

**STATEMENT TO BE MADE BY THE MINISTER FOR SUSTAINABLE ECONOMIC
DEVELOPMENT ON WEDNESDAY 13th NOVEMBER 2024**

UPDATE TO FERRY PROCUREMENT

Sir

I'd like to thank you and members for giving me the opportunity to deliver a statement at short notice and I apologise for not providing the text in advance.

As Members will appreciate this is a fast moving situation but I think it's important, given the significance of our sea links that I provide this update today.

Sir, there has been a great deal of media coverage from both Jersey and Guernsey in recent weeks providing commentary on the ferry procurement process and the future of our sea links.

In answering the media's questions and putting out public statements we have had to take great care not to divulge commercially sensitive information or to prejudice the outcome of the procurement process.

I regret that this has left only a small part of the picture in the public domain, and it is important that Members have the full context to provide reassurance on our current position.

Sir, in addressing the Assembly today, I want to give an overview of Jersey's decision-making process to date and I am mindful that parliamentary privilege allows me to do so.

In terms of context, I must first refer to the financial implications I mentioned earlier this week.

Members are aware that last year, I received two requests for financial support from Condor Ferries. The first was for an 80 million euro guarantee and the second for 40 million euros, with 10 million needed urgently.

Condor's insolvency was ultimately prevented without the need for public funds from Jersey but we decided, with Guernsey, to protect our lifeline services by engaging contingency at a cost so far, of approximately £3million to each island.

Sir this contingency option is not a decision we have taken lightly. However, given what we knew about Condor's financial position, it would have been simply irresponsible not to put arrangements in place to ensure our supply chain remained secure. Failure to do so would have presented unacceptable risk not only to our economy but our ability to get essential food and medicine into the Island.

This was the prudent thing to do to protect the island's supply lines. I give this context because it helps explain why I have been so focused on Condor's finances, something which I made very clear to both Guernsey and Brittany Ferries throughout the past year.

I have repeatedly sought reassurance from Condor Ferries and their shareholders that the company will improve its financial position and be able to complete its contractual obligations under the current operating agreement. **I am yet to receive these reassurances.**

Instead, Sir, I received notice from the Chair of the Board of Condor Ferries on 11th September stating that, in the event that Condor Ferries were unsuccessful in securing the future operating agreement, the firm could not guarantee that it would be able to continue trading for the remainder of the Operating Agreement, until March 2025. The letter made it clear that Condor Ferries would likely require funding from the Government of Jersey of up to £36 million in order to see out its contractual obligations.

I replied to the Chair on the 23rd September expressing my concern that Condor Ferries may be unable to deliver on its contractual obligations inherent within the operating agreement and asked for further assurances and an update on future shareholder support and intent.

Despite further correspondence, these assurances have not been forthcoming.

Guernsey had made it clear that they were going to award to Brittany Ferries but I was not in a position to make this award because of my concerns about their financial situation. This was also because Condor Ferries continued to fail in the Jersey scoring both on a binary yes/no point about the age of their fleet and on their financial situation.

Sir I should clarify at this point that since Guernsey's announcement of Brittany Ferries as their preferred bidder we have sought clarification as to whether a new Operating Agreement would actually be signed by Condor Ferries or by Brittany Ferries.

The CEO of Brittany Ferries has **confirmed that any agreement would be signed by Condor Ferries only as the operating company and not with Brittany Ferries as the parent company.**

As of this year, Brittany Ferries holds a 51% ownership share of Condor Ferries but Condor's financials, as the Operating Company, remain in a distressed position.

The future Operating Agreement would therefore be delivered by Condor Ferries and not by Brittany Ferries. Therefore I regard this bid as being from Condor Ferries.

Part of this was because our analysis of Condor's business plan included growth plans that were deemed to be unlikely to deliver as they were overly optimistic given the high levels of debt in the company, which whilst there has been a promise of restructure, continues to remain a very high level and most importantly, their promises of future fleet investment are wholly dependent on successful refinancing in 3 and a half years' time. Therefore, there is no guarantee of there ever being future fleet investment.

Importantly, despite repeated requests for financial guarantees these have not been forthcoming and I am yet to receive adequate reassurance.

As Minister, I cannot ignore these concerns or warnings from our officers.

Members may well be asking why not go with the DFDS bid? I can tell members that by any common sense reading of the two bids, it is clearly the better of the two, promising more fleet investment, more quickly and with a more stable corporation, which is over 40% owned by a long-established charitable foundation for mariners.

However, DFDS' bid failed on a technical legal point, one which I could not personally fathom because the legal element was still to be negotiated but which I accepted. However, their elimination did not mean that I could easily jump to award to Condor Ferries for all of the reasons I have just stated.

I have said many times that Ministers are the first line of scrutiny and that includes scrutiny of processes. Ultimately, any decision is a political decision I believe I have been elected to bring common sense and judgement to decision-making. Islanders are fed up with being dictated to by process, particularly when the process does not deliver a sensible result.

As I have moved through this situation, I have liaised with the Council of Ministers and Scrutiny. I have always asked, "am I seeing this wrong, please tell me if I am." The response from all has been

resounding support and as recently as last Friday CoM voted informally but by a very large majority to put into action our current plan, which is to abandon the previous process because I could not award to either bidder and embark on a new, rapid process to confirm the new ferry company for Jersey.

The process is short and simple:

- We're inviting both companies to provide details on what services they can offer.
- Meetings with the companies will be held next week.
- Independent evaluators will assess the bids.
- Officers will provide a preferred bidder recommendation by the end of this month.
- I will then seek CoM support for the recommendation and we will then announce the winner.
- All of this is aimed at starting services at the end of March.

There are strong reasons why we have taken longer than Guernsey, which I have outlined.

We need to ensure financial sustainability of a 15 year contract and we need to ensure investment in vessels. We need to ensure our freight aims are met and that means delivering a flat rate card as required by the tender process. Something, which Condor has failed to deliver so far.

We must ensure that this is right for Jersey. We cannot be forced into a decision which we believe is wrong for Jersey and the joint process was on the cusp of delivering just that, a service that delivered uncertainty and risk for the islanders of Jersey.

This new and fast process will allow us to make the right decision for Jersey's future lifeline ferry services.