

Freight Logistics market study Frequently Asked Questions

Key takeaways

- The Jersey Competition Regulatory Authority (the Authority) will be carrying out a market study into Freight Logistics.
- A market study is the analysis of a market as a whole, using a variety of evidence, to assess how well it is working and if any changes should be recommended to make it work better.
- Freight Logistics is the transport of goods and the study will consider competition and supply resilience in the market. This will be examined by a review of the current structure of the market and of comparable international experience.
- The study will start in September/October 2021 and take approximately six months to complete.
- The outcome of the study will be a report which explains the approach, findings and if identified recommendations for how the market could be improved. The report will be published on the Authority's website.

Frequently Asked Questions

What is a market study?

A market study is a flexible tool to explore whether a market is working well for Jersey consumers. It considers the relationship between consumer behaviour in a market, the behaviour of firms in that market, and the market's structure. By looking at these relationships, the Authority can determine whether action that will encourage changes to consumer behaviour, business behaviour, or both, will help address any market problems found.

An important point to note is that the focus of a market study is on the structure and behaviour of the market itself, not the actions of any specific business or firm.

What is Freight Logistics?

Freight Logistics is the transport of goods. This includes the facilities and services that support the transport of goods, such as warehousing. Within Freight Logistics, the focus is on sea freight.

Why has the Authority chosen to carry out a study of the Freight Logistics market?

As set out in the Authority's 2021 Business Plan, preparation work has been undertaken to develop a structured approach to selecting markets where a market study could add value. This has involved the identification of a long list of potential candidate markets which are screened to determine those most relevant to Jersey at the present time. The subsequent short list has then been assessed against a structured range of criteria to rank in order of desirability.

This process has resulted in the Freight Logistics market being selected as:

- Jersey is dependent on its freight logistics connections for the transportation of goods onto and off the island. All islanders benefit from regular and reliable services available at a fair price, or will feel the impact if this is not the case.
- The freight logistics market is subject to structural and economic constraints, and it is important to understand how this impacts the market and competition within it.
- There has been structural changes to the market since the last market study into Freight Logistics in 2017, including the entry and exit of different firms.
- Recent external environmental factors may have also impacted on the market and businesses operating within it, chiefly Brexit and the Covid-19 pandemic.

What will the study consider?

The study will be carried out against the published terms of reference, which have been set by reference to an initial analysis of the market. This identified sea freight as the key focus and within this to key areas to consider:

1. Competition – what choice is available to purchases of Freight Logistics services
2. Supply resilience – what is the market's ability to handle unexpected events and to respond and recover quickly to these disruptions

Focused on these two areas, the study seeks to understand:

- The current structure of the market. This will consider the extent to which economic fundamentals (such as the cost of transport) shape the market, versus other non-economic barriers (such as procurement policies or institutional factors)
- Comparable international experience. This will draw on experiences in other jurisdictions which have similar market features to Jersey and seek to understand if lessons can be drawn from them.

How does this study relate to the study carried out in 2017?

This study seeks to complement the previous study but the specific focus will be different. In particular, the previous study examined the market from a demand perspective, considering the choices available to businesses when selecting a freight logistics provider. In contrast this study will consider the market from a different perspective by considering the structure of the market and will look at international comparators.

What is excluded from the study?

The study will focus on goods arriving or leaving by sea and not by air, given the relatively limited volume involved in the latter and nature of freight conveyed by air which tends to require rapid transport and therefore commands a comparatively premium price.

The study will not encompass the freight logistics involved in the bulk transport and storage of fuel and related products, which require more specialist and narrowly focused facilities and services and are therefore subject to specific economic factors.

The study will also not review the Condor shipping rate card, for example to assess whether any discount structure may be anti-competitive. This is because:

- An investigation into any alleged anti-competitive behaviour of an individual or combination of firms is outside the scope of a market study, which is designed to review the structure of the market;
- If during the course of this study the Authority found or were provided with 'reasonable cause to suspect' that individual or a combination of firms are acting in contravention of Competition Law, this would form a separate formal investigation to establish whether there had been a breach of the Law; and
- If such an event was to occur, work on this market study would likely need to be put on hold pending the result of that investigation.

What will happen during the study?

Based on the published terms of reference, the Authority will gather and analyse information on a market to identify how well it is working. This will be done through various methods and is likely to include:

- The analysis of past precedent or case studies, both local and international;
- The use of surveys;
- Interviews with stakeholders with an interest in the market;
- Consideration of economic theory and/or use of econometrics; and
- The request of specific information from market participants.



This phase will be followed by an analysis of the evidence and information received which will be drawn together to form a “Preliminary Findings” paper which will be published on the Authority’s website for comment. Any feedback received on this will be incorporated into the final report.

The final report will give a description of the market, describe the methodologies used to collect and analyse the data and proposed recommendations to address any problems which may be identified (if applicable). Further detail on the research supporting the report will typically be annexed to it. The report will be published on the Authority’s website and be accompanied by a press release.

What will the study outcome be?

Until completed, it’s not possible to say what the outcome will be, the outcomes could be:

- A view that the market is working well, for example Jersey may be found to be better served than comparable international jurisdictions and/or no market issues are identified.
- Consumer/business focused action, for example there may be recommendations for businesses to change their procurement practices or suggested changes in pricing practices for Freight Logistics providers.
- Non-binding recommendations to Government, for example new information requirements could be introduced, or changes to how Government operates. Another possibility is innovative solutions from other jurisdictions may be suggested for Jersey.

Note, if as part of the study, evidence was found of a firm/s breaking Competition Law, the appropriate tool would be competition enforcement, not a market study. In this scenario the market study would be stopped and instead a formal investigation launched.

When will the study start and how long will it take to complete?

The study will formally start in September/October 2021. The planned timeline is six months from starting information gathering to publication of final study, which is due to be issued in early 2022. This timetable may be subject to change if issues are encountered.

Who will carry out the study?

A Case Officer will lead the study, project managing its implementation. To support the delivery of the study an external consulting company, with expertise in the Freight Logistics market, will be appointed. They will be chosen through a structured procurement process based on criteria including proven expertise, strategic fit and value for money.



How will the Authority handle confidential information provided to it as part of the study?

Given the study is focused on a market as opposed to individual firms, it is not expected that significant confidential information will be requested from market participants. However, the Authority recognises that some of the information that stakeholders may want to share could be commercially sensitive and highly confidential. As a matter of course anyone who has information relevant to the study can ask the Authority to keep their identity and/or the information provided confidential.

Where is more information available?

The market study will be an open case on the Authority website and updates will be made available during the study. Background information on market studies is available at: <https://www.jcra.je/competition-and-regulation/market-studies/>