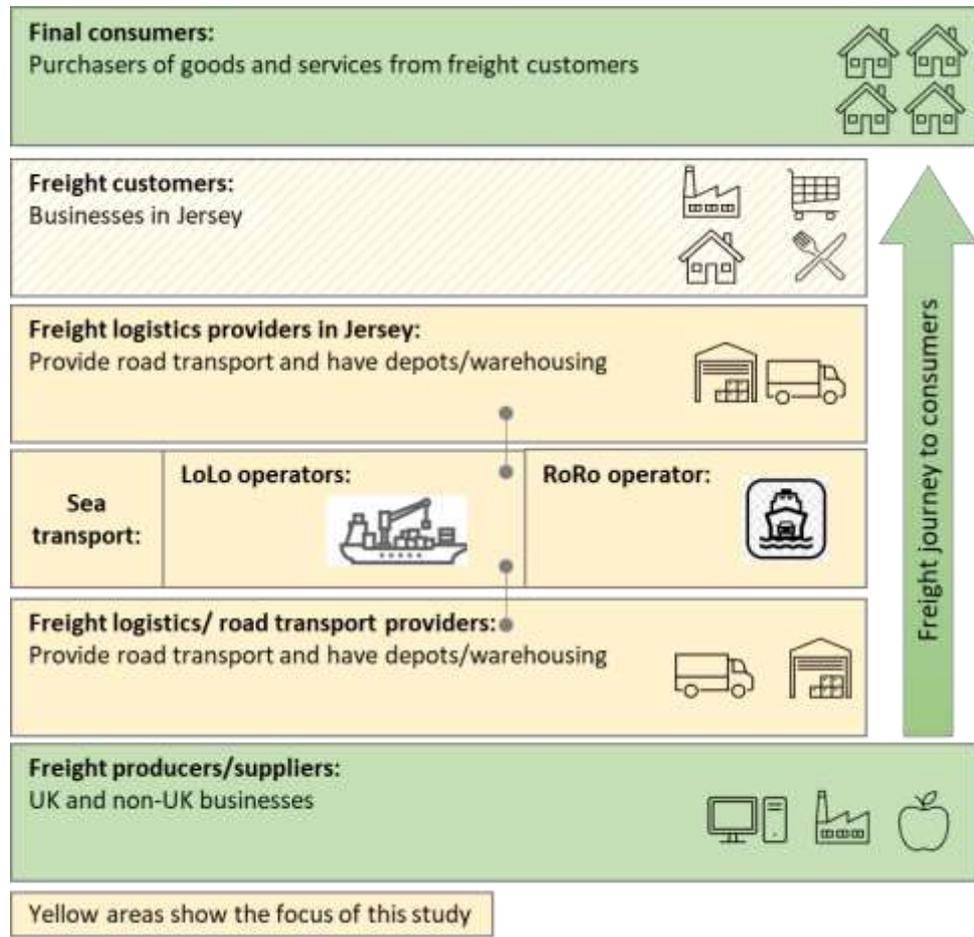
The process of transporting freight from producer to final consumer in Jersey is depicted in Figure 2. For ease of comparison, it is an updated version of the diagram presented by Frontier Economics in the 2017 market study.

The Figure highlights the role of the ferry services as a crucial link in overall freight logistics which cannot be disentangled from other activities. Ferry services to Jersey take two forms:

- Roll-on, roll-off (**RoRo**): Transport of freight in trailers and lorries that are driven on and off ferries; and
- Lift-on, lift-off (**LoLo**): Transport of predominantly containerised freight, which is lifted on/off ships using cranes and then transported to its end destination via lorries. LoLo freight is usually less time-sensitive than RoRo freight.

There is a link between the freight logistics and LoLo ferry services because Ferryspeed also operate their own LoLo vessel and other LoLo ferry operators offer logistics services. Although the process is depicted for imports into Jersey, there are exports from Jersey as well.

Figure 2: Overview of freight logistics in Jersey



As we cannot disentangle the ferry services (LoLo and RoRo) from other activities; we have therefore adopted a holistic approach to best understand the freight logistics market. As a result, a lot of the comments and evidence cover shipping and our analysis may stray away from competition and economics in places to ensure these factors are fully captured.

The freight logistics market in Jersey has undergone significant change over recent years, with companies ceasing trading, existing operators expanding and some new companies starting up. It is now characterised by a high level of market concentration with two large service providers present in shipping and freight logistics: Condor who provide all the RoRo ferry services and Ferryspeed respectively, plus a smaller number of other players.

Figure 3 shows some of the changes that have taken place in the sector in Jersey since 2005. The last market study into Freight was carried out in 2017.

Figure 3: Freight logistics market timeline

2005		<ul style="list-style-type: none"> Ferryspeed acquired Channel Express (freight forwarder) Share of temperature-controlled freight increased from 60-70% to 70-80% JCRA approval imposed condition that Channel Express warehouse at Elizabeth Harbour be surrendered.
2012	<ul style="list-style-type: none"> Condor Logistics ceased trading 	<ul style="list-style-type: none"> Ferryspeed took over Condor Logistics ground handling equipment and building leases at Elizabeth Harbour, and expanded facilities in Portsmouth.
2013	<ul style="list-style-type: none"> Huelin-Renouf (LoLo) ceased trading Channel Islands Lines was formed (LoLo and ground fleet) 	
2017	<ul style="list-style-type: none"> Channel Islands Lines acquired Paul Davis Freight Services (mostly RoRo freight forwarding) and became PDFS 	
2019	<ul style="list-style-type: none"> PDFS switched their traffic from LoLo to RoRo and withdraw their LoLo vessel from service Bowman Haulage, a key provider of refrigerated services, went out of business. 	<ul style="list-style-type: none"> Ferryspeed took over the temperature-controlled freight when Bowman Haulage ceased, giving it 100% of this market.
2020	<ul style="list-style-type: none"> PDFS ceased trading 	
2021	<ul style="list-style-type: none"> Jersey Post acquired Woodside Logistics Woodside now operate PDFS vehicles 	

Shipping services to Jersey

Condor operate all the RoRo services between Jersey and the UK, Guernsey and France. They have two freight vessels, the Commodore Clipper and the Commodore Goodwill, which provide twice daily (except Sunday) sailings to Portsmouth. Services call in at Guernsey en-route, either before or after Jersey depending on the tides and any delays. The crossing takes around 10.5 hours to UK and arrivals in Jersey are scheduled for early morning and late afternoon/early evening. The Commodore Goodwill also provides a once-weekly service to St Malo on a Saturday and the crossing takes around 4.5 hours.

The Goodwill is a freight-only vessel, with a capacity for 1,250 lane metres or 90 x 12m trailers. The Clipper can also take 90 x 12m trailers, and up to 300 passengers and 100 cars depending on how much freight is being carried. Freight takes priority, and during the pandemic there have been periods when passengers were not allowed on this vessel to protect the crew.

Condor also operate two high-speed craft, the Condor Liberation and Condor Voyager on the route to Poole, and the latter also goes to St Malo (Cherbourg in early 2022). These can carry up to 70 tonnes of light freight each, but are primarily passenger services. The crossing to Poole takes about 4 hours.

LoLo freight services are provided by the following operators:

- **Ferryspeed:** The Musketier operates between Channel Islands and Portsmouth, and can carry 176 TEU (20 foot equivalent unit containers). We understand from Ferryspeed that LoLo only accounts for a small proportion of its volumes, the majority using Condor RoRo services.
- **Channel Seaways:** The MV Trinity can carry 100 TEU and operates twice a week between Poole and the Channel Islands including Alderney.
- **Iris Freight:** The Channel Chieftain V is a customised 14m catamaran which provides a daily service between Jersey and Guernsey. Iris Freight have also started using Channel Seaways to enable them to expand into UK markets.
- **Normandy Trader Freight Services:** their cargo ship the Normandy Trader provides regular services to Granville in France.
- **Rozel Shipping:** providing services to Granville.
- Specialist companies carrying fuels and building materials.

Most freight imported or exported from Jersey is thus carried on RoRo services. RoRo cargo has the advantage of being convenient and quicker to unload as it is on wheels, whereas LoLo cargo is handled by crane. RoRo is the mode of choice for time-sensitive goods and those with special requirements, particularly temperature-controlled goods, but has also been increasingly popular for other cargo as well. All of the temperature-controlled freight imported into Jersey is carried by Condor.

Triangular routing with Guernsey

As mentioned, the RoRo ferry services operate a triangular routing with Guernsey, which has pros and cons for Jersey stakeholders:

- Condor consider that, although Jersey has about twice the volume of freight of Guernsey, if it had direct sailings to both, there would be certain days when the vessels to Jersey would not be full. Serving both islands therefore increases ferry utilisation.

- Having the flexibility to call at Guernsey makes it easier to fit services around the tides in Jersey. Guernsey does not have such tidal constraints, so services may call there before or after Jersey.
- Stopping at Guernsey adds time to the schedule and increases the risk of delays.
- It is not an issue for the freight operators as they receive consignments for both islands.
- Generally, there are not any problems getting space on the RoRo vessels.

The Government of Guernsey has just announced its intention to buy a conventional RoRo ferry which it plans to lease back to Condor. This decision is driven by public concern over the resilience of the current ferry service. It is early days, and no details are available on the planned routing and services, but this will impact on Jersey and could be a positive development to improve resilience and reliability if, as expected, it increases the fleet.

Freight logistics

The structure of freight operations in Jersey is heavily influenced by the restrictions on Jersey's roads which limit the length, width and weight of vehicles⁸. This means that freight companies cannot follow the standard practice of trucking goods straight from the ferry to their destination in Jersey (retailer or warehouse). Most freight inbound from UK distribution centres and supply points has its sea leg as unaccompanied in 40ft containers placed on a trailer. After arriving in Jersey, it is then broken down into consignments for delivery to customers in smaller trucks and vans. This takes place on the port estate unless the operator has an exemption permit which would allow vehicles to travel on specified routes at specified times, but these are only granted in special circumstances.

The transit warehouses in the port are used more for breakdown of consignments than for storage. Indeed, there are now very few warehouses in Jersey as retailers have moved to 'Just in Time' (JIT) ordering and do not hold significant stocks. As a result, resilience is lower than it used to be, and any disruption or delay is felt very quickly.

Ferryspeed are the main provider of freight logistics services. They are considered by freight operators to account for 75-90% of freight on/off the Island. They have invested heavily in the equipment required to handle Jersey traffic, particularly temperature-controlled goods, and control most of the transit space in Ports of Jersey. Ferryspeed currently handles all temperature-controlled cargo, as it is the only company with the capability to do so.

Ferryspeed has a sister company, Profreight, which handles specialist and delicate cargo. It also handles Jersey traffic for the freight company DSV.

Woodside Logistics was recently acquired by the States' owned Jersey Post, with a view to offering different end-to-end services and providing customers with choice. They share half a warehouse with Ferryspeed and wish to expand.

The Port of St Helier

Ports of Jersey Limited was incorporated in 2015 and is responsible for operating the Jersey Harbours, Jersey Airport, Jersey Marinas, and Jersey Coastguard. The day-to-day operations in the Port of St

⁸ <https://www.gov.je/Travel/Motoring/OversizedVehicles/pages/p30.aspx>

Helier are contracted to Solent Stevedores, who have the stevedoring licence for Elizabeth Quay and New North Quay, and the professional services contract for managing the Elizabeth Restricted Zone and New North Quay. The primary object of Ports of Jersey is to provide safe, secure and efficient port operations⁹, but as an incorporated entity, it also has the requirement to operate commercially ‘in the manner best calculated to secure sustainable growth in the economy of Jersey in the medium to long term’.

2.2 FREIGHT LOGISTICS MARKETS IN COMPARATORS

The criteria for choosing comparator markets were those with physical characteristics or some indicators in common with Jersey. It is clearly not possible to find a mirror image of Jersey, but comparisons can be made, and lessons learned, from other locations.

Table 1 shows some key characteristics of the comparators. Jersey has a larger population than the others, and the second highest GDP per capita. Although the Isle of Wight has the next highest population to Jersey, it has lower GDP per capita, and is much closer to the mainland and has more freight ports than the other locations. Guernsey was not included as a direct comparator because it shares ferry services and freight operators with Jersey, although we have commented on certain aspects of freight logistics in Guernsey where appropriate.

Table 2 summarises the supply of freight logistics services in each location. This is based on those companies that have a physical presence in the location or we know are active there. They are defined as freight logistics in business listings, so do not include companies that are essentially couriers or removals. They do not include the ferry companies.

Table 1: Key characteristics of comparators

	Population	GVA/GDP per capita	Distance from mainland nautical miles (nm)	Number of ports ¹⁰
Jersey	107,800	£45,320	167 (Portsmouth) 37 (St Malo)	1
Isle of Wight	141,000	£27,100	10	3
Menorca	93,397	£24,487	115-220	2
Isle of Man	83,314	£65,163	40	1
Bornholm	39,439	£32,108	40-100	1
Shetland	22,870	£25,320	202	1

Source: Fisher Advisory

⁹ https://www.jerseylaw.je/laws/revised/Pages/03.050.aspx#_Toc504060190

¹⁰ Main ports that handle freight.

Table 2: Overview of freight markets in comparators

	No. of RoRo operators	No. of LoLo operators	No. main freight sea routes served	No. of freight companies
Jersey	1	5+	2	2+
Isle of Wight	2	0	3	6
Menorca	2	0	3	7
Isle of Man	1	1	2-4	3-10
Bornholm	1	0	3-4	5
Shetland	1	0	1 ¹¹	4-10

Source: Fisher Advisory

Ferry services companies

The first observation is that only Jersey and Isle of Man have retained LoLo services. In all other locations freight is carried on RoPax vessels (which can carry freight and passengers), and/or freight-only RoRo.

Most of the comparator islands, in common with Jersey, have one RoRo ferry operator providing services that carry freight (either freight-only RoRo or RoPax). The exceptions are Menorca and the Isle of Wight which have two. These are supported by Menorca having a substantial tourism sector, and the Isle of Wight having around 3,000 commuters per day to the UK mainland, as well as strong tourism.

The comparators have often faced similar issues to Jersey with a general difficulty in attracting new ferry operators and retaining existing ones:

- **Menorca:** In 2020, the surprise near collapse of Trasmediterránea threatened core services to the Island. The company faced financial difficulties attributed to the impact of the Covid-19 pandemic on Menorca’s tourism sector. The ferry company was hit by the drop in passenger numbers and lower demand for freight from the tourist sector. This has now been settled through a merger and asset swap, but only one company (Grimaldi) was interested.
- **Bornholm:** Five companies were called to tender for the service in 2011, but only one did and this was the state consortium, which was legally obliged to bid. Other potential operators may have been deterred because the two routes are public service obligation (PSO) routes with low demand in winter months. Also, they would have been up against a company that was 50% state-owned, which meant that the state would bear some of the commercial risk, and 50% owned by the Nordic Ferry Services which was backed by Clipper A/S, the second largest

¹¹ Some sailings between the mainland (Aberdeen) and Shetland call at Orkney en route

Danish shipping company. As a result, the other potential bidders may have considered that they would face higher risk and be less likely to win the contract.

- **Isle of Man:** In 2018, the Isle of Man Government took ownership of the Isle of Man Steam Packet Company, with the strategic aim of bringing stability to the ownership of the Island's lifeline ferry services.
- **Isle of Wight:** there is general concern about lack of competition, and successive MPs have asked the UK Government to oversee ferry timetables, take steps to assist new ferry operators, look into issues such as debt levels and impose service level obligations. In November 2021, Isle of Wight MP, Bob Seely, made the case in Parliament for a public service obligation to be imposed on cross-Solent transport providers to legally mandate ferry companies to run a certain number of services each day and at certain times. He also asked for Treasury support to the Isle of Wight Council or Department for Transport in taking a share in one of the ferry companies.

Many of the island services receive direct or indirect financial support:

- Direct service subsidy:
 - Bornholm: around £16 million per year via service tender.
 - Orkney and Shetland: the current holder of the Scottish Government contract, Serco Northlink Ferries, receives a Scottish Government subsidy of £75 million per year for combined services.
- Indirect subsidies via discounts to islanders:
 - Menorca and Shetland.
- Preferential / monopoly access:
 - Menorca: control of terminal and warehousing in Mahon.

In Bornholm and Menorca, there is competition in the summer months as other ferry companies put on seasonal services.

Shetland triangular routing

There is a triangular routing from Aberdeen – Orkney – Shetland. About half of the RoPax vessels which can carry freight will stop at Orkney en-route. Of the 10 freight-only sailings per week, 7 are direct to Shetland and 3 call at Orkney. There have been calls for Shetland to have more direct sailings to/from Aberdeen, and for more sailings by freight vessels. However, there appears to be limited understanding of the demand for the link to Orkney, and the economic needs it is serving.

Some stakeholders report that the system works to a degree, but there is little or no capacity for growth. Apparently, the ferry services are constraining some business investment, for example, the Shetland fish markets are not operating at full capacity because some fishing boats will not land their catch there in case the fish cannot leave the Island the same day. It is also considered that tourism numbers are being suppressed because the level of freight movements made using the RoPax vessels is displacing passenger cars. Extra tonnage is seen as the solution, and it has been suggested that the MV Arrow could be deployed for Orkney and Shetland between September and April.

Freight logistics services companies

The comparators have lower concentration in freight transport than Jersey. The Isle of Man and Shetland both have four substantial operators and at least six others. In the Isle of Wight and Menorca, there are at least six companies providing freight logistics services and five in Bornholm. These appear to be separate companies rather than, for example, Ferryspeed and Profreight. It is difficult to identify whether these companies are focused on the comparator location, as many operate on a nationwide basis, but we have not included companies that happen to advertise that they will deliver to these locations, but do not have a depot or address there.

We do not have information on the market shares of these companies and, as with Jersey, it could be that a small number handle most of the freight. In Shetland, each of the big three or four companies tends to have a specialism such as fisheries exports, higher volume/lower value goods like agricultural and building products. Also, in the last six years, Shetland Transport and JBT have been taken over by DFDS and Menzies respectively.

3. DOES THE CURRENT MARKET STRUCTURE REFLECT ECONOMIC FUNDAMENTALS?

A number of factors are likely to influence the structure of the freight logistics market currently observed. As a starting point, our market study is trying to distinguish between economic fundamentals and non-economic barriers to a less concentrated market. This distinction is driven primarily by whether regulatory and/or policy drivers can be adjusted to influence the extent of competition in the market.

Within this context, economic fundamentals are those factors that cannot be overcome through regulatory/policy intervention. Examples of economic fundamentals likely include transport costs, role of economies of scope and scale, marginal cost of entry/supply. If we find barriers to competition that are not economic fundamentals, then the market study can suggest in its recommendations potential mitigations to these barriers.

In this section we set out the core economic theory and assess the extent to which it applies to Jersey. The assessment is at a high level and qualitative as consistent with the market study framework. We did not carry out a detailed analysis of margins and pricing of market participants.

Economic theory

In markets where competition works well, it provides incentives for firms to innovate, leads to increases in productivity, and provides customers with more choice, better quality of service and lower prices.

Where markets are not competitive, there is the potential for the largest players to set their prices higher, and make more profit, than they could if there were competition. They may also seek to protect their position by engaging in practices that discourage competition. This would result in customers having less choice, paying higher prices, and they may also have less bargaining power. A lack of competition can also lead to a lack of innovation, as there is little incentive to improve and remain competitive. There is always the possibility, however, that new entrants will be attracted into the market by the high returns, assuming there are no significant barriers to prevent them.

Some industries or activities in specific locations are natural monopolies, i.e. it is most efficient to have one company. They typically arise because the capital costs of providing a service are very high, for example with the distribution of electricity. National Grid, which is responsible for the transmission and distribution network, is a natural monopoly, although there is competition in the supply of electricity. It would cost more for two or more companies to provide the distribution network infrastructure, and a monopoly avoids inefficient duplication of assets. Typically markets which are natural monopolies are regulated or are state owned.

The market structure and number of firms operating may also be affected by 'minimum efficient scale', which reflects the level of activity required to achieve economies of scale and be competitive. If a market has high fixed costs and demand is relatively low, then there will only be a few players.

Application to Jersey

Our assessment is that the situation in Jersey, in particular in freight logistics, does not reflect economic fundamentals and there are options that would help improve the competitive outcomes and benefit consumers.

With respect to the ferry services, there is only one RoRo operator. A second RoRo freight service is effectively not permitted under the Condor Operating Agreement, as any new entrant has to provide both freight and passenger services at the same scheduled level of service as Condor. This issue is discussed further below under barriers to competition.

LoLo in contrast has a number of competing providers. This may be in part because LoLo does not have the same requirements as RoRo with respect to providing a set level of service. This results in lower barriers to entry, which are also supported by LoLo vessels being more widely available and at a lower cost than, for example, a RoRo ferry. LoLo services also provide a competitive constraint on RoRo at the margins.

With respect to freight logistics, the services in Jersey are highly concentrated. As such, Jersey is an outlier when compared to international comparators, where multiple providers are the norm.

Consistent with this, the cost structure of freight logistics does not appear to fit with the characteristics of natural monopoly. While there are segments of freight logistics which require significant investment, such as cold chain facilities, which will affect minimum efficient scale, there is the potential for small scale entry and growth. For example, Ferryspeed, who are the largest company, started small and grew over a number of years.

Within this context it is important to understand possible reasons why the freight logistics market is concentrated on Jersey. Our analysis has identified a number of potential drivers:

- Geography, as by nature of its location and focus on the services from the UK, the long crossing means that equipment is less productive than on short routes as it spends a larger proportion of its time in transit;
- Demand for temperature-controlled goods, which as noted require significant investment to service;
- Condor Rate Card, this offers discounts by volume, with substantial discounts available at the highest volume over those for the lowest volume;
- Requirement for transit space, Jersey road restrictions¹² require freight to be broken down and distributed in relatively small vehicles. This means a company can only offer such services if it has access to transit space in the port; and
- Higher costs of service, linked to the need for transit space, there are additional costs to serve the market, because a freight operator may need to invest in more equipment in Jersey than they would in other locations, due to the need to break down consignments for delivery and distribution.

¹² The policy of restricting vehicles on Jersey's roads offers environmental, cost of infrastructure, and quality of life benefits, and also reflects the physical capacity of the road network. Any additional costs that this imposes with respect to freight logistics services constitute the price to pay for this. This does not necessarily prevent competition in supply of such services.

As Ferryspeed handles most of the freight, it controls most of the transit space in the port. They are in a strong position and can obtain volume discounts because of the structure of the Condor Rate Card. As the costs to service the market are relatively high, new entrants may be deterred because they cannot find the transit space they need, or because they perceive that they could be undercut on price by Ferryspeed, whether they would or not.

Further the profile of customer demand may also limit potential competition. As noted, the requirement for temperature-controlled goods requires significant investment and space, two key constraints. Purchasers of these services are also likely to have ambient freight but are unlikely to want to split them between different freight logistics providers. This could limit the potential for competition and is also likely result in relatively weak countervailing buyer power¹³ from purchasers of freight logistics as it stands.

The remainder of this report is structured around three key themes, under which, regulatory and/or policy drivers which can be adjusted to influence the extent of competition in the market in the future are identified.

¹³ For example, this could come from the ability of buyers of freight logistics services to switch to other suppliers, or to vertically integrate into the freight logistics market or to sponsor upstream expansion.

4. THEME 1: BARRIERS TO COMPETITION

4.1 INTRODUCTION

This theme and draft findings focus on key issues that limit competition developing in the freight logistics market.

The supply of freight logistics services in Jersey is concentrated, and this concentration has increased through time. Condor is the only RoRo operator and Ferryspeed is the largest freight logistics company by a significant margin. This has led to concerns from a number of stakeholders that Ferryspeed's size confers it advantages which make it difficult to compete.

In this section we look at key potential barriers to competition and present our draft findings from stakeholder interviews and comparator analysis. We then set out proposed options for the recommendations.

4.2 SUPPORTING EVIDENCE

Lack of space in the port

Space in the Port of St Helier is physically constrained because of its location within the town, and this causes operational challenges, as well as limiting new entrants and expansion of existing operators because they cannot get additional transit warehousing. All of the stakeholders who are active in the port raised space as an issue, and the problems they face as a result are described below.

The RoRo ferry ramps are in Elizabeth Harbour, and Ferryspeed control most of their warehousing nearby.

LoLo is handled on New North Quay, and that is where Woodside Logistics and Ferryspeed share a warehouse.

Trailers are marshalled in the Elizabeth Restricted Zone (RZ) near the RoRo berths.

Figure 4: Port of St Helier



Source: Ports of Jersey

Ports of Jersey are in the process of developing a masterplan for the Port of St Helier. The plans are not yet in the public domain, but we understand that they consider moving LoLo to Elizabeth Harbour¹⁴. The masterplan provides an opportunity to improve the operating environment, rationalise the use of facilities and create more flexible working areas. This is going to take a few years to finalise and implement and, in the meantime, the space issues will need to be managed. The issues faced by the stevedores because of space restrictions in the marshalling areas are discussed under Theme 3.

¹⁴ <https://www.bailiwickexpress.com/jsy/news/north-north-quay-and-la-folie-housing-new-ports-plan/>

Transit warehousing/depot space

Ferryspeed, by virtue of the size of their operation and long-standing presence in the port, have the majority of the warehousing. Nevertheless, Ferryspeed say they are at capacity, and are re-working some of their depots, but will need more space (20,000 square feet) in the future. Ferryspeed have a lease on development land on the port estate, but we understand that work has stalled due to a question over the need for remedial work on the quay.

Woodside Logistics have half a warehouse (9,000 square feet) which does not allow them conventional in-out vehicle flow and impacts on efficiency. The location of an electricity sub-station inside their part of the building further reduces their space and impacts on operations. The yard in front of the building can just accommodate a 40ft trailer, but the rest of the area to the quay side is marked out for LoLo. Woodside would like to invest in the cold chain, but cannot fit the equipment inside their building. They would also like to invest in the southern route to France, but growing their business will be made more difficult by the lack of space.

The historic legacy of leases and their varying duration, means that the allocation of landside facilities has been somewhat ad hoc. Ports of Jersey recognise this, and the joint Woodside /Ferryspeed warehouse on New North Quay is on a relatively short 3-year lease with 6-month review, thus offering flexibility, but there is still a lack of space and nowhere for another new entrant to handle freight.

We explored the possibility of having warehousing outside the port but there are practical difficulties such as height restrictions in the tunnel under Fort Regent, the road restrictions/configurations and lack of suitable locations. The old Co-op distribution centre could have been a potential option, but is now owned by Ferryspeed who lease it out.

There are other historic issues which impact on freight operations, particularly on New North Quay. Car parking space is limited, so Woodside have to use half of their vehicle marshalling area for staff cars. There is also a skate park next to the operational areas. Other occupants of the port estate include a DHL courier facility for aviation business, a contact lens despatch centre, residential uses, and the land earmarked for development of a warehouse by Ferryspeed which has been initiated, but not yet progressed.

Access to RoRo ramp

Ports of Jersey report that there are no issues with the availability of the RoRo ramps.

Condor have an operating agreement for use of the RoRo ramp. It does not restrict other operators from using ramp, but they have to provide the same designated RoRo services in terms of passengers and freight as Condor. The base level of service if there is more than one operator is shown in Table 3. It includes freight and passenger services to the UK and France, and both conventional vessels and high-speed services.

This means that Condor's services are in effect already regulated by government as the operating agreement sets out the characteristics of the service that must be operated; the performance criteria; and it includes the prices charged to freight users (reflected in the Rate Card). The effect of the agreement is to shelter Condor from competition on the services specified in the agreement, because an additional operator would need to replicate much of what Condor offers and the limited market is

unlikely to be able to sustain two operators offering (nearly) the same service, particularly as Condor currently has spare capacity.

Table 3: Condor Operating Agreement service schedule

Route	Service	Base schedule (No. rotations)		Maximum journey time
		Peak	Winter	
Northern	Freight RoRo	5 /week	5 /week	Rotation UK – CI (Jersey and Guernsey) – UK in 24 hours
Northern High Speed	Passenger & vehicle	7 /week	2 /week	UK – CI (where a stopover in Guernsey within 5 hours)
Northern Lifeline	RoPax	5 /week	5 /week	Rotation UK – CI (Jersey and Guernsey) – UK in 24 hours
Southern	Passenger & vehicle	12 /week	3 /week	St Malo – Jersey in 1.5 hours
Southern	Passenger & vehicle	7 /week	2 /week	St Malo – Guernsey in 2.5 hours

This is thus a significant barrier to entry for a competitor to Condor, and puts Condor in a virtual monopoly position. The logic of this from the States’ perspective is understood to be that the arrangement guarantees Condor can benefit from maintaining a profitable service and is not at risk of failing due to competition, and in return the States has the assurance that a service can be maintained (security of supply), and without subsidy.

If there were no conditions on use of the ramp, others have said they would consider providing RoRo freight services, but it would not be a certainty. It was acknowledged that Condor provide the passenger services as well, and these could be impacted by such a policy. We have heard different views on the cross-subsidisation of services: Condor advised that the summer passengers subsidise winter passengers; others maintain that freight subsidises passengers, or that the fast ferry passenger services are subsidised by conventional services. Jersey services are not subsidised by the Government, unlike some comparators.¹⁵

Stakeholders raised concerns about the environmental impact of high-speed RoRo vessels per se, but also the practical operational and environmental implications of servicing more vessels than are actually needed if new players arrive.

The States of Jersey are currently renegotiating the operating agreement, which provides a good opportunity for Government to consider the outcomes it wishes to influence with regard to freight logistics. In line with the Authority’s prioritisation principles¹⁶ this is outside the remit of the Authority and the scope of this market study.

¹⁵ It was outside the terms of reference and hence scope of the market study to assess whether cross subsidisation, if any, occurs.

¹⁶ For example within the principles, under Strategic Significance, it is asked whether the Authority is best placed to act. <https://www.jcra.je/strategic-plans/prioritisation-principles/jcra-prioritisation-principles/>

Condor Rate Card

The Condor charges for freight are set in accordance with the Rate Card. This specifies the charge per lane metre, and declines in bands as volume increases, based on a 12-month rolling total. As Ferryspeed handles most of the freight on the RoRo vessels, it will be receiving volume discounts which a smaller operator or new entrant cannot access, so the latter will be paying more per lane metre than Ferryspeed. There are substantial discounts available at the highest volume over those for the lowest volume. The Rate Card also gives reduced rates per lane metre for commodity cargo (e.g. building materials), which is cargo more usually suited to LoLo because of its lower value and lower time sensitivity. The commodity cargo rate was not raised as an issue by interviewees.

The study did not include examining the Rate Card, but other stakeholders have complained that they cannot compete on price because of this. Nevertheless, in recent years, Woodside Logistics has been able to establish itself in the market and attract customers, with a focus on aspects other than price, which suggests the Rate Card has not prevented new entrants although its structure will make it harder for new entrants to compete. Even for a company such as Woodside, however, not all customers will be prepared to accept a higher price in exchange for other aspects of service, which could constrain future growth and make it difficult to reach the lower rate bands.

Without addressing issues of the lack of space at the port for warehousing, changing the Rate Card now would be likely to have limited impact on attracting new freight logistics operators, because there is no transit space in the port.¹⁷

Cold chain facilities

The temperature-controlled business currently lies solely with Ferryspeed, and this has reduced the choice for the supermarkets who import fresh and frozen produce. It is more practical for them to keep their business with Ferryspeed, than to split out temperature-controlled and ambient goods and use different operators.

As mentioned, Woodside Logistics would like to invest in cold chain facilities, but do not have enough space in their warehouse and this is a factor that limits competition.

Staffing issues

Another common theme in the stakeholder interviews was staffing issues, with concerns expressed about the difficulty in attracting staff with the necessary skills, particularly in customer services. For freight operators who have to compete on quality of service rather than price, it is important that they have the right people to deliver that service.

Staffing problems are recognised as a global problem in the supply chain and logistics sector. They are also not unique to the freight logistics sector in Jersey. The Government is aware of the problems and

¹⁷ With respect to the Rate Card and whether, for example, the discount structure may be anti-competitive, this is outside the scope of a market study, which is designed to review the structure of the market. Instead, an investigation into any alleged anti-competitive behaviour of an individual or combination of firms would come under the Authority's responsibility for Competition Law. This would take the form of a separate formal investigation to establish whether there had been a breach of the Competition Law. The threshold to launch an investigation is for the Authority to either have found or be provided with 'reasonable cause to suspect' that individual or a combination of firms are acting in contravention of Competition Law.

is looking into providing work permits for sectors with shortages; areas for productivity improvements; and developing better partnerships, for example with overseas embassies, to encourage people to come to Jersey. We have not commented further on this as it is outside the scope of the terms of reference.

4.3 FINDINGS FROM THE COMPARATORS

Space in the port

Regarding landside space in the ports, the situation is mixed, but none of the other locations have the same restrictions on the roads as Jersey, so they have the flexibility to deliver goods straight to customer sites or to inland warehouses/depots, and to hold goods at site until they are sent to the port for loading.

- **Isle of Man:** The Port of Douglas is constrained:
 - There are issues with space in the marshalling area being very tight, with no clearly defined separation of freight and passenger traffic. However, for most of the year, the situation is satisfactory and it is only during the TT Races in June/July, when space is at a premium, that the movement of freight is slowed down.
 - There is no space in the port for warehousing/depots. However, freight operators are able to locate their facilities around 10-15 minutes away from the port and they do not see this as a problem.
- **Shetland:** Lerwick Harbour can be constrained for space when there is a backlog of trailers to clear, as this then impinges on the space available for vehicle marshalling. However, it is not a problem most of the time. Warehousing space is generally not an issue in Shetland.
- **Menorca:** Although there is limited parking around the RoRo berths, there is enough space around the freight terminal. There is 60,000 m² of open storage at the Cos Nou Quay which is used by RoRo, bulk freight and container traffic. The port operator has no covered storage.
- **Isle of Wight:**
 - There have been complaints by local residents about congestion outside some of the ports. When marshalling yards fill up at peak times, car and HGV traffic backs up on local roads. This seems to be more of a traffic management issue, as Wightlink has made changes to its terminal to increase the number of lanes so that cars and HGVs can be separated, plus it installed an upper-level linkspan in one port to speed up loading.
 - The Isle of Wight has very frequent ferry services (25-45 per day with crossing times up to an hour) which means it is practical to have the warehousing in Southampton rather than on the island.

Access to a RoRo ramp

The users of the comparator ports do not report any issues with availability of berths.

- **Isle of Wight:** The ferry operators have their own berths/terminals.
- **Bornholm:** There are two quays dedicated to ferry traffic plus a third quay for overflow use by the high-speed craft.
- **Menorca:** The Port of Mahon has two RoRo berths plus a freight berth.

- **Isle of Man:** The Isle of Man Steam Packet Company (IOMSPC) has a Sea Services Agreement with the Isle of Man Government which prevents the use of Douglas Harbour linkspans by any other ferry operator, if they propose to serve some or all of the ports that are served by IOMSPC, unless IOMSPC is in breach of the Sea Services Agreement at that time.

Pricing

Isle of Man:

- The structure and level of freight rates/rate structures are set out in the Sea Services Agreement¹⁸. Fares are capped at the Standard Freight Fares (150% of this for high trailers). There are discounts for customers using more than 300,000 HGV freight lane metres per year, related to volume shipped in the previous year. However, the discounts “must not be primarily designed to adversely impact the continuing operation of any business on the Isle of Man whose main business is the transportation of third-party freight by sea”.
- Time- sensitive goods (notably destined for supermarkets) and other retail goods pay full rate. Most other goods are charged at a cheaper commodity rate on the understanding that they are not guaranteed to be moved on a desired day, especially during times of higher vehicle demand such as during the TT Races.
- Rates are cheaper out of the Isle of Man than to the island, reflecting that most freight is imported rather than exported, with most trailers leaving the island empty. Empty flatbed trailers are stacked on the ferry.

Shetland: Fares are set by the Scottish Government (Table 4). Advanced booking rates are available for bookings more than 3 days in advance of scheduled sailing, and these amount to 10% discount for self-propelled and 16% for unaccompanied trailers. Empty rates are available, booked in advance, for articulated trailers subject to space availability and where a corresponding journey has taken place at the drop trailer rate. There are no volume-related discounts.

Table 4: Northlink Ferries’ commercial rates 2022

Lerwick to Aberdeen (£ per lane metre, excluding VAT)					
Advanced Booked			3 Day Premium		Bulk Bag (per bag)
Self Prop	Drop Trailer	Empty drop	Self Prop	Drop Trailer	
43.53	44.25	17.65	48.16	52.78	11.06

Source: Northlink Ferries

Bornholm: For subsidised lifeline service, there is a maximum limit on average prices which allows the ferry company to use peak pricing.

Isle of Wight: There is free market pricing here, but there are calls from local politicians and residents for public service obligations to be applied.

¹⁸ <https://www.gov.im/about-the-government/departments/infrastructure/strategic-sea-services/>

Cold chain facilities

In the comparators, there are no restrictions on the road network, which means that refrigerated goods do not need to be split for distribution in the port, so there is not the same pressure for freight operators to have cold chain facilities on the port estate.

Shetland: there is a choice of freight transport companies who can carry refrigerated goods. There are two main carriers of seafood, but others have refrigerated capability. If one of these specialists were to go out of business, then it is expected that another company would step in and that the multi-national companies that produce and sell Shetland seafood would move quickly to ensure that the supply chain was maintained.

4.4 OPTIONS FOR RECOMMENDATIONS

In this section, we discuss a spectrum of options for recommendations that may change those features of the market we have identified as operating as barriers to competition. This study has identified that increasing diversity in freight logistics services providers is, given the constraints on using the Island's roads, dependent on having enough capacity within the operational harbour estate.

The options are therefore linked to the Ports of Jersey masterplan for the Port of St Helier. This offers potential for reshaping and expanding transit space. A lot rests on this. It is important that the masterplan process proceeds, and that landside operations are specifically addressed. Ports of Jersey are aware of the need to support freight logistics services, and the options we have developed should help facilitate this.

Further, the Authority, through its role as the ports regulator, can also help influence the implementation of these options. For example, by considering steps to support their implementation within the context of the upcoming Regulatory Framework Review for Ports of Jersey included in the Authority's 2022 Business Plan.

Option A. Facilities planning and leasing strategy

Typically speaking, port bodies tend to focus their energies on the waterfront interface, and there is a need for detailed consideration and planning of how facilities and outside space for freight logistics services can be shaped in future to improve the scope for competition. To ensure this is not overlooked, Ports of Jersey could consider a specific sub-project for an associated masterplan for freight logistics facilities, which should include this as one of its key objectives.

It is important on several levels that Jersey has the flexibility of infrastructure and superstructure to meet the changing needs of the sector. We discuss in more detail in Option B the advantages of having multi-user facilities which are a specific part of the strategy.

A review of port leasing is suggested to gain a clear understanding of who currently controls what, when the leases expire and whether they contain any break clauses. Following on from that, the Ports of Jersey could develop a coordinated leasing strategy for the allocation of port land and how freight logistics will be overseen. The future leasing / contracting policies adopted by Ports of Jersey could be designed to ensure that certain facilities are reserved for such a common user operator, and thus address concentration in the supply of freight logistics services.

Ironically the trend on the mainland has changed from having warehouses out of the port towards 'port-centric logistics' where businesses fulfil orders directly from the port, rather than using an intermediate distribution facility. This allows them to deliver products very quickly. There is also a growing expectation to 'drop ship' goods i.e. where retailers expect manufacturers to deliver directly to customers. The growth of e-commerce is changing the way that people shop and warehouses on the port estate have become a strategic hub within an evolving supply chain. Operators in Jersey have to operate the port-centric model because there is no choice, but in terms of efficiency, it is now considered good practice.

Freight logistics systems and operational practices may become increasingly driven by objectives related to minimising environmental impact. Ways to decarbonise include consolidating orders into fewer deliveries, incentives to reduce demands for very fast delivery, and expanding click and collect services. This may impact on the way that warehousing space is used in the port and hence the amount required in the future.

In the shorter term, there are some areas that could be looked into to increase competition by allowing new entrants to come in.

Free up space for new entrants/ support competition from existing operators:

- A review of leases to understand when they are up for renewal.
- Discussions could take place with Ferryspeed on it relinquishing some of its transit capacity.
- A review of land use in the port estate e.g. to identify where cars are being parked in trailer spaces, which could help to release space.

Improving access to warehousing outside the port estate:

- Discussions could take place on whether it would be possible to relax some of the road restrictions, perhaps on a key corridor as a temporary measure until the masterplan proposals are implemented.

Option B. Multi-user facilities

Transit warehousing/depot space in the port is critical to facilitating competition in freight logistics services in Jersey. The efficient provision of space and handling for all port users across peaks and troughs in demand is critical for successful operations. Use of third-party logistics (3PL) operated multi-user warehouses, leased from Ports of Jersey, can offer this capability and should be considered.

Operator contracts can be structured so that they offer a range of handling capabilities to a multiple number of clients. Such arrangements might include:

- Rate card-based handling for discrete activities such as unloading/loading of trailers, palletised product storage and case handling. This could serve ad-hoc and volume users.
- Client contracts which provide a dedicated provision for larger users offering specific additional value-add and service level provision.
- 3PLs are well placed to use the warehousing/depot facilities and resources for a range of other contracted or ad-hoc activities. This can ensure the logistics facilities have fully optimised utilisation especially during lower demand port throughput periods. 3PLs may also be best

placed to offer additional facilities during peak periods, for example extending processes and operations off-site.

Such contracts offer maximum flexibility and access for all port users as well as providing overhead cost synergy because commercial operation costs are spread across multiple users with optimised levels of utilisation.

The consolidation of user activities creates the critical mass which should attract best in class 3PLs. This in turn brings expertise and investment in areas such as IT and handling automation. Some 3PL operators may want to integrate their port capability with other services such as inhouse external delivery networks.

3PLs often specify the design of the facility optimising a match to their business processes. Actual leasehold and freehold arrangements can be balanced between capital invested and flexibility to possibly retender at the end of a leasehold period or contract. Different 3PL contractors can therefore be subsequently introduced, maintaining competitiveness and best in class operations.

Although there were no examples at our comparator ports, multi-user warehouses have been set up at larger ports such as Port of Liverpool.

5. THEME 2: LACK OF DIVERSIFICATION

5.1 INTRODUCTION

Relying on one supplier, one customer, one key asset etc., is a risk prone position for any company or economy. This theme and draft findings focus on the reliance of Jersey on potential single points of failure, for example with respect to the ferries, freight logistics provider and trading partner (the UK).

As we have seen, the freight logistics market in Jersey is characterised by lack of diversification. It is reliant on:

- One RoRo operator.
- One large freight logistics services provider.
- Trade with the UK.

Whilst this market structure has served Jersey well during the pandemic, there are risks to future resilience, and concerns among users about choice going forward. In this section we look at key potential sources of a lack of diversification and present our draft findings from stakeholder interviews and comparator analysis. We then set out proposed options for the recommendations.

5.2 SUPPORTING EVIDENCE

One RoRo operator

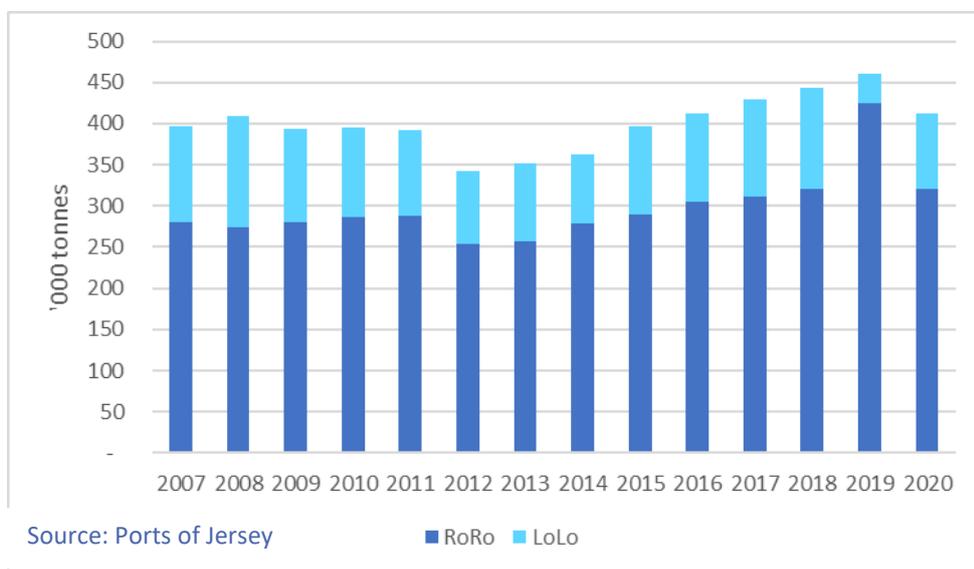
Condor carries all RoRo freight and, until 2018, this has typically represented about 74% of total unitised¹⁹ traffic (RoRo + LoLo) (see Figure 3). There was a temporary change in 2019 and 2020 when the volume of freight travelling by RoRo increased, as a key LoLo player switched to RoRo then left the

¹⁹ Unitised cargo includes containers, pallets, trailers and trucks.

market, but this seems to have returned to around 75% in 2021 based on part-year data from Ports of Jersey.

This indicates that there is a future for LoLo in Jersey, particularly with increasing demand for imports of building materials. The stevedores reported that they typically handle 100,000 tonnes by crane on New North Quay annually, but by October 2021, they had already handed this amount plus aggregates. The sand quarry in Jersey ceased extraction in 2021, and does not have a licence beyond 2023, so sand is being imported. The Proposed Government Plan 2022-2025²⁰ describes construction projects in the pipeline, for example: over 900 new homes; a hospital; Fort Regent development; improvements to roads, drains and sea defences; and improvements to Elizabeth Castle, schools and other public buildings.

Figure 5: Sea freight by type of vessel



The terms of the Condor Operating Agreement state that a new entrant providing RoRo services (including RoRo freight-only) has to provide all the Designated Services across all sectors and in accordance with Service Requirements for freight and passengers. This reflects the Government policy objective “..to maintain and develop year-round, long-term, reliable, robust and reasonably priced roll on/roll off passenger, car and freight ferry services”²¹. However, there are risks associated with this relating to:

- RoRo ferry company failure.
- Asset failure with regard to the vessels/ substitute vessels.
- Failure of the RoRo ramps.

²⁰

<https://www.gov.je/Government/PlanningPerformance/GovernmentPlan/pages/governmentplan.aspx#anchor-1>

²¹ Sea Transport Policy, 2014 <https://statesassembly.gov.je/assemblyreports/2014/r.099-2014.pdf>

- Issues related to tight vessel scheduling and delays having knock-on effects and cost implications, particularly for Just in Time ordering.

RoRo ferry company failure

Jersey has seen a number of ferry operators come and go, but Condor has been providing services on the UK routes since 1985, and for longer on the French routes. Commodore Shipping, which is now part of Condor, has been established in the freight market for over 70 years. The company therefore has a long track record, and is now owned by a consortium of Colombia Threadneedle European Infrastructure Fund and Brittany Ferries who regard Condor as a “clear sustainable business” proposition²². Stakeholders did, however, raise the question of what would happen if Condor did fail?

Asset failure

If one of the freight ferries breaks down, this will cause problems for the retail sector foremost, but also for freight transporters, stevedores and other customers. Capacity utilisation of freight is about 75% overall, so there would not be enough RoRo capacity to meet demand, but the impact would be greater because of uneven demand. The first arrival in the morning has very high utilisation because retailers want to get fresh produce and short shelf-life goods onto supermarket shelves first thing. The evening vessel carries a large number of empty containers/trailers back to the UK. Wednesday is not so busy during the day, but Thursday nights are. Stakeholders said that they do not have problems with shortages of RoRo capacity when the services are operating normally.

Once this pattern is disrupted, apart from delays/shortages in getting goods into the shops, there will be issues with trailers/containers being stuck in the port, exacerbating current congestion problems, and equipment being in the wrong place. Although the number of units in and out will reach equilibrium after a few days, it would take much longer to clear the backlog of units in the port.

Condor has a contract for a substitute vessel, the MV Arrow, which it brings into service when one of its freight vessels requires maintenance. This vessel could be called on when unscheduled repairs have to be carried out, but the MV Arrow is also deployed as a back-up in the Isle of Man and Scotland, so there is no guarantee it will be available.

The MV Arrow has problems meeting the current schedule; Condor have advised that it can only provide 80% of the service it replaces, but this is offset by the convenience of not having to try and charter a vessel for 2-3 weeks. The contract for the MV Arrow comes to an end in 2023, so there is an opportunity to consider alternative vessels. In theory there is the option to charter a RoRo vessel, but in practice there are very few that can be accommodated in Jersey/ meet Jersey demand and would be available at short notice.

Failure of the RoRo ramps

There are two RoRo ramps, so it would be very unfortunate if both were out of action at the same time, although it is not inconceivable if a vessel strikes them. However, it would cause significant

²² <https://www.bailiwickexpress.com/jsy/news/why-condor/>

disruption even if one of them failed; even in normal operations, stakeholders have expressed frustration that priority is always given to passenger services, and freight may be kept waiting.

Scheduling issues

Condor runs a tight freight schedule, and concerns were expressed by stakeholders that the vessels are now too old to manage a 24-hour rotation as there is little time built in for unexpected delays. The Commodore Goodwill entered service in 1996 and the Commodore Clipper in 1999 which means that they are 25 and 22 years old, respectively. The economic life of a vessel is usually assumed to be 25-30 years. Condor consider that they still have 10-15 years life remaining if they are maintained properly. It is fair to say that these vessels could continue in service for a few more years, but the risk of mechanical failures and breakdowns will increase. Condor report that all the vessels are available for over 87% of the time. It is hard to comment on this, as the impact on freight transportation depends on overall capacity available and whether replacement vessels can be deployed.

The impact of adverse weather on services is complicated. The Ports of Jersey and Condor have reported that the incidence of bad weather is growing – the first named storm was earlier in 2020 than in previous years and winds are becoming more erratic. Although storm frequency is not increasing, Condor report that the frequency and duration of near gale force winds is. The Goodwill and Clipper are conventional ferries so they are less impacted than the high-speed craft – this means that freight services are likely to be delayed rather than cancelled. Ports of Jersey report little weather-related delay in the port for freight.

There is a suggestion that a change has taken place over recent years that has had an impact, namely that ships' captains have become more risk averse. This is attributed to more stringent health and safety regulations and captains' liability, plus repercussions of shifting loads. Condor have advised that there may have been occasions in the past when they would have sailed, when they would not risk it now.

Irrespective of the cause of delay, if a ferry is late arriving in Jersey, this has knock-on impacts on the stevedores, freight transporters and retailers. This is discussed in Theme 3.

One large freight logistics provider

Following the exit of a number of firms, Ferryspeed has become the largest freight logistics provider. In particular, Ferryspeed now services 100% of temperature-controlled freight because no other provider has refrigeration facilities. This has been a gradual process:

- In 2005, Ferryspeed acquired freight forwarder Channel Express, and JCRA expected that this would increase its market share of refrigerated freight from 60-70% to 70-80%²³.
- In 2012, Condor Logistics ceased trading. They were estimated to handle 10-20% of refrigerated freight in 2005. Ferryspeed were assigned the leases for Elizabeth Harbour Warehouse which had been leased to Condor Logistics and Commodore Properties Limited.²⁴

²³ <https://www.jcra.je/media/4069/m005-05-decision-notice-conditional-approval.pdf>

²⁴ <https://www.gov.je/Government/PlanningPerformance/Pages/MinisterialDecisions.aspx?docid=C79360FD-3ACA-4A82-90D4-404BB8D601FC>

- Bowman Haulage ceased trading in 2019 and they were the remaining handler of refrigerated cargo.

Although Ferryspeed is well-regarded, this exposes Jersey to the risk of being reliant on a single firm, a concern that has been made by most of the interviewees. In particular, several stakeholders have raised concerns about Ferryspeed's succession planning, i.e. what will happen when the current leadership team retire? There were also concerns that if the Ferryspeed warehouse in Portsmouth was put out of action (e.g. by fire) this would cause major disruption.

If something happened to Ferryspeed, Woodside Logistics consider they can step in and provide the service, and it would only be disrupted for about a week. This timescale may be somewhat optimistic given the difference in capacity between the two companies, the access to facilities in the short term and the time it would take to migrate customers. If administrators were involved, it would also depend on the approach they adopt towards unwinding the company and management of assets and contracts.

Trade with the UK

Jersey is heavily dependent on the UK for imports and exports. Even goods sourced in Europe tend to come via the UK on grounds of cost. This places Jersey at the end of a long supply chain, and subject to knock-on effects from problems being faced in the UK (staffing, delays, access to parts, etc.).

An option for diversification is to develop trade links with France. There was general consensus that this makes obvious sense. France is closer than the UK and the weather conditions on French routes are more favourable, which reduces potential delays. However, dealing with the UK is straightforward for reasons relating to the ordering policies of the main retailers and their UK counterparts, language, labelling, currency, business culture, etc. Many of those consulted expressed the opinion that there is a real or perceived difficulty in dealing with suppliers in France.

Previous attempts to develop trade links with France and the wider European Union have been hindered by the infrequency of ferry services and cost - a once-weekly service is no use to a supermarket that needs daily supplies of fresh produce. Even for ambient goods, research by one of the stakeholders has demonstrated that it can be cheaper to route European goods via the UK. There has also been a lack of marketing and promotion of the French route, and general lack of awareness. Without demand, a service cannot survive, but without a regular and reliable service, customers will not make the commitment to sourcing goods from the EU.

This may now be changing. The Covid-19 pandemic and impact of Brexit has opened eyes to the risks associated with focusing solely on the UK market. On the supply side, Condor has announced that it will be running five freight sailings per week²⁵ on the high-speed craft the Voyager, which is already operating to St Malo. In the past, it had no trailer capacity on the fast ferry on the southern route, but the Voyager does and Condor has recently received certification to carry cargo²⁶. The additional cost

²⁵ <https://www.bailiwickexpress.com/jsy/news/five-new-freight-sailings-week-france/>

²⁶ Condor has been granted approval from its classification body, Bureau Veritas, to carry freight on the Voyager. It would be small scale with a capacity for 8 x 13.6m trailers, but is a start. The Voyager has 12 reefer sockets

of carrying freight is thus low because the vessel serves the route anyway. In addition, a new LoLo ferry operator, Nostos Marine, is planning to enter the market in early 2022 with services to France. They have been working with Jersey Business and Woodside Logistics in developing the project.

Nostos Marine plans to sail from St Malo to Jersey three times a week. They have a general cargo vessel which can carry around 20 x 20ft containers or flat beds on deck. The vessel has a side door and lift which means it can also handle pallets and big bags. Reefers can go on deck, but a cold chamber is planned for palletised temperature-controlled cargo for smaller customers such as hotels. Whilst carrying temperature-controlled foods on a LoLo is not as convenient as on a RoRo, this would provide resilience on this route should there be a problem with the Voyager.

Nostos Marine commented that Jersey Business (which provides free advice and support to businesses in Jersey), has been very welcoming and provided introductions to key players. They have also found Jersey Customs and their agents very cooperative.

There is also growing awareness of the impact of transport, and shipping in particular, on the environment. Although greener fuels are being developed, reducing the distance goods are transported is the most efficient option: moving goods from France, through the Channel Tunnel, by road to Portsmouth and by long sea crossing to Jersey is inefficient.

Jersey Customs noted that there is a shortage of experienced customs agents in Jersey. Now that the Brexit transition period has come to an end, Jersey has to operate a full external border with the EU, which means full customs declarations and controls will be applied to goods from the EU. Jersey Customs is already experiencing incorrect customs documentation, particularly regarding origin of goods.

5.3 FINDINGS FROM THE COMPARATORS

Resilience of RoRo services

Resilience issues have been identified on most islands, mainly due to having only one or two ferry operators, limited berths and few vessels.

The ending of LoLo operations to Orkney and Shetland in 2017 meant a transfer of freight traffic to the Northlink RoRo services. While all the former LoLo traffic was accommodated, it could be argued that this has constrained capacity to accommodate growth in freight traffic to/from Shetland. However, Transport Scotland are developing plans to replace the two current Northlink freight vessels in 2026 and these will have greater capacity than the two current freighters.

It is acknowledged that replacement vessels usually provide a poorer quality of service. Resilience is strongest where the island has more than one port and operator (Menorca), and availability of back-

which will allow it to carry refrigerated cargo. It is intended to base the Voyager in St Malo overnight, so it would arrive in Jersey in the morning which is convenient for retailers.

up vessels is better on the islands that are served by larger fleets (Isle of Wight and Menorca), or have ferry operators with access to large regional fleets (Menorca).

Recent experience, however, showed that certainly in the Isle of Man and Shetland, services held up well during the pandemic. At the start of the first Covid-19 lockdown in March/April 2020, freight traffic fell sharply to the Isle of Man and Shetland, but quickly recovered and it is considered that the Isle of Man Steam Packet Company (IOMSPC) and Northlink Ferries both provided good services throughout.

As with Jersey, there have been issues with very low passenger numbers during the pandemic. Northlink Ferries were allowed to withdraw a RoPax ferry for a period, and were given additional subsidy to provide a reduced timetable, but there remained enough capacity for freight because passenger car carryings were much lower.

The IOMSPC has the MV Arrow on long term charter as back-up for the main vessel. Although they charter it out to other operators, including Condor, to defray their costs, they can recall it straight away if needed. A small number of freight vehicles can also be accommodated on the high-speed craft to/from Liverpool. The IOMSPC has ordered a replacement for its main vessel, the 23-year-old Ben-my-Chree, which will come into service in 2023. It is then intended to retain the Ben-my-Chree as a back-up and to provide additional capacity at peak times such as during the TT Races and Manx Grand Prix.

5.4 OPTIONS FOR RECOMMENDATIONS

In this section, we discuss a spectrum of options for recommendations that may change those features of the market we have identified as reducing the extent of diversification. These options will require both work and support by the Authority, Government, Ports of Jersey, businesses and wider stakeholders.

Option C. Support LoLo

Unlike most of our comparators, Jersey still has LoLo freight and has spare capacity on its LoLo services, with load factors ranging from 50% to 90%. Typically the stevedores handle 100,000 tonnes annually of LoLo cargo by crane on New North Quay. This may be exceeded in 2021, and more so in the future as more building materials are imported.

Although LoLo cannot replace RoRo for convenience and speed of handling, it does have advantages:

- LoLo vessels can be more cost-effective than RoRo because they are more space efficient.
- They are more eco-friendly – a RoRo vessel emits three times the amount of CO₂e per tonne-km compared to an equivalent general cargo vessel²⁷

If LoLo can handle cold chain, it will provide an alternative mode and increase resilience. A new operator, Nostos Marine, is already planning to have cold chain capability on its LoLo vessel from France (see below). RoRo will remain the easier option, but LoLo is possible particularly for frozen goods and, possibly, for fresh produce.

²⁷ <https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2021>

The Ports of Jersey could review and address any infrastructure requirements to support LoLo services, and ensure that there are reefer points on the quayside for temperature-controlled goods, thereby supporting diversity.

Option D. Support the development of French routes

Developing additional supply chains via France is an option for diversification, and there is already interest from retailers and wholesalers, particularly to enable new products to be offered. This may prove more successful now than it was in the past for a number of reasons:

- Significant investment in new passenger and freight handling facilities is planned for the Port of Saint Malo - in particular improvements to the berthing and ramp arrangements, which will make it easier for the high-speed craft to dock.
- Solent Stevedores expanded into St Malo in 2021 and bring their experience of the UK and Channel Islands markets, as well as working relationship with Condor.
- Condor now owns a freight forwarding, shipping and customs agent, Morvan Fils, which specialises in the Channel Islands and UK freight markets. This company has a warehouse in St Malo port, and can handle customs clearance documentation. Condor now has approval to carry freight on the Voyager.
- Further LoLo capacity on the route will be provided by a new entrant, Nostos Marine who plan to commence services early in 2022.
- Retailers are starting to look to France to extend their product lines and investigating solutions to issues such as re-labelling.

Our recommendations are that:

- The initiatives from both existing and new operators to establish services to France are to be welcomed and encouraged. Open communications should be established so that any problems can be addressed (see Theme 3).
- Government stimulus funding to support services until they are established would send a strong signal to customers that it is worth making the necessary investment (such as in barcode labelling) in trading with the EU.
- Ensure the necessary customs skills are available through recommending frequent importers and customs agents attend a course at the UK Customs Academy.
- Disseminate information on market potential. Further independent market research may be required to establish the size of the market and support its develop and growth. For example, this could be via business support groups.

We explored the possibility of connecting France with the UK via Jersey to improve back-loads on the Jersey – UK leg. However, under current operations, the same vessels would not be used on both legs, so goods would have to be transhipped through Jersey. The Brittany Ferries ships that operate between the UK and France are too large to berth in St Helier.

6. THEME 3: UNDERSTANDING AND DRIVING IMPROVEMENT

6.1 INTRODUCTION

The freight logistics sector is undergoing significant change in terms of IT and other technology. This presents challenges to traditional practices, but also opportunities to improve efficiency, enhance customer service, better understand how well services are performing, and reduce waste and make a positive contribution to carbon emissions targets.

This theme and draft findings note the difficulty in securing data to understand how well Jersey's freight logistics market is operating, improvements to which could help support better performance. It also notes the challenges in developing a coherent approach to customer service such as track and trace, and ensuring communication between all users of freight and associated services.

In this section, we look at what is currently limiting the scope for understanding and driving improvement and present our draft findings from stakeholder interviews and comparator analysis. We then set out proposed options for the recommendations.

6.2 SUPPORTING EVIDENCE

Understanding performance

From the Government and regulatory perspectives, there is a need to understand the performance of local freight logistics services, the robustness of performance measures used, and how well such measures align with the needs of customers and key players in the sector. Delays, for example, have impacts throughout the supply chain, as well as to the retailer relying on the early morning delivery of fresh produce. Conversely, the reliance of retailers on Just in Time places additional pressures on freight logistics services.

The RoRo ferry operator Operating Agreement sets out operational performance and customer satisfaction measures covering:

- Cancellations (reliability).
- Schedule performance (punctuality).
- Customer satisfaction.

Monthly Quality of Service reports are submitted to the Harbour Master and the Ferry Services Steering Group (FSSG). These are published on the Ports of Jersey website²⁸. If the operator does not meet the standards, they will be required to provide an explanation to the FSSG for discussion and proposals for remediation. If the service continues to fail to meet performance requirements, this could lead to termination of the contract. The agreement gives termination triggers for cancellations, but not for delays to freight services.

If more than 48 hours' notice is given or there was 'no fault', then a cancellation or delay is not included in the performance measure.

²⁸ <https://www.ports.je/reportsstatistics/qosreports/>

The provider is also entitled to amend the schedule “to account for tide times or for reasons of market demand, commercial or economic viability, or operational necessity”, provided such amendments do not take the schedule below the relevant service schedule as set out in Table 3.

Table 5 shows the definitions of cancellations and delays as a result of a Fault Event. Disruptions caused by weather, health and safety, scheduled maintenance, or unforeseen or unmanageable events would be classed as No Fault Events.

Table 5: Ferry operator performance measures relating to freight to/from UK

Performance measure	Definition	Frequency allowed	Termination triggers
Cancellation	A sailing that is not completed on the day it is scheduled or before 1000 the following day.	Up to 2 in any quarter	12 cancellations in any 1-year rolling period
Material delay	More than 2 hours overdue	1 in any quarter	None listed for freight
Moderate delay	90 minutes – 2 hours overdue	5 in any 1 year	

The problem with this performance monitoring is that it does not necessarily fit in with the needs of the freight sector. A delay of 89 minutes would not class as a delay, but could mean that stevedores, freight transporters and retailers all incur inconvenience and even overtime costs. Moreover, the performance indicators do not fully reflect what is happening within their definitions, because re-scheduling of vessels is allowed under the Agreement, and the cancellations and delays can be measured from the re-scheduled time, not the original timetable. Moreover, when late changes are made to the schedule, this may not be fully reflected in the performance indicators.

Stakeholders were consistent in their view that vessels are having increasing difficulty in meeting the schedule, but this is difficult to confirm as analysis of actual arrival time against original scheduled arrival time, and the precise reasons for delays, is not produced. There is no single cause of these delays, and the weather may be a significant factor, but the monitoring data is not providing relevant feedback.

Jersey is an island and the weather can be bad. People are very understanding of disruptions caused by a storm when they can look out of the window and see it. It is accepted that the monitoring needs to make allowances for the physical and other challenges of operating on Jersey routes. However, there needs to be a greater understanding of what needs to be measured, how it should be measured, the impact of disruptions on all stakeholders, the impact of customers’ demands on freight logistics, and how things can be improved to reduce inefficiencies.

The focus on performance falls on Condor because of the Operating Agreement. There is little information however, on how well the rest of the freight logistics sector is performing. Stakeholders have said that although they have been served well, particularly through the pandemic, there is a lack of innovation, for example in track and trace, and customers do not always feel they are getting the level of service that meets their needs, for example 7 day/week service.

We describe some of the impacts that delayed services have on other operators and customers below.

Impact of delays

Solent Stevedores manage capacity in the Elizabeth Restricted Zone where freight trailers are marshalled. Space is limited as there are only 90 trailer spaces, which is lower than the capacity of the vessels. This is a challenge at the best of times. When the weather is bad, the main priority of the freight operators and Condor is to get goods from the UK to Jersey, not to bring in an empty vessel to take empty trailers back to the UK. Also, Condor is under pressure to meet the schedule and delays could reduce the time they have to load empty trailers, which means they get left behind in Jersey. As a result, there is a build-up of trailers in the RZ. Spaces are held for inbound trailers, but as the area fills up, a 'one in, one out' procedure has to be implemented.

Resource is expended moving trailers, double parking them, shunting them around, even using car lanes outside the RZ (when permitted). Solent Stevedores has invested in additional tugs to speed up movements and employ a full time operative to move trailers. Although the freight operators regard the area as not fully fit for purpose, having an independent company controlling the RZ arguably works to maximise the use of the space available.

There is also an issue relating to passenger services and their impact on freight. Passenger vehicles take priority over freight for loading / discharging, and a high-speed craft can take an hour to discharge. If a passenger vessel arrives in port at the same time as a freight vessel, this causes delays to the freight. It is reported that this has become more of a problem with the Voyager, which can carry 180-200 passenger cars. It is not unknown for 2 or even 3 vessels to arrive at the same time.

The stevedores have crew in place to handle RoRo between 0600 and 2200, and they work split shifts to a maximum of 8 hours in the day. So any ferry arriving outside these hours, or inefficiencies during the day which make staff exceed 8 hours, will trigger overtime payments. The overtime costs are covered by Condor, but are additional costs in the system.

Similarly, **Ferryspeed** will incur overtime payments, and the added inconvenience of equipment being in the wrong place. Ferryspeed have estimated that they need 30% more equipment to allow for trailers being left behind.

For **the retail sector**, the resilience of the ferries has been described as 'challenging', especially when the MV Arrow is in service. They will have staff in place to handle incoming goods, so delays have a knock-on effect right through the chain.

Part of the pressure on freight logistics comes from the Just in Time business model of the customers. Warehouses in Jersey have been closed, and limited stocks are held on the Island, so disruptions in the supply chain have an immediate impact.

Information technology and innovation

There are a range of approaches on Jersey in terms of adoption of IT and sharing of information in freight logistics. Some players have implemented systems such as track and trace, but others have not, preferring to rely on personal communication. New customer-facing systems are costly, and for some of the smaller operators, the more hands-on approach works and is arguably proportionate, although time-intensive. Even for the larger players, there are gaps in the chain of communication from when a consignment leaves the depot in the UK to when it is delivered to the customer in Jersey.

One stakeholder described the logistics IT in Jersey as “trailing edge” with little tracking of vehicles, packing, digital manifests and so on. This might be attributed to the practices of a UK company not providing manifests early enough, but even when information is available, consignments cannot be tracked throughout. When things are running smoothly, there is not a problem. If a consignment goes astray, then locating it may depend on personal connections and knowing who to call. In the independent canvassing of businesses, businesses were asked to rank some common concerns, and the top three included:

- Traceability and notification of delays – communication and track and trace could be improved.
- Order to delivery lead times – e.g. not being able to guarantee next day delivery; ordering from UK increases lead times and reduces shelf-life.
- Customer service could be improved.

The logistics sector is undergoing a technological transformation with integrated systems, the rise of e-commerce, real-time record keeping, warehouse automation and so on. Not to mention the internet of things, where both equipment and goods can be connected to the internet per se. Whilst some of the advances will not be relevant or proportionate to Jersey, e.g. fully automated large ‘Amazon’ style smart warehouses, it is important that logistics still meets reasonable customer expectations and looks for ways to improve efficiency. Steps are being taken by key players in Jersey and this is to be encouraged.

Solent Stevedores have invested in IT in recent years to be compatible with Ports of Jersey, who have upgraded to Office 365 and cloud storage. All the stevedores’ quayside paperwork is now on tablets, and detailed data are collected on:

- Vessel scheduled and arrival times.
- Timings for the first/last trailers out and off the top and main decks, similarly for loading.
- Times the ramp was raised/doors closed.
- Scheduled and actual departure times.
- Record of how many trailers were left behind and comments on the circumstances.

The stevedores are encouraging other operators to become more digitised.

Ferryspeed have digitised load lists, defect report systems, and are making significant investment in IT to improve the whole customer experience, including a new track and trace system.

Woodside Logistics are incorporating the tracking capability that Jersey Post has had to use for cross-border e-commerce, which includes track and trace and identification, digital manifests, etc. They are also implementing new warehouse management systems. Postal services increasingly use radio-frequency identification (RFID)²⁹, and Woodside are looking into it for tracking.

Condor acknowledged that things have moved fast since Brexit regarding customs clearance, advance passenger information, and the need to dovetail with requirements for international documentation in advance. They have legacy systems that are not as agile as they need to be – it takes three hours to implement a schedule change – and they need to be able to handle big data. They are in the process

²⁹ Digital data is encoded in RFID tags or smart labels which can be read remotely

of identifying how they can remove the ‘noise’ from their current systems (40% of the content is not needed) to make improvements.

Customers all tend to have different IT systems of varying complexity, and there are issues with linking with the freight operators, so this is work in progress.

Sharing information and communication

There appear to be varying levels of enthusiasm for sharing operations data and engaging in open discussions on how services could be improved. Investment is taking place in IT, but a holistic and constructive approach is likely to be required to ensure full benefits are realised and systems are interoperable.

As discussed in Theme 1, space is tight in the port and this places pressure on all parties when there are disruptions, thus there is an even greater need to communicate to reduce the amount of ‘juggling’ and management of inefficiency required to keep things moving. Timely communication regarding ferry services in particular could be improved.

The aviation sector is completely regulated, so collaboration between stakeholders and governments is well-established, largely driven by safety, but also the need for cost control and efficiency improvements. For example, the European Commission has laid down a performance and charging scheme for the Single European Sky which is monitored by EUROCONTROL, an intergovernmental organisation which also provides support across the aviation community and shares data³⁰. Individual air navigation service providers have to justify their cost base for the setting of en-route airspace charges.

Freight logistics lags behind in terms of collaboration, but with improvements in systems and increasing awareness of environmental impacts, there is the opportunity and increased incentive to share information.

The stevedores share vehicle condition reports, safety checks and incident reports directly with Ports of Jersey. They have also initiated sharing the data on handling of each ferry referred to earlier, initially with the Port, but they are encouraging Condor to engage with it as well, and it could be rolled out to other operators. The overriding objective is to improve the service by identifying problems and weaknesses, not to apportion blame. This could inform the monitoring as, for example, a ferry may be delayed leaving because the stevedores asked them to stay for 30 minutes to clear trailers from the compound.

Customers may not realise the pressure that Just in Time places on the freight logistics services and the constraints that the operators work under. Holding stock does not have to be inefficient and costly if it is managed well.

Carbon emissions

The environment agenda is likely to become ever more prescient, particularly as the States, in the Carbon Neutral Strategy 2019³¹, have adopted the ambitious aim of achieving carbon neutrality by

³⁰ <https://www.eurocontrol.int/prudata/dashboard/vis/2021/>

³¹ <https://statesassembly.gov.je/assemblypropositions/2019/p.127-2019%28re-issue%29.pdf>

2030. Scope 3 of the strategy is *“the emissions associated with the manufacture and transport of the goods and services consumed in Jersey. This includes the full life cycle emissions throughout a supply chain”* and includes *“the burning of marine diesel when shipping food to Jersey”*.

Freight logistics can make a positive contribution to the strategy by:

- Adopting green fuels for shipping: proposed alternative fuels for shipping include LNG as an interim solution, ammonia, hydrogen, methanol and biofuel. It may be possible to make a round trip from UK without re-fuelling in Jersey, but for security of services, Jersey would need the capability.
- Green fuels for landside operations – this is already underway, for example, Woodside Logistics vehicles use bio-diesel and Ferryspeed are looking into electric vehicles.
- There is speculation that the days of fast ferries are numbered because these might either be regulated out of use, or the cost of fuel render them uncompetitive.
- IT and technological innovations can help improve efficiency, give better asset utilisation and reduce waste.

6.3 FINDINGS FROM THE COMPARATORS

Performance targets and monitoring

Where the relevant government provides monopoly use of the port and/or service subsidies, the contracts come with service conditions, covering:

- Routes operated.
- Frequency of service.
- Capacity.
- Maximum price.
- Average fare.
- Customer satisfaction.

The focus of price controls is generally on passenger services, rather than freight, with both benefiting from capacity and frequency conditions. The exception is the Isle of Man.

There has been a general difficulty in developing service agreements with KPIs that cannot be ‘gamed’, that remain relevant as the market develops, and/or do not lead to unforeseen consequences.

Bornholm

- Bornholm had maximum tariffs on initial contracts which resulted in capacity issues during peak demand periods. This was resolved in a later contract through setting the maximum on average fares.
- The Bornholm ferry service has missed a range of KPIs as the penalty was lower than cost of remediation, so there was no incentive to provide the level of service expected.
- A decline in service quality is often seen as support contracts near their end.

Shetland

- It was reported to us that the ferry services are resilient, there is general satisfaction with vessels' recovery from weather-related disruptions, and very few mechanical problems arise. The RoPax services appear to have higher reliability (approaching 100%) than the freight-only RoRo vessels (high 80%), as the latter are apparently more impacted by adverse weather (this generally results in omitting a call at Orkney rather than Shetland). However, we understand that detailed performance data on this route are not made available by either the ferry operator or Transport Scotland, who manage the contract with Northlink.
- The overall Northlink Serco contract with the Scottish Government specifies sailing reliability and punctuality which has tighter windows for delay than in Jersey as shown in Table 6. Performance monitoring is not adversely affected by "Relief events" such as sailings cancelled due to bad weather in line with safety procedures, and delays due to unavailability or operational restrictions of harbour facilities.

Table 6: Serco Northlink punctuality definitions

Performance measure	Passenger (over 2 hours scheduled journey time)	Freight
Level A lateness	30-60 minutes	45-60 minutes
Level B lateness	Over 60 minutes	Over 60 minutes

- There appear to be some capacity issues regarding movement of freight at the times required. The perception is that non-urgent freight gets delayed, as priority is given to urgent/ time-sensitive freight. The latter has guaranteed spaces on specific sailings, though the rate structure does not reflect this. In September and October, livestock exports from both Shetland and Orkney peak and this leads to delays in moving freight (unless additional capacity is brought in - the MV Arrow has been used in the past). No data are made available on how often freight is moved later than the customer desires.

Isle of Man

The Sea Services Agreement between Isle of Man Government and IOMSPC does not include targets for punctuality or reliability of sailings.

Information technology

In the **Isle of Man**, the Harbours have been investing in IT. They have digital check-in and out of the weighbridge, and share the data with IOMSPC. For example, the Harbours know the traffic that is being carried on the inbound sailing from Heysham before it leaves that port. They also track movements in out and of the port area, and inside, particularly for the location of dangerous goods. Freight operators' drivers have passes to check in and out of the port. Some of the digital investments have been to meet certain standards/regulations.

Information on the other comparators regarding IT has not been available.

Sharing information

There are some very good examples of institutional responses to aid this, more generally related to supporting the development and growth of sector clusters (for example Mersey Maritime), and more specifically to freight routes (such as the Shetland External Transport Forum – see below).

Shetland External Transport Forum

This Forum is organised and chaired by ZetTrans (local transport partnership) and meets quarterly. Attendance is by invite and comprises:

- ZetTrans officers and Chair.
- Shetland Islands Council Councillors.
- Major island hauliers.
- Representatives of Shetland seafood sector.
- National Farmers Union.
- Lerwick Port Authority.
- VisitScotland-national tourism agency.
- Association of Shetland Community Councils.
- Scottish Youth Parliament MP.
- Voluntary Action Shetland.
- Highlands and Islands Enterprise (economic and social development agency).

At each meeting a presentation is made by the following organisations:

Transport Scotland: They subsidise Shetland external ferry services, specify fares and timetables, and provide the vessels that are operated. In the meetings, they tend to cover issues such as adequacy of available capacity; acquisition of existing or building of new vessels for the route; and the importance of local input into decisions being made by Transport Scotland.

Chief Executive of **NorthLink Ferries:** Typical issues include service punctuality and reliability, traffic volumes, forward bookings, deck capacity utilisation, and marketing activity. However, the slides used are not circulated to attendees after the meeting which is a source of frustration as they contain various facts and figures.

Chief Executive of **Loganair:** The sole provider of scheduled flights to Shetland. They tend to cover issues such as traffic volumes, punctuality and reliability, and changes to timetables and/or aircraft used.

Attendees also have the opportunity to raise any other issues. Overall the Forum provides a welcome opportunity for local organisations to regularly ask questions of, and make suggestions to, top management of providers of Shetland's external transport services.

6.4 OPTIONS FOR RECOMMENDATIONS

In this section we discuss a spectrum of options for recommendations that may change those features of the market we have identified as barriers to understanding and driving improvement. Our options are focused on collaboration and sharing of information in order to improve efficiency and will require work and support by a wide pool of stakeholders in order to be successfully implemented.

Option E. Data reporting

A new code of practice on expectations for data reporting could be developed, based upon analysis of what would actually be needed to provide meaningful monitoring of freight logistics services. This code could cover what is reported, by whom and when.

There are many supply chain key performance indicators (KPIs) that could be set, but the focus should be on measures and information sharing of things that really matter to increasing operational efficiency and meeting customer needs in freight logistics. It should not be a burden and metrics should not be easily gamed. A good starting point could be the operational data that Solent Stevedores have started gathering (see 6.2 Supporting evidence).

Metrics and data reporting need to be developed for all significant players in the supply chain i.e. port, ferries, stevedores, freight operators and customers; this is not just about ferry operations although they are crucial and a better understanding is required of the factors that affect reliability, so that the whole sector can work together. These should not be developed in isolation, but take account of what is important for other parts of the supply chain to function efficiently. The metrics also need to take account of context, for example, it may be beneficial overall for a ferry to leave late, if that enables containers to be cleared from the yard, as long as that does not lead to knock-on delays.

Consideration should also be given to the interfaces between the IT systems used by different stakeholders, what data could be shared and how, and whether in real-time or not. It is important that data communication should be easy and not time-consuming.

Option F. User forum

A user forum or freight logistics cluster could be set up to encourage the sharing of ideas; greater communication and collaboration between all players in the supply chain; and to drive improvements and innovation. The response from a wide variety of stakeholders, both service providers and customers, about participating in such a group has been very positive.

The potential impact and longevity of such soft measures should not be underestimated. At their best, they provide the right balance between driving competitiveness, whilst at the same time encouraging cooperation for the benefit of the market as a whole.

It is important that such a group provides a safe place for members to talk about what is not going so well, manage expectations and make suggestions for improvement in a constructive manner. An independent body such as Jersey Business could be well-placed to manage the group. The forum could discuss topics such as the decarbonisation of freight logistics; how data can be utilised effectively (this ties in with Option E); digitalisation and technological advances; meeting future challenges and so on.

Safeguards would need to be put in place to ensure no exchange of sensitive commercial information takes place amongst competitors during such forums to ensure compliance with competition law requirements.

Option G. Encouraging innovation

The Government and wider stakeholders have a role in stimulating enterprise and encouraging greater innovation and R&D. For example, the Government set up the eco active business network which encourages businesses to satisfy environmental standards and conditions.

We propose initiatives for freight logistics such as best practice awards, and pilot funding for projects that advance improved efficiency and environmental gains in the freight logistics market pertaining to Jersey. This could be closely linked to Option F and will be stimulated by performance metrics in Option E.

ANNEX 1: STAKEHOLDER ENGAGEMENT

We would like to thank the following stakeholders for engaging openly and constructively with this work:

- Ports of Jersey.
- Solent Stevedores.
- Condor Ferries.
- Ferryspeed.
- Woodside Logistics / Jersey Post.
- Iris Freight.
- Channel Seaways / Alderney Shipping.
- The Co-op.
- JJ Fox Trading.
- Nostos Marine.
- Government of Jersey.
- Serco Northlink Ferries.
- Isle of Man Harbours and Coastguard.
- ZetTrans, Shetland.
- Transport Scotland.

As part of the wider consultation, 20 businesses/organisations in the following sectors were interviewed in a parallel exercise to inform this work:

- Construction.
- Public sector.
- Retail – supermarkets food and non-food such as DIY, builders' merchant.
- Retail – other particularly smaller operators.
- Hospitality.
- Producer, semi, or any full manufactures.

As part of additional research on trade links with France, Jersey Customs and Immigration were also contacted.

Although issues are apparent, feedback has often been positive. All of the stakeholders consulted felt that the supply chain performed well during the Covid-19 pandemic, which was a real test of resilience. Ferry services and other transportation services responded flexibly and carried on operating, ensuring that Jersey was well-supplied with food and other goods.

Figure 6 gives a high-level overview of stakeholders' concerns categorised under our themes. The stakeholders were asked open questions about what they consider to be the key risks to future freight logistics and about their main problems. The resulting distribution is based on a subjective categorisation of individual responses by theme and grouping of comments relating to the main point being made. Barriers to competition and the lack of diversification are to the fore, although theme 3 was also a hot topic. 'Other concerns' principally relates to staffing issues, both in the freight logistics sector in general (e.g. shortage of truck drivers) and in Jersey.

Figure 6: Distribution of comments by theme

