

POR TS OF JERSEY

REVIEW OF GROWTH PROJECTIONS FOR ST HELIER HARBOUR

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# INTRODUCTION

## Introduction

Fisher Associates has been commissioned by Ports of Jersey to provide independent forecasts to 2038 for the primary commercial business lines at the Port of St Helier:

- Freight (imports and exports excluding fuels)
- Passengers
- Cars
- Fuels
- Ships

This report sets out our conclusions.

## Approach

Fisher Associates has had a relationship with the Port of St Helier for about 15 years. During this time, we have undertaken a number of reviews, at various points in time in Jersey's economic evolution.

- Preparation of port traffic projections for a single port serving a mature island economy, typically focus on linking future traffic to economic growth, changes in the structure of the economy (including competitiveness in manufacturing and export markets), and population. Generally speaking, the overall picture would be for economic growth ("gross value added" or GVA), and rising population, and putting these two together, growth in individual wealth (GVA per capita). Does this apply to Jersey?

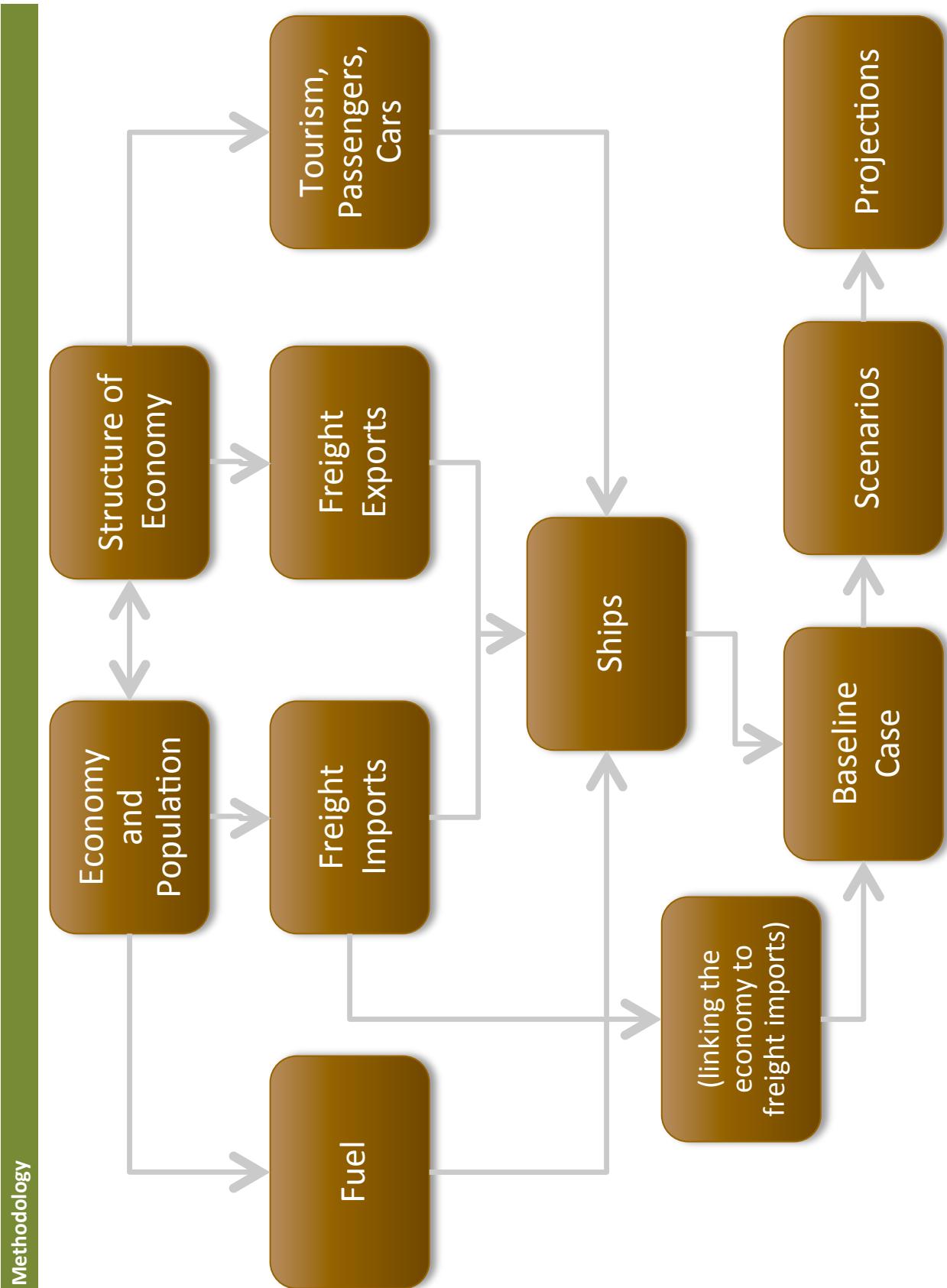
The emphasis in this exercise has been to analyse the outcomes in commercial port activity that have been achieved over the last 20 to 30 years, based on the economic conditions that have applied. We have then considered what this tells us about the likely shape of future port activity for Jersey given the potential future direction in economic and population drivers.

This exercise is based upon consultation with key stakeholders, and data analysis in the light of our previous experience in Jersey. It has not involved a detailed economic review, nor any modeling.

The overall methodology is illustrated on the following page.



## METHODOLOGY



# APPROACH TO FORECASTS



## Key Findings

The circumstantial conclusion is that even though population has grown 20% since 1990, whilst GVA is now at a similar level, this has not resulted in an increase in imports because individual spending power has declined on average, and sectors of the economy that generate physical movement of goods have also declined. The latter has also led to a reduction in the volume of exports.

Passengers by sea have declined as Jersey's tourism product has been restructured from bucket and spade to boutique spa, and because of competition with low cost airlines, although the volume of cars has held up in recent years.

Fuel volumes have been cut by importing electricity from France, and due to declining per capita consumption for the remaining petroleum products due to increased fuel efficiency.

Given this background, it is not surprising that the number of ships has also declined.

## Basis for Forecasts

The future commercial activity levels at Port of St Helier will be driven by:

- Population changes.
- Economic growth in Jersey, and its key source tourism markets France and the UK.
- Changes in the structure of the Jersey economy.
- Jersey's success in safeguarding / growing tourism.
- Specific factors such as the price of oil.

It is self evident that our ability to predict most of these is poor – even in the short term.

The best practical approach is therefore to:

- Identify the historic baseline conditions and the outcome for the Port of St Helier.
- Consider the possible future directions of the drivers for commercial port activity.
- Prepare several population / economic scenarios (Best, Likely, Worst) based on these.
  - Posit the impact of these on the key commercial port activities.
  - Develop port activity forecasts based on most recent volumes.

These steps are detailed in the following pages.

# SUMMARY BASELINE CASE

## Summary Baseline Case

### Baseline Conditions

- **Population:** This has grown from about 83,000 in 1990 to 99,000 in 2012 (Fig 2), an average increase of 727 pa.
- **Economic Growth:** GVA was about the same in real terms in 2012 as it was in 1990 (Fig 1). Any growth achieved in the last 22 years has subsequently been eroded by recession.

• **Structure of Economy:** Between 1999 and 2012, the sectors of the economy that generate physical movement of goods were broadly in decline (Fig 6). These were contributing a reducing share up until 2007, but have since increased their share due to the collapse of financial services (not because they have grown).

• **Tourism:** The number of staying leisure visitors in 2012 was less than half that of 1990 (Fig 8). The contribution of Hospitality to the economy has held up well considering the large fall in leisure visitors, probably reflecting the increase in spend per visitor, and increased business based tourism.

• **Energy:** Jersey has substituted own oil-fired generation with imported electricity from France. It is becoming more energy efficient in its use of petroleum based fuels, and these fuels are also being substituted by electricity.

### Outcome for Port of St Helier

• **Freight Imports:** There has been no sustainable growth. Imports have ebbed and flowed mostly between 230,000 tonnes and 280,000 tonnes over the last 25 years (Fig 3). There is a moderate relationship between imports and economic growth. The significant increase in population has had no visible impact on imports, although it is likely that imports would have been less had population not grown.

• **Freight Exports:** Exports have declined over the last 20 years, and did not increase during the peak of the last economic cycle (2006 to 2008) (Fig 7). There was a structural fall in 2012 due to the ending of Low Value Consignment Relief (which also affected imports). The inclusion of tare weight in statistics may mask the real decline of export cargo.

• **Passengers by Sea and Cars:** The number of arrivals by sea from the UK has dropped by 50% since 1990, and from France by 24% (Fig 9). Staying leisure visitors predominate on UK routes, whereas French day trippers and resident trips abroad are prevalent on French routes (Fig 10). Routes to France now generate 60% of passengers. The number of cars carried held up reasonably well on all routes over the period 2004 to 2012 (Fig 11).

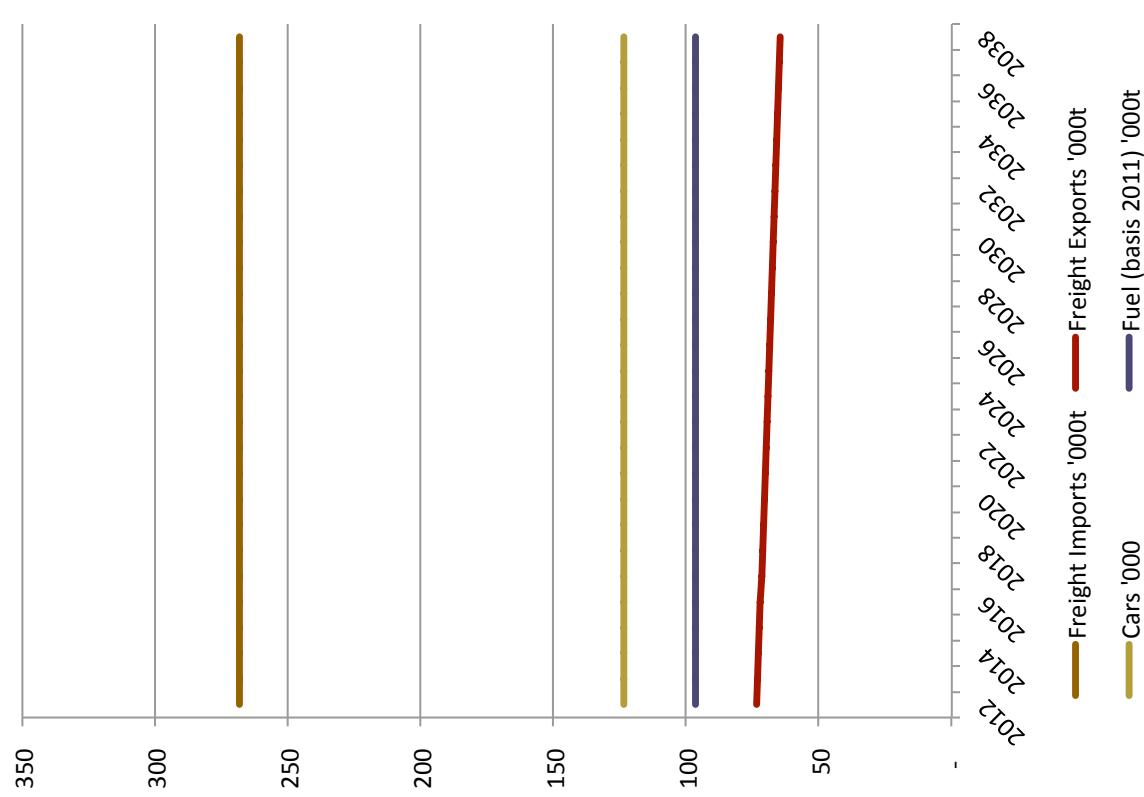
• **Fuels:** The volume of fuels has shown a marked decline (Fig 12) due to the availability of a new interconnector which resulted in the near cessation of fuel oil imports. Excluding fuel oil, there has been very little growth or a gradual decline in fuels, even though population has grown.

• **Ships:** The number of ships calling at Jersey has been in decline since 2007 (Fig 13).

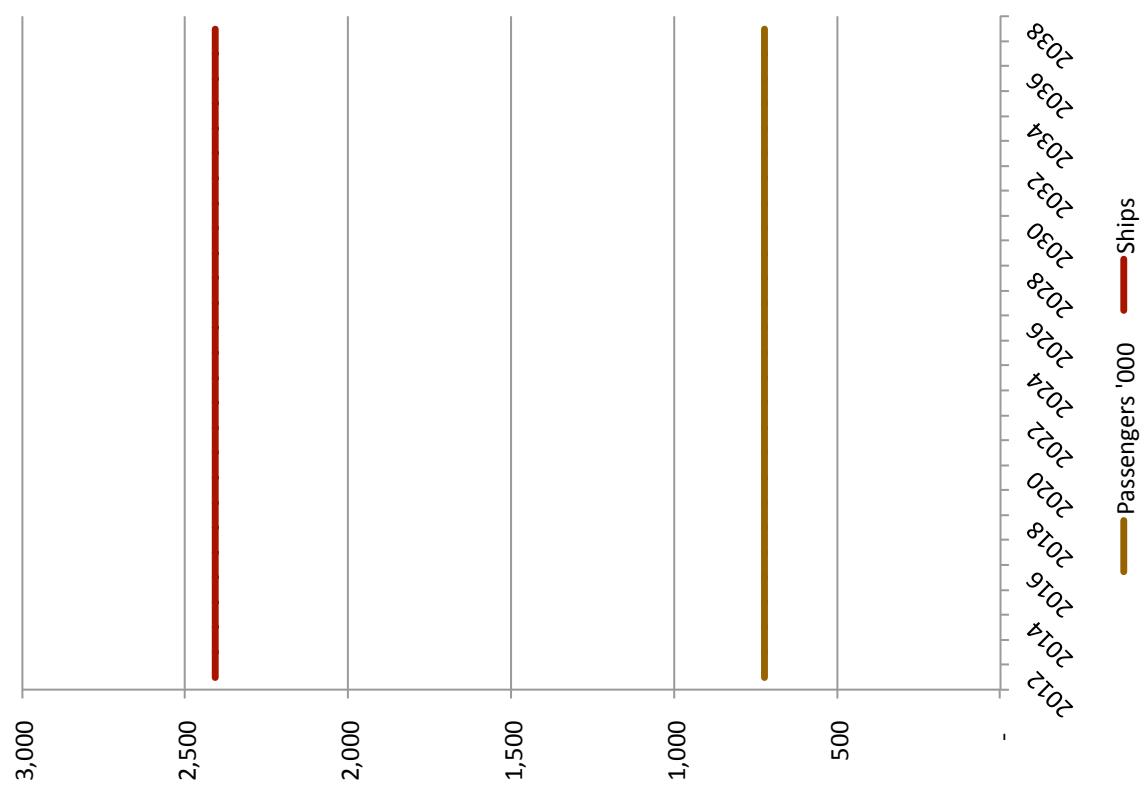


## LIKELY CASE FORECAST

**Fig 17: Freight, Fuels, Cars (Likely Case)**



**Fig 18: Passenger Arrivals, Ships (Likely Case)**



# CONCLUSION

## Conclusion

There may be surprise that the FA “Likely Case” posits almost no change over the next 25 years, other than a slight decline in exports. This seems counter intuitive BUT this scenario is very similar to what has happened over the last 20 years. There is no obvious reason to suggest that the next 25 years will deliver different economic / population outcomes, or that the impact of these on port activity will differ.

In fact there must be a significant possibility that not even 0% change in GVA will be achieved, and that the Worst Case could transpire. Furthermore, given the fragility that the Jersey economy currently shows, it is possible that a fall in GVA could be deeper than the Worst Case.

Despite this, we hope and expect that the outcome will be no worse than the Likely Case, with a realistic chance that the Best Case may transpire. Apart from the obvious possibility that GVA growth might exceed 1% pa, there is also up-side potential to the Best Case:

- Jersey seems to be a mature (and declining) market for passengers by sea, *however*, the experience of NorthLink serving the Northern Isles of Scotland offers the possibility that innovation can encourage growth in passengers.
- It is likely that new operators will attempt to serve the Channel Islands RoPax market over the next 25 years, and that there will be temporary increases in the number of ship calls. Resumption of seasonal passenger services to France also offers hope for the future.
- There are many “projects” that may deliver growth, e.g. the import of waste from Guernsey. These projects may or may not be developed depending upon the individual business cases that apply.

In the absence of any restorative policies by the States, or improved market conditions, we suggest that the FA Likely Case offers a reasonable balance between possible outcomes in the future. There is however no definitive answer.

