

2025.09.08

3.5 Deputy K.M. Wilson of St. Clement of the Minister for Sustainable Economic Development regarding publishing a comparison of freight costs before and after the introduction of the new flat rate card (OQ.196/2025):

Will the Minister commit to publishing a comparison of freight costs before and after the introduction of the new flat rate card, so that the public may judge whether the contract with DFDS is working as intended; and if not, why not?

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

Such a comparison, number one, would not shed any light on whether the contract is working as intended. But I must also add that direct comparisons cannot be made from today and previously due to the opaque nature of freight-pricing arrangements during the incumbent's previous tenure. The new flat rate card is entirely designed to create the transparency that was not there in the past. That promotion of transparency is expected to promote competition and, at the very least, an understanding long into the future of where freight prices will be set.

3.5.1 Deputy K.M. Wilson:

Earlier this year, the chief economist advised that the contract with DFDS would result in a maximum increase of 0.4 per cent in food prices. This projection was used to reassure the public and States Members that the new freight pricing structure would significantly increase the cost of living. If the Minister cannot produce any comparative data then will he explain what assumptions, exclusions and uncertainties were behind the 0.4 per cent figure and what corrective action Government will take if costs continue to increase above the 0.4 per cent figure?

Deputy K.F. Morel:

The person to ask about the 0.4 per cent figure in the main is the chief economic adviser, but I have no reason to doubt the chief economic adviser's assumptions and calculations. But it must also be said that that 0.4 per cent on a basket of shopping goods is not 4.4 per cent on R.P.I. (retail price index); it is much less than that. It is also very important to understand that following the J.C.R.A.'s (Jersey Competition Regulatory Authority) own investigations into the freight sector, that they determined that distribution of goods to the Island and into the Island came to just 7 per cent of the cost of goods on the shelves. So we are talking about a very, very small amount of the overall cost of goods in Jersey. That 7 per cent for distribution costs includes on-Island distribution costs, and so that 7 per cent is not made up solely of ferry and freight costs. It is made up of people distributing on-Island themselves. Deputy Wilson, particularly as a member of the Economic and International Affairs Scrutiny Panel, I am sure would easily happily engage with the chief economic adviser to understand that more.

3.5.2 Deputy M. Tadier:

A few days ago one of his own Assistant Ministers published publicly on a public website, unsurprisingly, a Facebook group, the following question that I expect to be asked is how the chief economic adviser estimated a 0.4 per cent increase on food prices without Government having sought key information from Ferryspeed. Is the Minister able to answer his Assistant Minister's question about whether it is correct that Government did not seek key information from Ferryspeed on that?

Deputy K.F. Morel:

I will not comment on what the Government did or did not engage with in the private company, but my understanding is that all calculations were done with regard to the previous incumbent's rate card. But what we are unsure of is whether that was actually what was being charged or not. As I understand it, calculations were done on the previous rate card.

3.5.3 Deputy M. Tadier:

Can the Minister advise whether or not an up-to-date projection is being done about taking into consideration the latest additional freight charges that we know DFDS have been imposing retrospectively for import and export of freights and the likely impact that is going to have on freight costs and possibly cost of living in Jersey?

Deputy K.F. Morel:

I thank the Deputy for that question. It is very important to understand that the previous incumbent was not running a sustainable ferry service. The previous incumbent had previously come to Government asking for £40 million to maintain its viability. It was not capable of investing in new vessels, and that is a situation that has entirely changed the contract that we have signed and indeed regardless ... let me change that. The tender process that we entered into was all about finding a sustainable ferry service that could stand on its own feet and could be invested long into the future. The one fact that we knew was that the previous incumbent was unable, with the previous situation, to engage in a sustainable ferry service and deliver that sustainable ferry service to this Island. When it came to Government asking for money we understood that when it went to our other Island with an emergency, that none of us know about still to this day, we understood that it did not have a sustainable ferry service. It is really important to note that the charges that the Deputy refers to are not DFDS charges, they are Ports of Jersey charges. So it would seem to me that if they were not being passed on in the past that was one of the many reasons why that was not a sustainable ferry service. The previous incumbent was not able to maintain that sustainability because it was swallowing costs that it was not able to swallow.

3.5.4 Deputy P.F.C. Ozouf of St. Saviour:

Would the Minister explain how he consulted and got advice as to the economic implications of the important and potentially momentous decision of a flat rate card, including whether or not he consulted the J.C.R.A.?

Deputy K.F. Morel:

We did engage with the J.C.R.A. and naturally the chief economic adviser was the main source of information in that respect.

3.5.5 Deputy P.F.C. Ozouf:

I attended with 2 other Deputies the J.C.R.A. briefing, there were only 2 Members and myself there, and I specifically asked them about whether they were consulted on the flat rate card and they said no, they were not. Much to my concern they were not interested in it. It was a matter for Government. I wonder whether he could explain that disparity of statements.

Deputy K.F. Morel:

It was important to engage with the J.C.R.A. to understand whether a flat rate card would be viable in terms of its impact on competition and its impact from a regulatory perspective. There had to be, I believe, to the best of my knowledge, an engagement of some sort. But, as the Deputy has - he believes - found a disparity, I am of course very willing to go and find out exactly what was or was not said there. But it was my understanding that we had to at least find out whether the J.C.R.A. would have objections to such a thing.

3.5.6 Deputy K.M. Wilson:

It seems that increases in freight costs are now starting to affect every corner of our economy. Will the Minister commit to commissioning an independent review of the first 12 months of this contract? If not, will he please tell us how he is going to restore confidence in the arrangements that he has put in place for new ferry and freight services?

Deputy K.F. Morel:

Such hyperbole I feel does not do anyone in this Island a service. It is the case that we now have a situation where we know the freight rates going forward, how much the ferry company will charge freight providers such as Ferryspeed, such as Jersey Post and others, how much they will charge for their services. That is a situation that we never had before. We did not know when the previous

incumbent suddenly put an 18 per cent or 19 per cent increase on the cost of freight. No one had any idea that that was about to take place, yet it happened. Previous to that there were many, many other times when freight prices were increased without anyone knowing that it was about to take place. That situation is not going to happen in the future, and I am disappointed that there have been communication errors by DFDS, which have created this distaste . I knew that there would always be some problems when we switch from one provider to another but I now know that we are working with a provider who will sit in the room and tell me what is actually going on rather than stringing me along with stories that I did not know that were coming from who knows where. I think it is really important that we understand that having the transparency going forward is vital to the freight situation in Jersey. I do not agree with the Deputy's perspective that an item which makes up at the maximum 7 per cent of the cost of goods on our shelves ...

The Bailiff:

Minister, I do have to ask you to bring your answer to a halt.

Deputy K.F. Morel:

... is now having an impact on our corner of the economy.