

2.5 Deputy P.J. Rondel of St. John of the Minister for Economic Development regarding the tendering process for both the northern and southern ferry routes:

Sir, before asking the question can I protest that last week in your absence in the House I did object to the Minister making a statement out of sync basically on my question. So he knew what to bring forward in his statement and the Chair allowed it but, I must say, we have to do things in due process and I expect the Ministers to do the same. So I will now put the question. Given that the Condor Ferries route service level agreement expires in 2013, is the Minister progressing a full tendering process for both the north and south routes; and if so when can we expect to see the process advertised?

Senator A.J.H. Maclean (The Minister for Economic Development):

It does strike me the Deputy of St. John is not in the best of moods this afternoon, I hope I can help to lift his spirits with my answer. I have already answered this question as part of an answer to written question 6380, which Members have on their desks today. But in summary, the final decision as to whether the permit to operate our sea routes should be tendered or not does not have to be decided upon until June 2012 as the current permit does not expire until December 2013. There are many factors to consider in determining the most appropriate process for selecting the operator of our vitally important sea routes. For example, a tender process has both strengths and weaknesses. Tendering implies exclusivity, however, it is important to remember that the present arrangement is not exclusive and all operators and all routes remain open to the threat of competition.

[15:15]

The Deputy of St. John will understand that to say more about a commercially sensitive process and the reasons why we either may or may not wish to run a tender process at this stage would be counterproductive.

2.5.1 The Deputy of St. John:

Since the Minister has mentioned the written question, will the Minister agree that a 72 per cent punctuality in 2008 going down to 67 per cent punctuality in 2009, to 62 per cent in 2010, is good and if he believes it is good then fine; but if he does not believe it is good, should he not have been putting pressure before now on making sure that the company was operating to a performance of between 95 and 100 percent, excluding weather delays. But on a media interview the Minister himself said in the last few days in that interview that nobody was looking for the route. How does the Minister know that nobody is looking at the route if it is not being advertised?

Senator A.J.H. Maclean:

I think there were broadly 2 questions there. To answer briefly, no, I am not satisfied with the level of punctuality or service and I have made that perfectly clear in the last few days and that has been made clear to the operator, and we expect during the course of 2011 to see a distinct improvement. As far as the route, it has been made clear on many occasions publicly that this is a non-exclusive arrangement. We have in fact seen on the southern route competition, HD Ferries being the most recent, and it is perfectly possible - although less likely in the current economic environment - that another operator could indeed come forward. The facts are that both sea routes, north and south, are open to competition should somebody approach us.

2.5.2 Deputy J.A. Martin:

I did really want to ask this question when the Minister made his statement but there was a rush of lights. Is there anything in the new permit, distinctive from the service level agreement, if Condor wanted tomorrow to walk away from Jersey?

Senator A.J.H. Maclean:

The Deputy asks a very relevant question. Technically, yes, they could, but of course they have a significant investment in the Island and it is unlikely commercially, when you consider there are no other routes that they operate... and it is not just passenger and car ferry operations, of course there is a significant and valuable freight business as well; so the likelihood is, I would suggest, relatively small.

2.5.3 Deputy J.A. Martin:

A supplementary then, who has got who over the barrel? Does it really mean anything, the permit or the service level agreement? We have one supplier and nobody - as the Minister has said - showing any interest in the routes.

Senator A.J.H. Maclean:

Well we have heard interested parties in the past, as I have just mentioned, we had HD Ferries prior to that, we had Emeraude Lines operating in the southern route; so in the past there have been. At the current moment, as I have said many times in this Assembly, in the current economic climate there are not companies queuing-up and so I would prefer to take the position at the moment, as we are, to work with the current incumbent and to ensure that we try and improve the quality and level of service provided. One of the ways in which we can help to concentrate the mind on that is - and this is a possibility being considered - the introduction of some form of sanction for failure to meet minimum standards.

2.5.4 Deputy P.V.F. Le Claire:

It would seem to me, if history has anything to do with what is going on, the company is struggling to maintain the service and is in desperate need of a new fleet. Getting the money for that will require a significant contract to underwrite the investments. Will this then mean that the Island will underwrite that investment by giving them an extremely long contract; and will this existing non-exclusive contract remain the same playing field in the future for other people who want to come in so that it will continue to remain a non-exclusive route; and how long does he envisage the next contract to be for?

Senator A.J.H. Maclean:

As I have said in my opening answer, there are many factors to consider in this matter, and that is one of the reasons why I am in the process of writing formally to the Shadow Harbour and Airport Board, where there is extensive expertise particularly in the maritime field, for their advice on the process as we move forward. The Deputy raises relevant points, in order to get the necessary investment an operator would need to have a decent contract of a sensible length to be able to get their investment back. Equally, we need to ensure that the service provided is going to be competitive and that is going to provide the levels of service that the Island expects from a lifeline sealink service that we require.

2.5.5 Deputy P.V.F. Le Claire:

I think it is important that we get an understanding at this stage at least if the contract is going to be continuing in the forward direction as a non-exclusive contract.

Senator A.J.H. Maclean:

We had a public consultation in 2010 which was a joint Channel Islands consultation, and the results from that from the public was that there was a preference for it to be an open arrangement as we currently have, which is non-exclusive, and that is something that we are considering as part of the advice that we receive before we make the final decision. As I have said, I am also going to be asking the Shadow Board to give their views so that we can, with all the facts to hand, make the final decision as to what the format will be. If it is not the current arrangement then the future will look like one option and that would quite simply be a monopoly which would need to be managed and properly regulated, in which case it would involve the J.C.R.A. (Jersey Competition Regulatory Authority) probably.

2.5.6 The Deputy of St. John:

Given that the figures we have been given from 72 per cent down to 62 per cent punctuality, for the first 6 months of the year of 2011 has the Minister got those figures; and also will he be looking, if he goes down the road of a new agreement with whoever, given other areas have moved away from fast ferries, will he be looking at the bigger picture and possibly a conventional ferry for the northern routes?

Senator A.J.H. Maclean:

I do not have the latest punctuality figures, we should be getting them fairly soon, but I would suspect with the recent disruption that they will probably not be to the standard that we would expect. As far as alternative service is concerned, I have already said again publicly that I think a future operator - whether that is Condor or somebody else - should look at all the latest technology in this field and bear in mind that ports like Dover do not have fast ferry operations anymore and many other commercially operating ferry companies are reducing their fast ferries, they are not particularly cheap to run and there are other options to consider.