States of Jersey
States Assembly
États de Jersey
Assemblée des États

Economic and International Affairs Scrutiny Panel

DFDS Freight Service

Witnesses: Chamber of Commerce and Retailer Representatives

Monday, 13th October 2025

Panel:

Deputy M. Tadier of St. Brelade (Chair)

Deputy K.M. Wilson of St. Clement (Vice-Chair)

Deputy M.B. Andrews of St. Helier North

Witnesses:

Mr. L. Madden, President, Jersey Chamber of Commerce

Mr. M. Rutter, C.O.O., Sandpiper.

Mr. M. Cox, C.E.O., Channel Islands Co-operative

Mr. A. Holmes, Channel Islands Operations Director, Morrisons

Mr. M. Heslop, Group Wholesale and Convenience Director, Morrisons

Mr. K. Poole, Operations Director, Alliance Supermarkets, Jersey

Mr. A. Parkhurst, Logistics Manager, Morrisons

[11:07]

Deputy M. Tadier of St. Brelade (Chair):

Gentlemen, welcome to this public hearing of the Economic and International Affairs Scrutiny Panel. I am just going to introduce myself and the panel and then I will hand over to you just to do your introductions for the record. I am Deputy Montfort Tadier, I am the chair of this panel.

Deputy K.M. Wilson of St. Clement (Vice-Chair):

Deputy Karen Wilson, vice-chair.

Deputy M.B. Andrews of St. Helier North:
Deputy Max Andrews.

Deputy M. Tadier:
And over to you.

C.E.O., Channel Islands Co-operative:
Mark Cox, I am the chief executive of Channel Island Co-op.

President, Jersey Chamber of Commerce:
Lee Madden, president of Jersey Chamber of Commerce.

Deputy M. Tadier:
And online.

C.O.O., Sandpiper:
I am Mike Rutter, I am the C.O.O. (chief operating officer) of Sandpiper.

Channel Islands Operations Director, Morrisons:
I am Andrew Holmes, I am the operations director for Morrisons in the Channel Islands.

Group Wholesale and Convenience Director, Morrisons:
I am Matt Heslop, I am the group wholesale and convenience director for Morrisons.

Deputy M. Tadier:
Thank you. Welcome, everybody. I think we may be joined in a moment by Murray Norton of the Chamber of Commerce as well, so we will bring him in as we can. He is watching, that is fine. I think that is good. Let me just kick things off by putting this in context. You will be aware, as much as anybody else, that Jersey has recently undergone a change of ferry operator. While there has also been a lot of, I think, discussion and correspondence certainly between constituents and States Members with some observations and, in some cases, areas of concern about the new service, which has often been from a passenger point of view, we are also aware that there has been some disquiet - some of it is very public of course - about the freight service and its operation in Jersey. I think that is really what we are here to focus on today, to get your views from a business point of view, from retailers' point of view, about how that process has happened up to date and what the potential consequences have been and might be for you, but also for the Jersey consumer in the short and medium term. With that in mind, I am just going to ask the first question and obviously

anyone feel free to answer in whatever order you wish. Can you speak from a business point of view about observing the whole tender process, I think from start to finish ,and where Jersey's Government got to? Do you have any comments about that process?

Channel Islands Operations Director, Morrisons:
The meetings we were involved in?

Deputy M. Tadier:
No. I think that is one of the question areas which we have for you, so we are happy to talk about that now but tell us about, I suppose, the lack of involvement that you had in that process. Whether you would have expected to have had more involvement and then maybe what the consequence of that non-involvement might be?

Channel Islands Operations Director, Morrisons:
Talking from a Morrisons' perspective, we had zero involvement including our logistics manager that is based in the U.K. (United Kingdom); he had zero involvement. We were involved in a few meetings that happened after the agreement went through in reality, but other than that we had absolutely zero involvement from our perspective.

Deputy M. Tadier:
Is that something that is shared by all of you here?

C.O.O., Sandpiper:
Yes, I would echo that.

President, Jersey Chamber of Commerce:
I think as Chamber we were not involved in it whatsoever either. We were not really approached to go to our membership to get opinion or the understanding of what was proposed or how it was going to affect the retail sector. Hindsight is a great thing, though.

Deputy M. Tadier:
Is there anything that you would have ... would you have wanted to be involved, is the first question?

C.E.O., Channel Islands Co-operative:
I think when you have got consequences ... removing the volume rate card is one that is a potential issue that was never discussed. What are the consequences for retailers as a result of doing that? It is disappointing there was very little engagement. Equally, when it was becoming clear that this was not going to be about one operator anymore, there was very little engagement from Jersey. On

the other hand, Guernsey stood up a committee. We were invited to discuss that; what did that mean? What were the potential implications of that from a freight service provider? Reduced service, those types of issues were all discussed. We were part of the Guernsey plan in looking at where that needed to be. They were very good at engaging, whereas Jersey was a lot more silent.

Deputy M. Tadier:
Do you think Guernsey's decision ... do you think they took your comments on board and businesses' comments on board when they made the final decision?

C.E.O., Channel Islands Co-operative:
Yes, I think when it is clear that they were going with Condor and what that meant for freight capacity we were involved in what that looked like. Where they could, in terms of how that was handled at the port, the congestion, those types of issues were all taken into account. Equally, at the early stage, we were clear with them that this would mean a reduced service. They were not particularly aware of that the first time that they were discussing that. But came back very promptly with Condor around what could this possibly look like.

Deputy K.M. Wilson:
Can I just follow up on that, Mark? You clearly experienced a difference between Jersey and Guernsey's approach to this. At any point in those discussions, did you talk to Jersey about the way in which the process was unfolding in Guernsey, and were you listened to in that regard?

C.E.O., Channel Islands Co-operative:
No, I dropped the Chief Minister an email along with Kirsten Morel, just to say I had some concerns around the way that this was going and, having attended that first Guernsey meeting, was really concerned that the islands were splitting and the consequences for us as retailers and the added complexity. I had a message where I had missed the Chief Minister. He did try to contact me, but I had no other contact.

Deputy M. Tadier:
What stage in the process was this?

C.E.O., Channel Islands Co-operative:
This was before the final decision was made, but as it became clear that this was going to become an issue ...

Deputy M. Tadier:
Is that before Guernsey had announced that they were ...?

C.E.O., Channel Islands Co-operative:

Before they had announced, but they called us into a meeting to say that things were not well and this was potentially a route that they were looking to go.

Deputy M.B. Andrews:

Can I also ask, what impact has it had that the Channel Islands have gone with separate ferry operators, especially for those businesses who are based both in Jersey and Guernsey?

Channel Islands Operations Director, Morrisons:

From a Morrisons' perspective, the resilience of DFDS has been a big question for us because the minute that there has been any kind of disruption, and when we talk about disruption, the Condor boats managed to get into Guernsey at that point, we had Channel Seaways getting into Alderney, but when there became an issue for DFDS, they were not able to get their boats into Jersey. That recovery period just went on for more than a week to recover that position on more than one occasion now. It does not give us any kind of confidence going into worse weather at the minute where Condor have got that experience of getting the boats into the Island, that actually DFDS have got that kind of resilience to be able to do that.

Deputy K.M. Wilson:

Could I just ask you, Andrew, at what point were you able to raise the issue of the logistics with Ministers and civil servants here?

[11:15]

Channel Islands Operations Director, Morrisons:

In reality, through the Chamber of Commerce, we have obviously put our points forward like the rest of the members but, in terms of any of the Ministers, we have had no real contact in regard to them.

C.O.O., Sandpiper:

Can I just add another point about the flexibility of the supply chain? In the past, it would be quite common for containers or trailers to be left in Guernsey in order to just bring them across from Guernsey to Jersey as a shorter leg. That never happens clearly anymore and that creates another issue in recovery times post any bad weather. There are quite a lot of issues that come out of splitting out into 2 different companies.

C.E.O., Channel Islands Co-operative:

The starting point is you have the cost and complexity of now managing 2 different operators. Whereas before you had a seamless piece and you could move the volume between the Islands, but the current scenario is I cannot ship stock between Jersey and Guernsey anymore. We do not move local supply between Jersey and Guernsey as we used to. The cost of that has increased 40 per cent because it has got to be moved back to the U.K. You have lost that inter-island connectivity, not just from a passenger point of view but freight point of view as well.

Deputy K.M. Wilson:
Can I just come back to the issues of logistics and the supply chains? At what point, when you were involved in discussions with Jersey, that you talked about some of the issues and the problems associated with the logistics and the supply chains? Or were the conversations just primarily on routes?

C.E.O., Channel Islands Co-operative:
Predominantly on routes, albeit when we were made aware that the starting point for DFDS was to use the Arrow vessel, we flagged concerns around the resilience of that vessel because it does not operate in the same conditions. That is borne out in terms of the latest statistics. I think we have had somewhere in the region of 10 cancellations into Jersey, whereas Guernsey has only had 2. The Arrow cannot cope in the unseasonal weather. I know they have a replacement vessel on line, but the immediate use of that vessel was concerning, and we flagged that.

C.O.O., Sandpiper:
It is well-known that the Arrow cannot travel at the speed necessary to maintain service. I think it is well-known; it has been known for years. Whenever it is been brought forward as an alternative service when something else went into dry dock, it was common for the timetable to be broken across that week. It always happened, so it was inevitable it was going to happen again.

Deputy M. Tadier:
Can I ask, following on from that, are there any other problems that you collectively might have anticipated, that you did call before the service started that have manifested and that you could have pointed out to the Minister and to the department beforehand?

C.E.O., Channel Islands Co-operative:
I think the other issue for us that we all suffer from is the inconsistency of the departure times out of Portsmouth. That varies and can vary on a daily basis much more than what Condor would have done previously. What we rely on is consistency and that product arriving into the Island to enable us to get labour schedules and the rest correct. You can have 3, 4 hours difference depending on what time that vessel left the night before, or during the day.

Deputy K.M. Wilson:

I am just going to press you now, given the issues that you have just talked about in terms of engagements prior to the award of the contract. Since the contract has been awarded, what kind of engagement and consultation has been taking place?

President, Jersey Chamber of Commerce:

Well, as Chamber, as soon as the contract was awarded we spoke with Ministers and officers and we asked that the flat rate be put on hold for 12 months so we could look at the volume rate, see what it is going to be, because we had not been consulted so we asked for that. We were told it is a done deal and we have got to accept the flat rate. While we went to bat for our retail sector and all the other sectors as well, it became evident that that was a non-starter. It was not going to change. We lobbied the Government a lot before the tender was awarded ... not awarded, before the operation started on 1st April. I have to say that we had some engagement, but we did feel a lot of the time that the decision was made and there was not a lot of going back on it.

Deputy M. Tadier:

Can I put to you what the Minister told us about the flat rate cards? So this is a public hearing as well. He said that: "We are shining a light on a very obscure and untransparent part of Jersey's economy. We are shining a light on it through this new system, and it means that everyone will be able to have a much better understanding of where people are profiting, where there is excess profiting, and where there is not they will be able to move to other competitors, and I know that businesses are already shifting their supply chains precisely because of the flat rate charge." What do you make of that statement?

President, Jersey Chamber of Commerce:

I think hindsight is a great thing, is it not? Had the consultation taken place earlier in 2024, I think a lot of these things could have been ironed out, discussed and planned for. I hope going forward, if this is going to happen again, that this would not happen again.

C.E.O., Channel Islands Co-operative:

I think you can have transparency with a volume rate card. It operates in the rest of the world quite successfully. It operates in Guernsey quite successfully. I do not take the argument, albeit I do understand the concerns around one significant logistics operator in Jersey, but that is a different issue. What we do have is we have pulled a lever to say we will have a flat rate card to increase competition when there is no space for competition. There is no space down at the harbour, that is clear, and there is nobody that is capable of holding and handling fresh food other than Ferryspeed.

So we have pulled one lever, the other 9 are fully in the opposite direction, so there will be no movement. It will not increase competition in the short term whatsoever.

Deputy M. Tadier:

If we look at the prices, it is one thing to have a flat rate, but if the flat rate that everyone is paying is more than they used to pay that seems to me that it would not help anyone. Is that the kind of scenario we are in now or are the smaller potential importers able to get a better fee than they might have in the past? What is your experience?

C.O.O., Sandpiper:

The people who have been brought in most, who bring most product to the Island, are the food retailers. It is every day. All of us will bring multiple trailers every single day. We benefit from volume discounts as a result of that. That is absolutely common business practice. It works in every single business across the world, not just in the freight business. So that is not an unusual practice. You are being rewarded for the amount of business you put that way. To then go to a flat rate that is higher than we are previously having to pay, that basically is rewarding people who have very low volume. At the best, that is balancing that to a degree. We go up, others come down, perhaps. I cannot comment about whether how many people have come down. It might be that we are all paying more, who knows. But the reality is that that one single measure has created additional cost on food in Jersey that was unnecessary because that way of operating ... there is nothing wrong with having volume discounts. We all benefit from these in our lives. I completely reject the idea that we need a flat rate to make a competitive market.

Deputy K.M. Wilson:

We have been told by the chief economist, Mike, that the cost of a basket of food is only really predicted to increase by 0.4 per cent. What do you say about that?

C.O.O., Sandpiper:

I would say the answer to that equation is multiples of 0.4 per cent. It is for us. We have worked it out. It is much more than that. Some of the costs are still unclear because some of them still have not been levied, as we understand it. There are still question marks about some of the port dues and harbour costs and how much they are going to be, whether they are in, whether they are out. So there are still costs to come, but it is definitely going to be more than 0.4 per cent. It already is more than 0.4 per cent.

Deputy M. Tadier:

Can we bring in Andrew as well from Morrisons?

Channel Islands Operations Director, Morrisons:
From our perspective, we have seen between an 8 per cent and 9 per cent increase. That is as we sit here today in terms of freight charges. We believe that the additional increase that is going to go in is going to add more on top of that. We are estimating at the minute that we are looking at a 1.2 per cent increase as revenue prices potentially are going to be. At the end of the day, you are just not going to be able to defy gravity on some of this stuff. It is just impossible. It has got to be passed on to the customer or we are going to have to look at other cost-cutting exercises along the way. On top of, to go back to your previous point, all of the food retailers are operating on very, very tight margins, which is completely different to many of the retailers out there in terms of the non-food retailers or other industries that bring products in. To add this cost in a flat-rate type situation that we have got is just penalising food retailers.

Deputy M. Tadier:
Do you think this has been primarily driven by a desire for ... as a punitive measure perhaps, that the Minister and the department have seen what they have identified, what they think is an anti-competitive practice, which we do not pass any comment on, and that they have identified a course of action that they think will bring about a certain consequence. Is that how you see it, or is there a different motivation that you can tell us about?

Channel Islands Operations Director, Morrisons:
I do not really know what the motivation is, because in reality we are their biggest customers and we should have been involved from the start within the process that we could help, to help people understand exactly what issues we were facing, what other costs we were facing. Our job in reality is to try and keep prices of food at their lowest inflation but in reality with the cost of living, with minimum wage going in, it is becoming very difficult to be able to manage that.

Deputy M. Tadier:
I think from our point of view, we are partly trying to understand the motivation, so we normally would see a Minister in a department, which is very pro free market and does not like state intervention ordinarily unless it is very justified, but we have got this example of a particular course of action which does intervene and it tells a private company what they are allowed to charge and they are not allowed to offer discounts. They do not do that on the passenger side, they are allowed to offer discounts to passengers, et cetera. If you can think of any legitimate reason why the Minister might be doing that ... I suppose answers on a postcard is what I am saying.

C.E.O., Channel Islands Co-operative:

I think what they are saying, it has never been explained to us. We have never had it explained to us, we do not know the reasoning for it. It came out as an end product so we do not know what those driving forces are, or I do not.

Deputy M.B. Andrews:
What impact is this having for the smaller businesses and those businesses, for instance, who have got a bit more scale such as with some of the supermarkets?

President, Jersey Chamber of Commerce:
I think we some of our membership have gone to competition in the freight sector, and they are trying to make a go of it. Our smaller membership are affected too, the supply chain. I cannot give you the detail about it because I do not know, and if my chair of retail was here he could probably give you more understanding. I think there is an impact, the level of which I cannot really say here.

Deputy M. Tadier:
Max, are you happy to carry on with the next lot of questioning?

Deputy M.B. Andrews:
Yes. I guess for me, just in summary, I would really like to gather what your views are on the decision of the Minister for Sustainable Economic Development to select DFDS and what that really means now for the Island's businesses.

President, Jersey Chamber of Commerce:
I think as Chamber of Commerce, we understand that we need long-term resilience of a supplier and the promise of on-sale resilience and free investment is something that we welcome. I think we are always going to go back to the fact that had we been consulted, had we been engaged in this at an earlier time, I think the situation could be a lot different. DFDS are here for 19½ years now and I think we need to work with them to get the best specialist, but at the end of the day the retail sector are a lifeline service to the Island and they need to ... the Government and DFDS need to listen to the concerns and work with them to alleviate those concerns to the betterment of their business and for the betterment of the island.

Deputy M.B. Andrews:
Obviously it is quite a long contract, 20 years, so have you been speaking to some of your fellow members at the Chamber of Commerce who might be making adjustments within their businesses due to the increased costs?

C.E.O., Channel Islands Co-operative:

I think it is hard to place the fault at DFDS, and I have every sympathy for them in terms of standing up in the short period of time that they have and there was bound to be teething problems. I think, as Lee has highlighted, the disappointing piece is the lack of engagement. We could have thrashed out some of these issues had there been more engagement. The transparency call around the volume rate card could have been dealt with and could have been upfront. That caught us by surprise at the end of those discussions. There needs to be investment in vessels. I get the length of the contract to enable that. What we suffer from now is we are small islands, both Jersey and Guernsey. You need economies of scale. We are always going to have high freight prices, given the limited economies of scale and the limited operators that can service us. You are far better to drive those economies of scale by working together as islands. It is disappointing that did not happen.

[11:30]

Deputy M.B. Andrews:
What feedback has been received from those who are directly importing compared to those who are maybe a bit further down the supply chain in terms of when we are looking at resilience and cost?

President, Jersey Chamber of Commerce:
I will find it difficult to answer that question again, being 4½ months in the seat and not having my chairman of the retail sector here. There will be an impact, and my assumption is that the small supply chain are feeling the bite too. They are told that they have the option of, and they are doing, putting their own pallets and their own freight on vessels and bringing it in and using the flat rate potentially to their advantage. I cannot give you any figures or data on that to say that is actually the case, because in the moment we have got the main big suppliers of the retail to the islands.

Deputy M.B. Andrews:
Also the panel has obviously been in negotiations with the Minister for Sustainable Economic Development about the publication of the concession agreement. I just want to know how important is the publication of such an agreement to your members?

President, Jersey Chamber of Commerce:
I think it is very important. We have been pushing for this now for months - many months - and we sat in meetings with the Minister and his officers when they agreed they were going to release a redacted copy of it. To understand what is in the black and white, is in detail, it is important for the retailers so they can adjust their business, have an understanding of why what is happening is actually happening or has happened.

Deputy M.B. Andrews:

Thank you very much.

C.E.O., Channel Islands Co-operative:

It is surprising that that has not been dealt with upfront given the importance of this contract, that that was not viewed as an imperative coming out. You have just got to look at the Isle of Man. They have a robust sea service agreement. It is published. It is available online. The details there, you fully understand what is happening. We do not have that in the islands. That is disappointing.

Deputy M. Tadier:

So you would welcome the publishing of the concession agreement?

C.E.O., Channel Islands Co-operative:

Absolutely.

Deputy M. Tadier:

It is what the panel has pushed for. We understand it will be hopefully published this month in a redacted form. First of all, can I just ask, we have got some new attendees I think that maybe were not here at the beginning? If that is the case, can you just introduce yourselves for the record?

Operations Director, Alliance Supermarkets, Jersey:

Keiran Poole and I am operations director for Alliance Supermarkets on Jersey

Deputy M. Tadier:

Thank you, Keiran. Welcome to the panel.

Logistics Manager, Morrisons:

My name is Alan Parkhurst, and I am the logistics manager for Morrisons.

Deputy M. Tadier:

Thank you. Welcome. Do feel free to jump in on any of the questions. I think we have been muddling through quite well so far, given the number of you, and we appreciate having you all here again this morning, just to reiterate that. Could we maybe turn to some of the tangible problems that you have experienced? We have been made aware of a number of issues, one of which was the fact that businesses were being charged retrospectively for harbour dues. So those are prices and billing that was not anticipated. Can you talk us through whether that has affected you and what you make of that, and how it compared with perhaps the way you might have been billed, if it is relevant to you, with the old operator?

President, Jersey Chamber of Commerce:
I think that would be a good one from the retailer.

Deputy M. Tadier:
So anyone feel free to jump in if it is relevant. Mike, perhaps.

C.O.O., Sandpiper:
Port dues, as I understand it, used to be part of the charge. I think that once we got started and we had new rates, that they were not included. I cannot comment on how that situation came about. It was certainly a surprise to us and those are now being levied. I understand that there is a further question about other harbour charges and whether they are included in the current update to port dues or not. So there is still some uncertainty about whether they are seeing a full charge or whether there is actually a further charge to come.

Deputy M. Tadier:
Is it difficult to plan?

C.O.O., Sandpiper:
All of those used to be included in the rate and therefore we would have expected, because of course we would not have expected anything else, that that was already included in the charges so hence that is why I was surprised when it was confirmed that they were not included.

Deputy M. Tadier:
Has that uncertainty provided a problem? Businesses normally, I think, like certainty and they like to be able to plan in advance; has that been an issue?

C.O.O., Sandpiper:
Yes. Any charge that comes after the event and you have not budgeted for is a problem. Yes, because we look at our numbers every single week and we are all over those numbers, and then for a charge to come up and back dated it is unprecedented. I cannot think of another time it has ever happened at that level.

Deputy K.M. Wilson:
Can I just ask on that, Mike, did you assume that those ... given that you were all over your figures, did you assume that those charges were included in the price that you were going to have to pay?

C.O.O., Sandpiper:

In the absence of any information to say otherwise yes, because they were previously included.

C.E.O., Channel Islands Co-operative:
There are 2 aspects of those charges and I think just to provide some clarity to it. One is the weight-based harbour dues that were separate to the freight charges you would get but were always invoiced alongside. It is those that have come up and have been retrospectively applied. We were aware that something was amiss on those and we had accrued up to; not an issue. There is a separate part that is the freight facility charges, which is the piece that is now in dispute. They were always included in the freight charges from the operator. We are now told that they were not and not included, and this is the piece that there is a further charge, we believe, to come. Now, we understand that the Chief Minister and DFDS are in consultation on those charges, but as Mike says, we have no visibility of what they are and will lead to further increases. We have already seen significant increases in freight pricing. Now to find an area that was missed and is due to come is concerning.

Deputy M. Tadier:
Can you tell us what these freight facility charges are supposed to be?

C.E.O., Channel Islands Co-operative:
They are levied by the ports, so it is a port charge. In effect, in the hands of Government in terms of what those charges are.

Deputy M. Tadier:
Do you see that as some kind of stealth tax that you were not aware of at the beginning?

C.E.O., Channel Islands Co-operative:
I think if they were included in the freight rate previously, why were they not included now? So that is a concern. I do not know whether it is a stealth charge or not. You would expect to contribute towards port usage charges, that is normal, but to find that they had been missed is a concern and then seek to implement those at a time when, as Mike says, nobody has budgeted for those. We all assumed quite rightly that they would have been included, as they would have done previously.

President, Jersey Chamber of Commerce:
Again, I think it comes down to communication. DFDS admit this, that their communication has not been as good as it can be. They are a new operator coming into a new market and their comms has been poor. These are the sort of things that they could have done a lot better, and I believe they are improving that to the sector. The plus plus charges, the freight charges - the Portsmouth and the Jersey ones - have a massive impact on the retail sector. Many, many, many millions of

pounds across all the stores. My understanding was the previous operator included them in the rate and we are looking at the financial resilience, which again appears to be public record, of the previous operator. Where they were passing on those charges when maybe they should not have been. Time could tell. But at the moment it has had a massive impact on the retail sector. We understand that a charge is going ... somebody is going to have to take the hit on this. There is going to be somebody who is going to take the hit. I do think it is going to be really unfair that the retail sectors take it.

Deputy M. Tadier:
What do you mean by that? Do you mean businesses are going to take a financial hit?

President, Jersey Chamber of Commerce:
The retailers are going to have to take a hit.

Deputy M. Tadier:
Yes, so they either pass on the cost or absorb.

President, Jersey Chamber of Commerce:
They are going to have to pass it on to the end user. I think as Andrew has mentioned, he has already given the indication 0.4 per cent is incorrect and the factual number is, I believe you said 1.4 per cent, 1.5 per cent, Andrew, I am not too sure.

Channel Islands Operations Director, Morrisons:
Yes, we have estimated it is ... in terms of the additional cost on food retail prices, we are looking at potentially another 1.2 per cent on top of inflation.

Deputy M. Tadier:
You presumably cannot put that on afterwards. You cannot say: “This is the price but we are going to charge you an extra 1.2 per cent, 1.5 per cent for freight charges.”

Channel Islands Operations Director, Morrisons:
No.

Deputy M. Tadier:
That would be strange at the least, I think.

Channel Islands Operations Director, Morrisons:

It is either that or we have to find it in the cost somewhere else within the business, which we already know we are going to be facing another increase in terms of minimum wage in April. That is going to be another cost on top that we have got to already account for now to manage. Just go back to the other bigger issue that we were not told about it; we are already in a budgeting process, lots of companies obviously have a very different start to the year. Our year starts on 1st November. None of these costs are in our budgets whatsoever. We have not accounted for them, we have not had time to account for them. Now we are going to have to start to look for another potentially £300,000 to £400,000 that we are going to have to find within the budget somewhere to deliver the baseline profit for the business. It is increasingly difficult when that happens. It is increasingly difficult anyway to be able to manage those kind of headwinds at the minute. But then when we are only finding out about them retrospectively, as we have done, it is going to be a very challenging situation to be able to find that money.

Deputy M. Tadier:
Thank you. Can I just bring in some of the other retailers. if they wish to contribute, so Mark, Keiran, Alan? Do any of those comments ring true with you? Are there any additional comments from your business models?

Operations Director, Alliance Supermarkets, Jersey:
Just to add, we are the smallest retailer sat around the table here so what we have seen so far is between January and June 2025 a freight increase of 6.1 per cent. What Andrew has just mentioned there is that 1.2 per cent, that is what we are calculating at the moment.

Deputy M. Tadier:
Thank you.

President, Jersey Chamber of Commerce:
I think it would be interesting to think about the things like the fairground at Jersey Live. I believe they get a concession rate when they have come to us and taken a look at that as well. I think DFDS have some flexibility and they will be flexible. We all agree, for an operator to come in and set up service so quickly, communication has been bad. I think that is something that we all completely agree with. Had everything been known about this, they could have planned it for the future. There was not the ability to look at this and enter dialogue.

Deputy K.M. Wilson:
It seems communication and transparency are quite a strong theme here. What sort of things that you believe could have been improved, for example, around things like scheduling and service disruptions?

C.E.O., Channel Islands Co-operative:

I think involvement at those stages. We were provided schedules well after the fact, once this had been concluded. We fed back on the first set. There were some changes made, to be fair to DFDS, but they are still not ideal. It is the same with that level of disruption. That is a challenge, given the vessels that they are currently operating. Each time that happens that incurs additional costs to every one of our businesses, whether that be increased waste as a result of food not arriving on time or overtime for colleagues to be able to handle that product.

Deputy M. Tadier:

Can I ask a specific question about frozen goods? Has there been any issue that you are aware of in the importation of frozen goods, and as far as maybe Lee is concerned. I know most of you will be concerned about importing but in terms of any businesses that might export in Jersey, are you aware of any issues about problems with businesses exporting products?

President, Jersey Chamber of Commerce:

I do not think I can give you an opinion, it would be public ... I may have an opinion about it but I cannot put anything to it at the moment without having given you ... so I'll pass on that, because I cannot give you the actual details. We do know that we have had some issues in France.

Deputy M. Tadier:

When I say "frozen", I also mean refrigerated goods.

President, Jersey Chamber of Commerce:

Unfortunately I cannot give you comment because I do not know enough about it.

Deputy M. Tadier:

That is fine, thank you. It is probably not an issue immediately then.

C.E.O., Channel Islands Co-operative:

I think we have had disruption where, and again some of that is teething problems where trailers have been left behind in the U.K., and some of that has been fresh food. That has happened on successive days. We had an issue in France where we have had Carrefour products sitting in a dock for 2 weeks where it has not been picked up. I know a local bakery here that imports flour from France was in exactly the same position as we were, but they did not get into France and did not pick that product up. So there have been challenges as DFDS have tried to get used to dealing with the islands.

President, Jersey Chamber of Commerce:
Something I can add to that, certainly from the French point of view, is out of the span of our control - DFDS and Jersey - is the actions of the French and how they are treating some of the things that is going into France or coming from France. There is an attitude of perceived disruption being made at the port coming from France.

Deputy M. Tadier:
Have those resulted in a financial loss for any of you who get to write-off stock?

President, Jersey Chamber of Commerce:
One of the members has, yes.

Channel Islands Operations Director, Morrisons:
Just to pick up on the frozen issue, and I am sure that Keiran wants to come in here because he has got probably the biggest component frozen now in terms of being a frozen food retailer. All of that product just gets left behind. We have already got a fairly big component of frozen in our stores. Keiran, in terms of Alliance, will have a bigger component. All of that product gets left behind. Obviously, it is the recovery and the resilience of that supplier that helps us then get back on track.

[11:45]

We understand why but obviously, in recent weeks, and like I said, I will let Keiran come in here in a minute, it has been significantly longer than what we have ever experienced before.

Deputy M. Tadier:
You are talking about importing from the U.K., so this is ...

Channel Islands Operations Director, Morrisons:
Yes. That has been in terms of obviously lost sales.

Operations Director, Alliance Supermarkets, Jersey:
I would totally agree with what Andrew has just said. As the Iceland franchise partner on the islands now, it is extremely challenging when it comes to frozen for us. Any kind of disruption that we are seeing, it could be as much as 4 or 5 days before we receive our frozen delivery and at that point in time there was already additional frozen deliveries to come into the stores, so it just compounds. It is extremely challenging the store operations.

Deputy M. Tadier:

Can I just ask Matt ... sorry I am going to jump back to something quickly just so I do not forget it? Has the flat rate actually benefited any of you? Have any of you been able to go to import your own things more competitively or use a different operator? No, that is not the case at the moment?

Group Wholesale and Convenience Director, Morrisons:
No.

Deputy M. Tadier:
No, all right. Thank you. Sorry to jump back to that but it is trying to cover all bases.

Deputy K.M. Wilson:
I suppose just to follow on from that, do you foresee a time when it will be an advantage to you as retailers to have a flat rate card?

C.O.O., Sandpiper:
No,

Channel Islands Operations Director, Morrisons:
No.

Deputy M. Tadier:
I guess you are more interested in the price, right? So it does not matter whether you are getting discounts or not, you just need to have the best price possible.

C.E.O., Channel Islands Co-operative:
The most efficient price possible.

Deputy M. Tadier:
But the best reliable service as well. Thank you.

Deputy K.M. Wilson:
Gentlemen, I am just going to talk about pricing, if that is okay. We have already talked about generally how the flat rate card has affected businesses but could you tell us in your opinion, do the current freight charges adequately reflect market conditions or have costs become so disproportionate in that market?

C.E.O., Channel Islands Co-operative:

I think the point we made before, where there is a missing element or we do not know what it is, it is hard to say where those costs are going to finish. But it is a concern for a small island that is so reliant on freight coming in that we are just seeing upward increases every year. That will become unsustainable at some stage. I think for me, when we own such a strategic asset as the ports, how we can join that up to ensure that we do have resilient freight at the right price or even subsidised, because the biggest impact on cost of living here or one of the biggest impacts is cost of getting goods to the Island for every sector, not just food retail. Anything that can be done to offset costs or manage that cost more effectively has got to help everybody.

Deputy K.M. Wilson:
Do you see a difference between the Guernsey position?

C.E.O., Channel Islands Co-operative:
Guernsey freight charges are lower than Jersey currently.

Deputy K.M. Wilson:
Okay.

Deputy M. Tadier:
Do we know why they might be lower? It is difficult to compare apples with pears, I suppose, but is there ...?

C.E.O., Channel Islands Co-operative:
We would still benefit from a volume rate card in Guernsey that we do not in Jersey. But outside of that, I do not know the comparison around port user charges; Jersey, Guernsey.

President, Jersey Chamber of Commerce:
Also the difficulty for retailers, and this has come into Chamber, the fact that the pan-island operations are having to completely change their systems and the price, and the whole structure of how they get their goods into it. It is double the amount of work that an operator has had to do, effectively.

Deputy M. Tadier:
Just quickly, sorry to interrupt Karen, the Minister has said that one of the benefits of not just the flat rate card but he has also limited the amount by which they can increase prices year on year to R.P.I. (retail price index). Is that something which you welcome? Or is that something you believe will actually happen?

C.E.O., Channel Islands Co-operative:
Time will tell I guess, but yes, it would absolutely be welcomed.

President, Jersey Chamber of Commerce:
It would be welcomed. We have seen all the users come in with double figure price increases as well historically. So if that stops that being able to happen I am sure that will be good.

Deputy M. Tadier:
I suppose you would be interested to know ... when the agreement is published there may be caveats under which they can increase prices beyond R.P.I. if there were certain economic circumstances.

President, Jersey Chamber of Commerce:
Certainly as Chamber, when we get the redacted documentation, we will sit down with our subcommittee of retail and go through it, and I am sure there will be questions to come from that.

Deputy M. Tadier:
Is there a sense in which they may have asked for a higher freight charge base rate to be introduced, mindful of the fact they cannot introduce it in future? Is that something which you think may be in play here?

C.E.O., Channel Islands Co-operative:
Difficult to tell.

Deputy M. Tadier:
Difficult to tell. So I suppose we wait for the publication of the document. Sorry to interrupt.

Deputy K.M. Wilson:
That is okay. I just wanted to ask you about whether or not you have noticed any impact on the availability of goods or your ability to plan seasonal stock as a result of the contract?

Channel Islands Operations Director, Morrisons:
I think it goes back to the issue around disruption, in reality. If there is no disruption and DFDS is delivering as they are meant to then our planning is exceptional. But if DFDS, as has been seen in recent weeks, cannot deliver against that, they are not as resilient as what we were expecting them to be, they are not as resilient as Condor, then we are going to have multiple impacts as we go into peak trading moments. We still have this issue, and I know it is generally only ourselves because of volume, although I am not discounting the Co-op, but Alliance around frozen food and how we manage that. Based on the fact that it is an Island that has constantly got disruption, you would be

expecting that there was some level of resilience around making sure that we can offer customers frozen food on these islands.

Deputy K.M. Wilson:
What confidence do you have, Andrew, that that position can be turned around so that the resilience is improved?

Channel Islands Operations Director, Morrisons:
Until we have got visibility around the vessels that they are using, et cetera, then not very much based on the experience that we have had just recently.

Deputy K.M. Wilson:
Does everybody share that view?

C.E.O., Channel Islands Co-operative:
As we mentioned, while are currently using the Arrow, then we would be concerned as we come into the poorer weather with that vessel. It cannot operate in the same conditions.

Deputy K.M. Wilson:
Keiran, did you want to come in?

Operations Director, Alliance Supermarkets, Jersey:
Yes, I would totally agree with what has just been mentioned there. We have experienced some serious disruption when it comes to our frozen chamber. It has been extremely challenging for our stores.

Deputy M. Tadier:
Can I ask about warehousing? I think the Minister and Ports of Jersey are talking about building warehousing at ports. Is that something that you would welcome or that you believe is necessary? Have you got any thoughts about what the consequences of that might be?

Operations Director, Alliance Supermarkets, Jersey:
I think it would totally depend on what the costs associated with that would look like for us. What we are doing to mitigate some of this at the moment is bringing in far more stock than we would like to do so, which is clearly affecting us from a cost perspective.

C.E.O., Channel Islands Co-operative:

I think additional resilience at the docks is welcomed. I think if you look at the conditions that Ferryspeed operate out of, even down at the docks themselves over multiple sites, that is inefficient in itself. A properly planned distribution logistics site at the docks would be welcomed. If that enables further competition in the logistics market then that would be great. As a food retailer we would not put warehousing back on the Island.

President, Jersey Chamber of Commerce:
As the harbour plan has come into effect and the work we are doing, I think we should encourage the harbours and planning to really work this to get that through, get the harbour plan done, because that will add resilience. It will add extra warehousing and potentially competition as well. I think the importance of pushing that through as quickly as possible should not be diminished.

Deputy M. Tadier:
Anything else?

Deputy M.B. Andrews:
Just maybe one thing, and this has to do with inter-island issues. Obviously it has been mentioned in the media quite a few times with some businesses obviously being upset, and I would just like to know how that has really impacted the main supermarkets in the Island?

Channel Islands Operations Director, Morrisons:
For us, we would be constantly ... I would not say constantly, but we have the ability to move stock between islands and balance off any overstocks or issues that we might have within our operations. That has obviously now stopped. We also, through moving stock to Guernsey, had a route into Alderney where we have got shops as well. That is not possible either now. The major island where we have got most of our stores, most of our sales, and most of our stock in reality, we have lost the opportunity of being able to move that stock around, balance that stock around, be able to help and support the other islands that we have got.

Deputy M.B. Andrews:
Can I ask, is this a similar issue as well for the other members who are here today?

Operations Director, Alliance Supermarkets, Jersey:
We have also been experiencing challenges just on that in itself. Just to give you one example, we had a delivery that was due into Jersey last week that, for whatever reason, not through the fault of DFDS, but it did arrive in Guernsey and that is now sat there for a week before it can be sent back over to the correct island.

Deputy M. Tadier:

It seems so close, but yet so far, I think, our relations with Guernsey at the moment. We are coming towards the end of our allotted time, so if we do go over, I am aware that some of you might have to leave immediately at 12.00, so that is not a problem, and do come in before if you have got anything to add. I think there are 2 areas that I would like to ask about. One I suppose we will get on to first is about the lessons that maybe Government can learn from this whole process. One question that we have had put to us is, I suppose, someone suggested - I will not mention any names - that there needs to be a public inquiry into the whole tender process and what happens there. It is not necessarily something we have thought about up until now, but is that something ... if not that, are there lessons that you think can be learnt about this process and more generally? What is the message that this whole tender process in the Jersey context maybe says to the business community?

Channel Islands Operations Director, Morrisons:

I think if it is something that is going to add, from what I have read, possibly £60 million to the cost somewhere over that period of time, then I think there has got to be an inquiry into it somewhere. I do not think that any of us that have made a mistake of that kind of magnitude would be expecting not to be ... there would be some level of investigation somewhere to get to the truth of what has happened.

Deputy M. Tadier:

Do you think that this is a clear cut ... is this a mistake that the Government has made in the whole process? You would welcome some accountability?

Channel Islands Operations Director, Morrisons:

Yes, absolutely somebody has made a mistake somewhere because clearly we were published a number that was a rate that we believed 100 per cent to be the rate, and now there are plus plus charges that have been included in that, which were not even talked about. So yes, I do believe that ultimately the person that was managing that tender, which is the Government, is at fault here.

Deputy M. Tadier:

Okay, any other thoughts?

C.E.O., Channel Islands Co-operative:

For me, lessons need to be learned, and I think the procurement process, absolutely. When you have got a contract of this magnitude with 2 islands involved, I get the challenges in trying to get to a joint decision, but that is possibly where, in hindsight, they should have used somebody in the middle to negotiate that contract. If they had a binding agreement that this was going to be outsourced by proper procurement specialists focused in this area, then I think we would have had a different outcome. That being the case, public inquiries for me take time, take a lot of money; I am not sure it is going to change anything.

President, Jersey Chamber of Commerce:

I think a public inquiry, if you are going to consider a public inquiry, you need to know what it is going to achieve, what it is for, what it is going to cost and the timeframes. I think what Scrutiny is doing here is a form of that inquiry anyway, The information that you are going to get out is going to be a similar sort of thing to a public inquiry that could take a lot of time and cost a lot of money with the same results. Let us not waste any more taxpayers' money effectively. Mistakes have been made, nobody is perfect. What has happened has happened. I think now we need to focus on the future and how we are going to be more resilient to make sure this cannot happen again. If this is going to happen again, I think this Chamber would be really pushing to get an independent reporting officer or line who sits away from the islands and then can give independent advice and speak to everybody and say: "This is how I think you go", and it is not a Jersey voice or a Guernsey voice, it is a voice of reason. I think that is what we need to do in the future and make sure it does not happen again.

Deputy M. Tadier:

I think we are mindful of the fact that there is a 20-year contract on the table and we are at year one, and it is important to get this right I think and learn lessons. I suppose if not a public inquiry, would you support a formal review of the economic and commercial impact of the ferry contracts and would that be something which you would be happy to input into?

C.O.O., Sandpiper:

I certainly would. I know this is a Scrutiny meeting, but there needs to be a much more detailed review of how we have got to this point. If anything that allows us to do that and brings a lot of the processes and the thinking behind it to light, then I think that has to happen.

[12:00]

Deputy M. Tadier:

Thank you. First of all, any questions from my colleagues. The last thing I wanted to say is that we have had the Minister in on a number of occasions to answer questions in this area. We were not part of the original tender process so we have only been reacting really to what we have been given since. We are very pleased to have had you in, and lots of members of the public have contacted us as well, not just about freight but about passenger services. We have invited DFDS to a public hearing, which we hope they will accept that offer as well. Are there any questions which you would feel valuable for us as a panel to put to DFDS from a business point of view, maybe that you have not done yet or that you think would be valuable for us to ask?

Channel Islands Operations Director, Morrisons:
I am obviously asking with them myself, but I suppose what we want is probably a conclusion or some kind of action from them, whether it is ... are they open to returning to a volume-adjusted rate card? Are they open to removing the additional charges, would be my questions because they are the things that we are here for in reality.

Deputy M. Tadier:
I think that is probably a question which we need to direct to the Minister as well because I think that is where the pressure is coming from. From what we understand, it is DFDS did not ask for this and nor did anyone else it seems.

President, Jersey Chamber of Commerce:
Speaking as a member of Chamber of Commerce, they were told to do it at the flat rate. They were happy to discuss ... maintain the volume base.

Deputy M. Tadier:
Thank you. We will address that issue with them. Also about the impact it has on their business. I think dictating to any business what they can and cannot do, unless there is a good reason for it, I think needs justification.

Deputy K.M. Wilson:
Can I just ask members, are you concerned about the resilience issue more now than you were before the contract was awarded? If so, could you just give us an indication of how and in what way that could be improved over the next 6 months?

C.E.O., Channel Islands Co-operative:
I think if you looked at how Condor operated between the 2 islands, with the vessels they had at their disposal, if there was a problem then there was greater resilience because they had more vessels on the routes. You do not get that, and both Guernsey and Jersey will suffer from this because you have got fewer vessels operating. I think the key concern for us at the moment is the vessel they are currently using, how long will that be used and when will it be replaced? Because as we have talked about, the Arrow is not sufficient .

Deputy M. Tadier:
Sorry, one more question. How important is a regular and reliable inter-island service for you guys?

C.E.O., Channel Islands Co-operative:

I think for us as a pan-island operator, we were moving local produce between the 2 islands so that that was helpful to some of our local growers and producers, where they could get additional volume by selling product into Guernsey or vice-versa. That has almost ground to a halt; it is not possible to do in the current climate.

Deputy M. Tadier:

Thank you. Any further questions? No. Gentlemen, have you got any further points for us? If you think of anything after the meeting because that always happens to me, do feel free to drop us a line.

President, Jersey Chamber of Commerce:

I think it is important is what is coming. We can deal with what has passed but make sure that communications are clear, the schedules are clear, when things are left fix them quickly. I think DFDS are getting better. They are good at that and they are here for 20 years so it is how we all work together. But please, the ask would be to have firm communications to our members in the retail sector so they know what is coming well ahead so they can plan and deal with it.

Deputy M. Tadier:

Thank you. I am happy to bring this session to a close. Can I just say thank you again for all attending, we appreciate your time, we know you are busy? We hope that this will feed into any future review that we are going to conduct. Thank you.

[12:04]