

**Ports of Jersey's response to the JCRA's Regulatory Review  
of Air and Sea Port Operations: Pricing Framework  
– Non-statutory Draft Decision**

**Links to JCRA documents:**

[Regulatory Review of Air and Sea Port Operations - Pricing Framework Draft Decision | JCRA](#)

<https://www.icra.je/media/598952/ey-report-analysis-to-inform-the-future-pricing-framework.pdf>

**1. Introduction**

Ports of Jersey (“PoJ”) welcomes the JCRA’s (the “Authority”) consultation regarding the “Regulatory Review of Air and Sea Ports Operations: Pricing Framework” and appreciates the constructive and collaborative way in which the Authority has approached the development of the new pricing framework.

PoJ recognises the importance of our role as Jersey’s gateway to the world, and the key role we play in enabling Jersey’s economy to thrive. We take our responsibility as custodians of two of Jersey’s most important infrastructure assets seriously, and we are conscious that the capacity, resilience and quality of the facilities we provide directly impacts our aviation and maritime customers, passengers, and Jersey’s economy.

Throughout 2023, the Board of PoJ worked closely with the Government and the Ports Policy Ministerial Group to develop the Policy Framework for the Ports Sector, published in January 2024. The policy framework clearly defines the key strategic priorities for the sector. It is now important to finalise a pricing framework, to commence in January 2025, that supports the delivery of these strategic priorities, enabling critical investment in the resilience and capacity of the Airport and Harbour infrastructure.

PoJ’s vision is for a pricing framework that:

- Supports the purpose of Incorporation
  - Supports an airport investment programme that provides long-term benefits for airlines, passengers, and Islanders
  - Supports a harbour investment programme that provides long term freight capacity, an enhanced customer experience, supports the blue economy, and plays its part in the regeneration of St. Helier
  - Supports the delivery of its five-year strategic business plan, the roadmap for delivery of the policy-goals for the sector, approved by Government of Jersey
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- Ensures the interests of customers are appropriately supported whilst encouraging innovation to enhance service delivery
- Enables PoJ to secure financing to deliver its capital investment plan, and service the associated debt in the future
- Recognises the significant impact of the Covid-19 pandemic on the financial position of PoJ
- Incorporates continued delivery of the Public Service Obligations established at the point of incorporation by the States Assembly.

PoJ looks forward to continuing to engage with the Authority to finalise the pricing framework, for its introduction in January 2025.

## 2. Response to Consultation Questions

***Question 1: Do you agree with the Authority’s structural approach to the pricing framework set out in chapter 3 of the draft decision? For example, the basis of the price control (single till), the duration of the price control (five years) etc?***

Overall, PoJ agrees with the Authority’s structural approach to the pricing framework.

PoJ asks that sufficient flexibility is incorporated within the pricing framework, to ensure that it is always able to implement the obligations placed upon it within the Policy Framework for the Ports Sector, including the overarching objective to *“enable it to continue the provision of essential public services to the Island in a sustainable manner”*.

At a more granular level, key considerations from the Policy Framework, which PoJ asks are reflected within the pricing framework are:

- *“Economic regulation of the Ports Sector should balance the interest of consumers with the timely implementation of the significant capital investment in critical infrastructure required at the Airport and Harbour”*
- *“Economic regulation should allow Ports of Jersey the flexibility to amend tariffs to influence the environmental sustainability of ferry and aviation services”*
- *“Government expects that Ports of Jersey will at all times discharge its Public Service Obligations”*. Given the materiality of these Public Service Obligations, it is essential that there is a mechanism to recover the associated costs through its pricing framework.

Separately, PoJ respectfully asks that consideration is given within the pricing framework to:

- Enable PoJ to “rebalance” certain regulated charges, that in many cases were set well before its Incorporation and have since only been updated for inflation (plus 1%), where there is a clear case that the current charge is significantly below market rates.
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- Undertake a review of the charges contained within the pricing framework to determine whether there are any specific charges which should no longer be regulated.
- Ensure that any cumulative revenue management mechanism (as described in sections 3.36-3.40) is straightforward and is capable of being implemented. In the period of the pricing framework 2020-2024, PoJ's revenues were hugely impacted by the covid-19 pandemic and consequently fell below the defined tramlines. PoJ withstood the pandemic without seeking any exceptional price increases. It is highly unlikely that PoJ would be able to deliver the objectives contained in the Policy Framework for the Ports Sector, or its strategic business plan, if its revenues were again materially below similar tramlines.

**Question 2: Do you agree with the Authority's approach to key pricing framework parameters set out in chapter 4 of the draft decision?**

Overall, PoJ agrees with the Authority's approach to the key pricing framework parameters, subject to the following specific comments regarding the level of cost of capital proposed by the Authority.

- The investment requirement in critical Airport and Harbour infrastructure will span beyond the life of the proposed pricing framework. Although PoJ will expedite delivery of this investment, the timeline will be determined by PoJ's ability to secure and service the scale of debt required to finance the capital investment programme (driven ultimately by its profitability).
- A series of key dependencies, confirmed in PoJ's 5-year strategic business plan (approved by Government), materially impact PoJ's financial performance, including:
  - Implementation of the Visitor Economy Strategy (published by Government in December 2023) is required to ensure Visit Jersey has the necessary resources to undertake destination marketing, whilst reversing the decline in visitor accommodation (and consequent increase in pricing) will impact actual passenger numbers at the Airport and Harbour
  - Agreement with the French and UK Government's to enable French citizens to visit Jersey using an ID Card (rather than a passport) will determine Ferry passenger numbers
  - Conclusion of arrangements for future Ferry Services will impact the operating expenses at the Harbour
- PoJ will progress investments at the Airport and Harbour simultaneously, given that the time required to secure certain approvals (eg Planning) is beyond PoJ's control.

PoJ engaged KPMG to evaluate its cost of capital and shared its findings with the Authority. Though PoJ appreciates the Authority's desire to be consistent with previous decisions and

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precedents in the UK, it is PoJ's opinion that a risk premium is warranted given key characteristics impacting PoJ, including:

- PoJ is responsible for material Public Service Obligations (unlike similar privately owned regulated infrastructure companies in the UK)
- There is a significant cost premium associated with procuring contractors for infrastructure projects in Jersey
- As mentioned above, a number of key dependencies materially contribute to PoJ's financial performance which are beyond its control

PoJ therefore asks that the Authority gives consideration to a higher cost of capital (in excess of 8.5%) in determining its pricing framework decision.

**Question 3: *What are your views on the scenarios used to generate the value of 'X' set out in chapter 5 of the draft decision?***

PoJ agrees with the Authority's view that a price control should allow for efficient investment and operational expenditure.

- PoJ agrees that the value of 'X' should be linked to the delivery of its capital expenditure programme. Given the clearly documented requirements of the Policy Framework for the Ports Sector, as well as the contents of PoJ's 5-year strategic business plan (approved by Government), PoJ has proceeded in good faith to secure the financing required to deliver its investment programme. It is important that the final structure of the pricing framework supports PoJ's financing arrangements.
- PoJ agrees that the scheduled date provided by the Authority for its Final Decision on the Review, of Autumn 2024, provides sufficient time to assess PoJ's progress with respect to the planning process and its proposed investments.

**Question 4: *Do you have any other comments on any other matters relating to the Draft Decision?***

PoJ does not have any other comments relating to the Draft Decision and looks forward to the conclusion of the process and confirmation of the pricing framework ahead of its introduction in January 2025.

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