

2024.11.12

3.1 Deputy I. Gardiner of St. Helier North of the Minister for Sustainable Economic Development regarding the provision of a ferry service for Jersey for the next 12 months: (OQ.209/2024)

Will the Minister advise what his current plans are for the provision of a ferry service for Jersey for the next 12 months, and for the longer term, and will he detail the anticipated financial implications?

Deputy K.F. Morel of St. John, St. Lawrence and Trinity (The Minister for Sustainable Economic Development):

I thank the Deputy for her question. First of all, if you would allow me, I just would like to apologise to Members for choosing not to make a statement this morning. I wrote to Members yesterday what I understood, and what I realised was we are moving from one process into another process and the statement on those matters in the middle of that process would be difficult and potentially prejudicial in one way, shape, or form to the outcome of that process, which is why I chose not to make a statement. It is my intention to fully inform the States at an appropriate time, so I do hope and intend to make a statement in the future, and I thank Members for their perseverance. With regard to the question more directly; as the Members will know, we have ended our participation in the joint Channel Islands tender process, and we are now moving to a new tender process for Jersey-only services. That process is ongoing but, in the meantime, it has to be said that Condor have confirmed that they will not be accepting the invitation to extend the current operating agreement beyond March next year. This means Condor will continue to sail under the current operating agreements until the end of March 2025, at which point a new operating agreement will be in place. As far as financial implications are concerned, the direct financial implications, I do not know of any that are particularly there. Obviously, the processes themselves have financial implications, but I do not have a figure that I can put on that. But running a process, and particularly in this case, we want to make sure that independent moderators, *et cetera*, that will cost some money - not enormous amounts - but there will be some cost in that process.

3.1.1 Deputy I. Gardiner:

Thank you for the Minister for his response. I think this is the news and at least we have clarity that we do not have a 7 months' extension with Condor Ferry and we have no ferry beyond March 2025. What are the plans that the Minister has in place, including timelines, when the Island and businesses would have certainty from April onwards?

Deputy K.F. Morel:

It is absolutely my intention to work through the new approach to the Jersey-only service. We are intending that we would be able to announce a preferred bidder for that within the next month, and would expect the chosen operator to begin sailing immediately thereafter to allow Islanders and visitors to begin booking for the summer season in 2025 and beyond. So we do expect to be able to get both tickets on sale and certainly the ability for tour operators to sell tickets within the next month.

3.1.2 Connétable D.W. Mezbourian of St. Lawrence:

I am just trying to get my head around the situation, as I am sure Members are, and maybe members of the public as well. If I may just ask the Minister to clarify for me: did he just advise the Assembly that Condor's contract will finish in March, at which time a new contract will be awarded? But at the moment we do not know who that contract will be awarded to, is that the current situation? I am looking to the Minister, so he is agreeing. He said the new contract will be different. Will he advise us how the new contract will differ to the current one?

Deputy K.F. Morel:

There are a number of areas in which the new contract will differ from the current one. Firstly, and I have to say this, is the new contract will have some teeth. The current contract does not really have any ability to keep the operator in line with their commitments in terms of penalising in order to ensure that

they remain operating within the operating agreement. That is not, from my perspective, me saying that there have been particular times where that has not been held to. I think there may have been, but I do not have them *ad hoc*, so the ability for the contractor to hold the contractee to account will be part of this contract. The contract also asks for things such as a flat rate card for freight services to ensure that we can have proper competition and freight services.

The contract also ensures that there is investment in a new decarbonised fleet. That is really very, very important. These are things which are currently not in the existing contracts and there are certain elements of the new contract which are remarkably different to the existing.

3.1.3 The Connétable of St. Lawrence:

The Minister has given us details of how the contract will differ. Are those the only ways in which it will be different? How much information is the Minister able to make public on this new contract?

Deputy K.F. Morel:

They are not going to be the only ways, but there are so many ways that this contract is different that it would be a virtually impossible feat of memory to be able to list them in their entirety. The new contract is designed to be an actual contract in which we can hold the operator to account and hold them to the terms of that contract over the coming years. I mentioned fleet investment. The new contract will require fleet investment because at the moment we are served by an ageing fleet; that is the reality. This new contract, by having fleet investment in there, that is one of the reasons why I am so focused on the financial ability of the chosen operator to deliver that investment in the future because for our islands to be able to sail with brand new vessels means that we need an operator that is able to finance those brand new vessels. That is one of the key concerns that I have had throughout this process, that we have a financially resilient operator that is able not just to last 15 years of a contract but during those 15 years of contract is able to deliver to these islands brand new vessels that they deserve and that we need in order to be, number one, compliant with carbon reduction, but also to have the vessels that Islanders are effectively paying for through their ticket prices. For me, that element of financial resilience has been at the heart of this difficult time, that I really want us to be working with. When we contract for 15 years, I want us to be working with a party that unequivocally ...

The Bailiff:

Can you bring your answer to a close please, Minister?

Deputy K.F. Morel:

... can deliver that 15-year contract with new investment.

The Bailiff:

I have Deputy Renouf, Connétable of St. Saviour, Deputy Ozouf and Deputy Bailhache listed to ask questions. I have had to already indicate that is the maximum that I can take at this point to keep on track.

3.1.4 Deputy J. Renouf of St. Brelade:

Last week, the Chief Minister was sent a furious - I think it was to the Chief Minister - from the Hospitality Association commenting on the process so far. That letter was particularly focused on the issue of not being able to make bookings beyond March. Has he had any contact with the Hospitality Association with the news that it is looking likely there will at least be another month before there is any clarity on timetables?

Deputy K.F. Morel:

No, I have not. This was information that we received yesterday and I have not had the opportunity yet to notify anyone. States Members are the first to be notified.

3.1.5 Deputy J. Renouf:

Can the Minister confirm whether he is speaking to both companies in conjunction with this potential contract extension at the moment?

Deputy K.F. Morel:

It is correct that we continue to be in discussions with both companies.

3.1.6 Connétable K.C. Lewis of St. Saviour:

A few weeks ago, I did ask the Minister regarding the viability of sharing a mail plane with Guernsey. It is a much more viable, improved service, and it is always better to work together. Does the Minister think it is viable, shipping-wise, to have an operator that comes to Jersey only, which would not only be detrimental to Jersey, but also to Guernsey?

Deputy K.F. Morel:

I think it is really important that Members understand that a service which is Jersey-only would still have inter-island routes. It would not have no inter-island connectivity. Really, it is only the links to the U.K. (United Kingdom) and the links to France that are governed by the contract. It is quite simple, that a Jersey-only service would see in many cases journeys from the U.K. being faster than they currently are because they would be able to operate directly to the Island, thereby saving time in both freight and passenger journeys. There is no question, we have asked, and the Jersey-only service is absolutely viable. But, I have to come back to my point. That I find it very hard to look ... I have to look at financial resilience, and I have to look at the ability for a company to be able to deliver for this Island the services and the new vessels that this Island requires. That is absolutely viable under a Jersey-only service. There is no question. I just think it is such a shame that I have been placed in the position whereby I have not been given the opportunity to really get to the bottom of that financial viability with regard to one of the parties because other parties decided to announce decisions before we were in the position to do so.

3.1.7 The Connétable of St. Saviour:

I would concede the point that the Minister may have been wrongfooted in this recent decision, but we have had several operators running the routes in the past in tandem, which does not always end well. Does the Minister think that there is still room for agreement with Guernsey?

Deputy K.F. Morel:

I have always thought that there was room to negotiate and to work together. Unfortunately, that opportunity has been largely denied me.

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

I do not underestimate there are a number of oral questions I know in this regard, so maybe you will be able to deal with timing. I have a question on the same issue so I will ask my question now.

The Bailiff:

There is you and there is Deputy Bailhache, and then I am moving to the next question.

Deputy P.F.C. Ozouf:

OK, and there are other questions on the Order Paper with a similar thing.

The Bailiff:

There are.

Deputy P.F.C. Ozouf:

So you will constrain that time as you wish. I do not underestimate the issues that the Minister has. The sale of the original Condor was before a competition law, which prohibited anti-competitive behaviour or any actions concerning allegations of cartels or monopolies, was made. There has been debt leverage and other issues. Is the Minister getting advice about what is the legal and right way to protect the Islanders in terms of the cost of living? I am particularly wanting to ask about freight rates. Freight rates have remained very high in Jersey for years. It has a knock-on effect of the cost of living, is he putting this at the front and centre of his considerations in how to deal with what is an inherited large issue?

Deputy K.F. Morel:

Freight rates have been front and centre of this invitation to tender. There is no question. That is one of the reasons why we asked for a flat rate card so that there was entire transparency in that process and that all Islanders would know and understand the cost of freight. A flat rate card would enable competition in the freight market, which is currently denied. That competition then enables those freight forwarders and logistics companies to deliver higher value-added services and to deliver services in a more competitive way. At the moment, that opportunity is denied the Island so we are denied the potential for competition to play a part in reducing the cost of living. A flat rate card would entirely enable us to do that.

3.1.9 Deputy P.F.C. Ozouf:

I understand the Minister feels somewhat constrained to comment in public on the issues but he does have parliamentary privilege, and he can speak in forthright terms if he wishes to do so. May I ask, in the light of the report that was provided to this Assembly by Professor Sir John Vickers about regulation, he did say that it was hard, that pragmatism was needed, but the focus on competition and regulation had to be beneficial.

[10:00]

Is he able to confirm to the Assembly, and all the Members of the public that are somehow doubting whether or not this process is going to end well, that he has in his armoury, and on advice, the professional advice from expert economists and regulators that will help them make the right decision for Jersey in the longer term because it seems to me that there is this forced situation with a cartel between certain parties potentially between Guernsey and the operator, which is deleteriously affecting Jersey potentially?

Deputy K.F. Morel:

I thank the Deputy for his question. I absolutely do have advice from a wide team. It is difficult before the contract comes into play ... whoever has the contract, it is difficult to know exactly how the market will operate. But I do speak with advisers about those matters. I do think it is very important that Jersey has a ferry service that it can rely on. I am really concerned about the idea that we sign up to a ferry service that in just 2 or 3 years' time may require us or may ask for further funding to bail out, as has been given to me in the past 12 months a direct request for funding to bail a company out. That is what I am trying to avoid because to me that is a significant impact, not just on the cost of living but on the cost to taxpayers. I also worry about the amount of money in ticket prices that is going off to pay interest instead of being reinvested in a fleet. These are the matters that really concern me, but the flat rate card will help us get there.

3.1.10 Deputy P.M. Bailhache of St. Clement:

Did the Minister not appreciate, right at the beginning of this melancholy process, that Jersey and Guernsey might wish to arrive at different conclusions on the matter? Were there any contingency plans for such an eventuality?

Deputy K.F. Morel:

The actual tender process itself allowed for the Islands to come to different views on the matter and allowed the Islands to abandon the process, which is what we have done in this case. It is not possible for me in this forum to go into detail as to why we have chosen to abandon rather than just make a separate appointment, but that will become clear in time. There is nothing that I have or fear to hide from any action that I have done or taken. I have quite simply tried to avoid Jersey being forced into a position that may not be to Jersey's advantage in terms of trying to get a financially resilient ferry operator for the next 15 years that is able to invest in the new fleet. That is something I want to make sure Jersey can benefit from and I want to make sure that I and the Government of Jersey and States Members are not forced into a position where we are not able to make that choice.

3.1.11 Deputy I. Gardiner:

I assume, and I ask the Minister to correct me if my assumption is not correct, that based on what has been said in the public, there are big concerns about the financial viability of Brittany Condor, the Minister or the Council of Ministers would prefer DFDS. What stopped the Minister simply giving the full contract and negotiate contract with DFDS as Guernsey is doing in negotiating a contract direct with Brittany and Condor? Why we needed to go into the new tender?

Deputy K.F. Morel:

It is really important to treat all parties equally. That is at the bottom line of procurement process. You have to be fair to all the parties engaged. That is at the heart of why I have not just been able to say one company rather than the other. It is important that as we move into this new process, we do treat both parties equally. That is something that I am trying to ensure that we do. That is everything.