

2025.07.08

4.11 Deputy H.L. Jeune of the Minister for Sustainable Economic Development regarding the flat rate price per lane metre pricing model used by DFDS (OQ.173/2025):

Will the Minister state whether the use of the flat rate price per lane metre pricing model by DFDS has been assessed to result in fair, cost-effective outcomes without unjustified price increases for Islanders and local businesses?

Deputy K.F. Morel (The Minister for Sustainable Economic Development):

Being just over 3 months into a 20-year contract, it is far too early to assess any of the outcomes of this 20-year operating agreement with DFDS. There is no question that the new flat rate card is intended to create a level playing field and provide transparency to promote competition. For the first time we have also included a robust mechanism to govern future price increases. This will create price stability that Islanders have not had and will ensure that we do not see a return to 19 per cent freight rate increases that were created by the previous incumbent.

4.11.1 Deputy H.L. Jeune:

I thank the Minister for his answer. With his answer, I assume the Minister still stands by the chief economist's view that the lane metre pricing model would have minimal impact on prices and, as stated in the media, likely less than 0.5 per cent? Has any new evidence led to a reassessment so far?

Deputy K.F. Morel:

I absolutely have faith in the chief economic adviser's assessment. His assessment was that any increase in price would lead to a 0.4 per cent increase in a classic shopping basket. That is less than R.P.I. (retail price index) because R.P.I. includes services which are not involved in shopping. I did have, interestingly, a conversation with a freight provider in Jersey recently. They said that their own calculations, they believe, showed that any increase in that shopping basket would be more like 0.3 per cent rather than 0.4 per cent.

4.11.2 Deputy A.F. Curtis:

Is the Minister aware of any logistics operators who have not increased their prices under the new agreement? Have all logistics operators, to his knowledge, increased prices to consumers or have some kept the prices the same?

Deputy K.F. Morel:

I have to say in response to that, I do not know, is the answer. One of the issues previously was we did not have sight of many of the prices. There is no requirement for any freight provider to report their pricing to me or any other Minister or States Member. I am afraid I just do not know.

4.11.3 Deputy J. Renouf:

I wonder if the Minister accepts that a consequence of the flat rate is that those who rely on the dominant freight operator are no longer able to take advantage of discounts, which means that it is a case of taking a small amount of pain now in order to have competition in the future.

Deputy K.F. Morel:

There is no question in my mind, this change is a change that creates a transition. As with any change, there may be gainers and there may be those who gain less or even lose from that. We had no sight of discounted rates that the Deputy refers to, and that again was one of the issues. There was no clarity as to what was being charged to whom and by whom.

4.11.4 Deputy J. Renouf:

Does the Minister worry that the short-term costs adjustment, or whatever we want to call it, may be putting quite a high cost in some areas of the economy? For example, we had the recent closure of a food operator that cited increased freights costs.

Deputy K.F. Morel:

I note the Deputy mentions a recent closure of a food operator. I think there are also other reasons that are not cited for such closures. It is always difficult because when any business closes it is easier from their perspective to point to certain factors beyond their control. I, in my view, do not ever hear the full stories around these matters. I always and genuinely constantly feel a great sense of responsibility and concern for the Island's economy. I believe we have made the right decision for the long-term stability of freight to this Island. I stood and asked a previous Chief Minister to change the title from Minister for Economic Development, Tourism, Sport and Culture to Minister for Sustainable Economic Development precisely because I believe that when you are talking about economics and economic development, you should be looking at the long term as much as you have to at times look in the short term, and I stand by that. I do believe strongly that this is an excellent change which will bring, not just competition to the market, but also bring price stability to the market. It is also important for Members to understand that the J.C.R.A. (Jersey Competition Regulatory Authority) in its own report on freight, pointed to the fact that freight costs are only 7 per cent of the cost of goods on our shelves. Any increases need to be borne in mind that any effect should only be borne in that 7 per cent. This is a minimal element of any cost of the goods on our shelves.

4.11.5 Deputy D.J. Warr:

Just in connection with data, I just want to say to the Minister, it would be helpful if his department just picked up the phone to us. I can share some immediate information with you, and that is that freight costs have gone up by 11.5 per cent in the last 12 months. I can just tell you that across the room now, and easily do that, so I do not understand where there is this issue of a lack of transparency with collecting information on that front.

Deputy K.F. Morel:

I do not understand what the Deputy is referring to at all. It is not possible for my officers to phone round every business in Jersey to find out their thoughts. That is inconceivable as a concept. I think it is also important to understand, the Deputy referred to an 11 per cent increase over 12 months. Well this has been in for 3 months. It is really important that all the tenders received - all the tenders received - increased freight prices, so there would have been freight price increases regardless. If the Deputy has seen an 11 per cent increase at his business, then it would be interesting to know exactly how that has been broken down. He, himself, should ask his freight provider how has that come about? What are the costs that the freight provider is taking into account when suggesting that 11 per cent increase because, as I point to, the cost of freight is only 7 per cent of the cost of goods on our shelves. I think the Deputy should be assured that as a businessman he will now have understandable sight and understanding of freight prices that his freight providers are being charged by the ferry company. He will understand in the future how much those freight prices are going to go up, so he will be able to challenge his freight companies when he believes there are excessive freight price increases. That is something that the Deputy is unable to do today but next year he will absolutely be able to challenge his freight companies because he will have transparency as a businessman as to exactly what that freight company is being charged by the ferry firm.

4.11.6 Deputy M. Tadier:

What the Deputy will not be able to do is negotiate a price with the ferry themselves because of the flat rate card; so much for free market. Does the Minister agree that when he says they had no sight of the reduced costs that had been negotiated between the old ferry provider and Ferryspeed, presumably, why should he have had sight of that? Why does he think that he should have had sight and knowledge of a contract between 2 private businesses?

[11:45]

Deputy K.F. Morel:

I think the Deputy's initial comment showed a lack of understanding of the way these things work, which I find fascinating. I would say in recent years we have seen the previous ferry firm increase their freight prices by 19 per cent, but we learned that through the freight forwarders, not directly from the ferry company. As Government, we have had no ability to see exactly what freight prices are being charged by the ferry firm. When freight prices go up, all the freight forwarders point to the ferry firm but we had no way of confirming whether the freight forwarders were being fair or were being unfair; we could not know. Now that we have that transparency, we will know exactly where the pricing is going up. To that first comment that the Deputy made, there is a huge amount of negotiation that is possible between the recipient, a customer company, and the freight forwarders because the cost of the ferry service is only one element of the cost of the freight forwarding. There are all the other elements of freight forwarding that ultimately end up in the price being charged to the end customer in Jersey, so there is still vast room for negotiation.

4.11.7 Deputy M. Tadier:

Does the Minister believe that he needs to work on his messaging because when he tells businesses, including one businessman in this Assembly that his figures are wrong and that it is 7 per cent, does he accept that businesses are the ones who know best, and that the message that the Minister seems to be putting out is that when the economy is going well and when things are going well in the economy, he will take credit for them, but when certain things do not go well, when firms go bust, it is nothing to do with him?

Deputy K.F. Morel:

I reject entirely the Deputy's assertions, which are quite childish, in my view. I did not say that the Deputy who spoke previously was incorrect in his data; that is not something that passed my lips. I did not contest the 11 per cent rise that he claimed he had had. I believe that; I have no reason to disbelieve that. What I said was that the J.C.R.A. study into the freight showed that the cost of freight in the price of the good on the shelf in the shop comes to only 7 per cent of the price of the good on the shelf. That is entirely different to the 11 per cent increase that the previous Deputy was speaking about.

4.11.8 Deputy H.L. Jeune:

We have heard from the Minister that he believes it is too early to make a full assessment of all the consequences of this model. He also has not heard or listened to stakeholders if there has been any impact or not. Does the Minister have plans to undertake assessments or further discussions with stakeholders about its impact in the coming months?

Deputy K.F. Morel:

I constantly listen to businesses, I constantly speak to businesses. I constantly listen to representative organisations and speak with representative organisations. I will continue to do that. The previous Deputy, when speaking, said that I like to take credit when things are going well but not when they are going badly. That cannot be farther from the truth. I have sat down with hoteliers, who have sat there speaking to a question that we will have later today, and said: "Tell me about your problems." I absolutely take responsibility for decisions that I make. I absolutely feel strongly and care deeply about the impact on any decisions made here or elsewhere in the world about their impacts on our economy. I do not just take credit, I am always held to account.