



Case C-070

# Construction Sector Review: Draft Findings

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# 1 Overview

- 1.1 This document is the Jersey Competition Regulation Authority's (the **Authority**) draft findings from its sector review of construction.<sup>1</sup> The review is overarching, and necessarily high-level on certain aspects. However, the supporting analysis published alongside this document contains a comprehensive overview of the sector and provides key insights into sector outcomes. The Authority is consulting on the information and data and draft findings set out in this document and the accompanying supporting analysis document (**supporting analysis**).
- 1.2 This document is structured as follows:
- Chapter 2 provides the background to the sector review and the approach taken by the Authority;
  - Chapter 3 sets out the sector outcomes and draft findings, which draws on the supporting analysis; and
  - Chapter 4 sets out the questions on which the Authority is seeking views and how to respond to this Consultation. It also provides an overview of next steps. The closing date for responses is 16 May 2025.

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<sup>1</sup> All case documents can be found at: [C-070 Construction Sector Review](#)

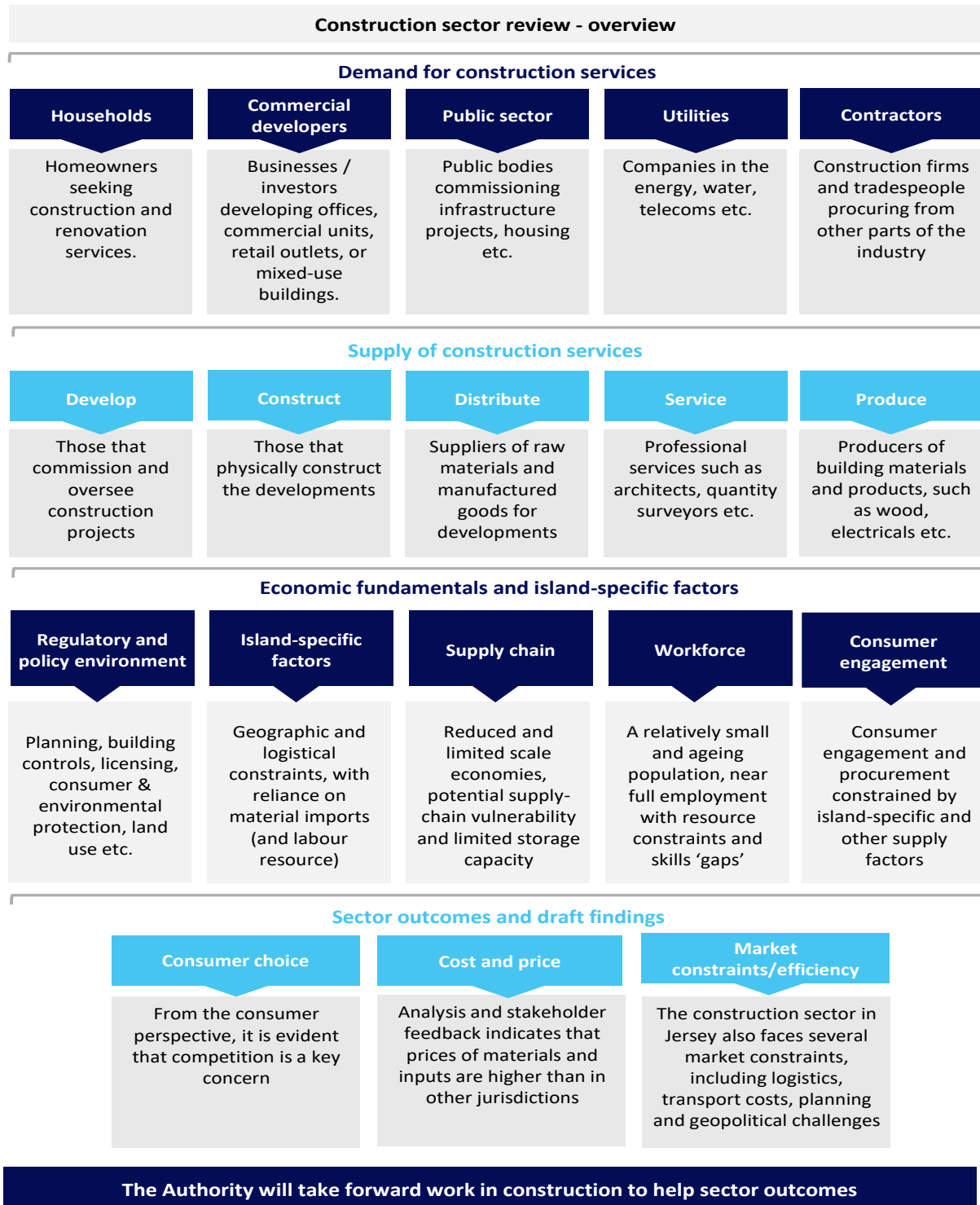
## 2 Background

- 2.1 A sector review is similar to a market study and offers a flexible tool to explore whether a sector is working well for consumers. Broadly, it considers the relationship between consumer behaviour in a sector, the behaviour of businesses in that sector, the structure and other factors relevant to the performance and operation of a sector. A sector review is generally wider in scope than a market study, but enables an overarching perspective of outcomes and high-level analysis of business activity and markets across a sector's supply chain.
- 2.2 While the Authority will seek to apply a consistent approach and 'template' to each sector review, it is not a formal competition investigation, and the Authority has wide discretion in how it frames a review and the analytical framework it chooses to apply.
- 2.3 The construction sector is not currently subject to any form of sector-specific economic regulation, but remains subject to the Competition (Jersey) Law 2005, enforced by the Authority. It is within this framework that the sector review is being carried out.
- 2.4 The review was launched because:
  - The construction sector plays a key role in the Jersey economy, and the supply and demand of products and services impacts Jersey consumers and both the commercial and public sector; and
  - In addition to recent market developments, there are major construction projects underway and other large-scale developments forecasted.
- 2.5 In August 2024, the Authority announced the sector review and published a case opening statement. Consistent with the case opening statement, the Authority has developed draft findings setting out potential areas of focus for competition policy.
- 2.6 Between September 2024 and March 2025, the sector review was progressed and informed by means of the following workstreams:
  - A consumer survey, which took the form of qualitative and quantitative assessments of consumer experiences of the construction sector;
  - Structured stakeholder engagement, involving meetings and consultation with a broad cross-section of participants from the construction sector (this included Government and other key stakeholders); and
  - Independent research and analysis into key sector metrics including cost, price and other factors has also been a key workstream of the review; this included high-level comparative analysis and benchmarking.
- 2.7 A summary of this work and analysis is included in the supporting analysis published alongside this document. The full consumer survey report, compiled by local market research specialists 4insight, has also been published.

### 3 Draft findings

3.1 Figure 1 below provides a simplified overview of the Authority’s draft findings. These are discussed in further detail in this chapter, with accompanying evidence presented in the supporting analysis document.

Figure 1: Overview of the Authority’s draft findings



## Sector context

- 3.2 Construction activity often includes large-scale infrastructure developments requiring corresponding levels of labour resource and materials. Moreover, construction is cyclical, and large-scale developments within the context of a small island economy will be subject to capacity constraints and additional logistical challenges. Therefore, it is clear that certain island-specific factors have a significant impact on the operation of the construction sector and sector outcomes.
- 3.3 Jersey's relatively small island economy and geographic constraints impose logistical and transport overheads, while a reduced ability to acquire bulk-construction purchases influences cost levels and efficiency. Further, given the lack of natural resources on-island, the construction sector is almost wholly reliant on off-island raw material imports. Relatedly, limited on-island storage and logistics capacity constraints impact supply chain costs (and may also create vulnerability to disruptions).
- 3.4 The Government of Jersey plays a key role in the construction sector.<sup>2</sup> As a market participant on the supply-side, it determines and manages the regulatory and policy framework in respect of planning, land use, building regulations, licensing, workforce policy and other factors. It is also a key determinant of demand, with public sector construction activity accounting for a large proportion of total demand. Future economic growth and construction activity is also subject to Government strategy, planning and demand. In that context, progressing the Government's new strategic planning programme<sup>3</sup>, and providing an overview of future demand, will likely be a key enabler for the construction sector.

## Draft findings

- 3.5 It is clear that fundamental economic and island-specific factors significantly influence and affect competition in the construction sector. Further, the combined effect of island-specific factors, the cyclical nature of construction, and on-island supply-side conditions, can be difficult to decouple from the effect of competition and market practices.<sup>4</sup> However, there are competition factors relevant to the performance and operation of the sector, and these have been observed and assessed by means of survey data, stakeholder engagement, analysis of market structures and practices, and comparative benchmarking.

### Consumer choice

- 3.6 While the demand and supply of construction is influenced by island-specific factors, outcomes in the sector are not wholly determined by these factors. For example, when viewed from the consumer perspective, it is evident that competition is a key concern, as it is seen as being relatively muted. Indeed, based on survey data, consumers expressed broad concern with the lack of competition and choice in construction.<sup>5</sup>
- 3.7 In terms of cost and affordability, consumer survey data indicated prices are the most significant consumer issue in the construction sector. This is possibly a result of the pronounced cost

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<sup>2</sup> See slide 8 of the supporting analysis.

<sup>3</sup> This is the *Island Construction Engineering Programme*, see slide 8 of the supporting analysis.

<sup>4</sup> Slide 7 of the supporting analysis provides an overview of economic fundamentals and island-specific factors.

<sup>5</sup> See slides 13 to 14 of the supporting analysis for an overview of the consumer research.

increases in recent years. In general, consumer sentiment toward the construction industry is broadly negative.

### Cost and price

- 3.8 In respect of the supply-side, island-specific factors are clearly a driver of sector outcomes, for example geographic constraints will impose a higher underlying base-cost. However, similar to other jurisdictions like the UK, certain markets within the construction supply chain are also highly concentrated, and price competition on-island may be muted. For example, stakeholder feedback indicates that prices of materials and inputs are somewhat higher than in other jurisdictions (UK and France).<sup>6</sup>
- 3.9 More generally, construction sector productivity is lower than the UK. Efficiency in construction in Jersey would appear to lag other sectors of the economy (and other jurisdictions); possibly driven also by labour and skills gaps and other structural factors. Labour costs are also higher than in comparable jurisdictions, resulting in relatively higher build costs.<sup>7</sup>

### Market constraints/efficiency

- 3.10 The construction sector in Jersey also faces a number of market constraints. One of the key constraints relates to a primary island-specific factor – logistics and transport. The logistics of transporting building materials to Jersey is a cost driver and a key determinant in sector outcomes; stakeholders indicate that transport fees add between 10% and 15% to material costs.<sup>8</sup>
- 3.11 A frequent theme in the consumer survey and stakeholder engagement was planning and approvals (for small and large building projects). This is perceived to be a market constraint, with consumers indicating that the planning process can be inconsistent and may add to overall costs. More widely, stakeholder engagement indicates general uncertainty in the planning process, and potential inconsistencies in planning decision-making.<sup>9</sup>
- 3.12 Consistent with the experience of many other sectors of the Jersey economy, construction has also been subject to geopolitical and financial challenges. The output of the construction sector increased in the year 2022 to 2023 (by 5.3%), and indicators of sector profitability are generally positive.<sup>10</sup> However, there have also been several business closures in the sector over the previous two years, and the operating and commercial conditions in construction remain uncertain.<sup>11</sup>

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<sup>6</sup> See slides 15 to 16 of the supporting analysis for an overview of the stakeholder engagement.

<sup>7</sup> See slide 11 of the supporting analysis.

<sup>8</sup> The stakeholder engagement and analysis was carried out ahead of the change in ferry provider. The Authority notes that given the relevance of logistics and freight we assume the introduction of alternative or flat rates may have an influence on downstream markets.

<sup>9</sup> As noted in the supporting analysis, the recently published [Planning Performance Report](#) shows that planning approval rates are currently at 80%, with a lower number of applications (18%) being overturned by the Planning Committee.

<sup>10</sup> See slide 10 of the supporting analysis.

<sup>11</sup> Business closures appear to be a result, and possibly a combination, of different factors. For example, challenging sector conditions stemming from the pandemic, ongoing geopolitical and economic events, cyclical and uncertain market demand, persistent financial challenges and cost pressures, and also issues specific to certain on-island business.

## 4 The consultation and next steps

- 4.1 The Authority is consulting on the information and data, and draft findings set out in this document and the accompanying supporting analysis. This builds on the extensive consultation and engagement already undertaken with consumers and industry stakeholders. The Authority welcomes feedback from any interested parties, and the questions on which the Authority is seeking views are set out in box 1.

### Box 1: The consultation questions

**Question 1.** Do you agree with the Authority's analysis and assessment of the construction sector?

**Question 2.** Do you agree with the Authority's draft findings, and do the draft findings capture all the competition issues in the construction sector?

**Question 3.** Do you have any other input or comments on any of the matters raised in the Authority's construction sector review?

- 4.2 Responses can be submitted by email to [info@jcra.je](mailto:info@jcra.je) or alternatively submitted in writing to the Authority's office. All responses should be clearly marked: 'Construction Sector Review: Draft Findings'. Please respond no later than 16 May 2025. For transparency and to help inform the review, the Authority intends to publish all responses received. In providing responses:
- Please supply a brief summary of the interests or organisations you represent, where appropriate, and also indicate whether you wish for the response to be attributed or published anonymously;
  - Please consider whether you are providing any material that you consider to be confidential, and explain why this is the case; and
  - If the response contains confidential information, please also provide a non-confidential version of your response.
- 4.3 Subject to consideration of stakeholder responses to the draft findings, and following ongoing analysis, the Authority intends to follow-up the construction sector review with separate work in this area. This is likely to take the form of competition advocacy (and market surveillance), as well as targeted areas of competition work within the construction sector.
- 4.4 The Authority will continue to closely monitor developments in the construction sector and publish an update on the sector review after closure of the consultation period and consideration of the responses.