

## **2.9 Deputy K.C. Lewis of the Minister for Economic Development regarding the Service Level Agreement with ferry operators for the southbound route:**

In his answer to an urgent oral question on 13th December 2005 regarding the Service Level Agreements for ferry operators, the Minister stated that there is some sort of agreement on the southbound route. Would the Minister give Members details of this agreement?

### **Senator P.F.C. Ozouf (The Minister for Economic Development):**

I think this is the first time, Sir, that we are getting a question about the written record, which is obviously exactly what it should be: holding Ministers to account for what they say and an excellent job that the official record is. On 13th September 2005 (and I have read it) in answer to Deputy Power's question - would I confirm that there is no Service Level Agreement on the southern route - I replied I thought he was right. Subsequently I have ascertained that he was right. I mentioned in a reply to Deputy Power's query that there was some sort of arrangement on the southern route. There I had in mind the arrangements that exist between Jersey Harbours and the companies serving on the route. Both companies - Emeraude and Condor - were given permission under licensing arrangements in Jersey Harbour to use the ramp. Those arrangements exist until the end of 2006. That is not a full Service Level Agreement, but it is a full Service Level Agreement which we are attempting to put in place for all of the routes over the next few weeks.

### **2.9.1 Deputy K.C. Lewis:**

Would the Minister update the House on the current situation regarding Emeraude?

### **Senator P.F.C. Ozouf:**

Today is the deadline which was set for news of Emeraude and, as I have been quoted in the media correctly, I have been engaging with the board of Sogestran to understand what their plans are. I was advised of a media report in French newspapers of a decision - apparently by Sogestran - to come on to the route with a passenger-only vessel. I am awaiting confirmation of those arrangements. I would repeat to the Assembly I was originally told that Emeraude were not actually seeking an exclusive arrangement on the southern route. It appears that that might not be the case any more and that - I have to say - presents us with particular issues and particular difficulties. As far as Condor is concerned, I have to and it is right that we put in place a Service Level Agreement to secure their services for next year and the year after. It is wrong, I think, that there is no Service Level Agreement to deliver precisely the kind of issues that Members raised in the answers a few moments ago. I will be putting in place a Service Level Agreement for Condor and it will not be exclusive.

### **2.9.2 Deputy R.G. Le Hérissier:**

The Minister speaks in optimistic terms albeit while walking on treacherous ground. Could the Minister identify, Sir, what his contingency plans are if Emeraude does not come back, as seems now likely, and secondly, Sir, if Condor is not able to carry the kind of traffic he believes will arise in the summer?

### **Senator P.F.C. Ozouf:**

Interesting use of the word 'treacherous'. I do not think they are treacherous. I think it is a difficult portfolio of which there are a number of competing issues which we have to understand the details of and get to grips with and make some proper decisions. In respect of the southern route, there is a clear capacity issue particularly in respect of passengers generally across the season which needs to be dealt with, and car-carrying capacity at certain dates over the summer period. I have been in discussions with both Condor and Emeraude to deal with that capacity issue. It may well be that Emeraude's response is to come back with a passenger-only vessel. I am hopeful that Condor will definitely put additional capacity on the route if they do not do that. Certainly Condor... I have to say that they have been extremely co-operative with my discussions with them. I want to encourage them to put additional circulations on those key dates in the summer when there are capacity issues. I think it is by engagement, continuing to understand what the issues are, that we can solve this issue, but I do wish that Sogestran would make up their mind.

### **2.9.3 Deputy J.B. Fox:**

I wonder if the Minister would confirm that his discussions will include the areas where there are difficulties at the moment, namely the shellfish industry with its timings and the capacity and capability of getting their products to the continent especially; and also some sporting groups that cannot seem to be booking in bulk in advance, which seems to be causing some difficulty as well? I think £35,000 was mentioned.

### **Senator P.F.C. Ozouf:**

I will take those in reverse order. It is very difficult for Condor to know what to do this year when they do not know what the situation is with Sogestran, which is why I think it is in everybody's interest, having set a deadline, for Emeraude and Sogestran to say what their plans are. Because otherwise, if we continue to work on a week-by-week basis and not understand what their plans are, then basically I cannot ensure working with Condor that additional capacity is... Deputy Fox is probably quite right that there are periods throughout the summer period when there is insufficient passenger space for sports groups, et cetera. With the additional capacity by Condor, I hope, and perhaps by Emeraude, that sort of problem will be dealt with. We are doing a lot of hard work in trying to solve this problem. In respect of oyster farmers, they present a particular issue. One set of oyster farmers invested in a particular kind of trailer that could only go to Emeraude. Now, Emeraude pulled out unexpectedly. We are going to help to re-equip the oyster farmers with appropriate financial safeguards to ensure that they can use Condor for the export of their produce. I am meeting the other group this afternoon. We are determined to help them because I think that oyster farming is something that we should support - diversification of agriculture. There is one other problem which I have identified, which is large caravans. There are a number of people who have bought caravans (I think it is over 4½ tons) that could be carried on Emeraude but cannot be carried on Condor. That is a problem and I do not have a solution to that, but we will continue discussions. I cannot force Emeraude to buy a new £35 million boat just to solve that problem. We are going to try and do what we can.

### **2.9.4 Deputy G.P. Southern:**

Will the Minister ensure that any terms and conditions attached to a Service Level Agreement are not so onerous as to threaten the viability of the route but ensure that

sufficient monitoring is set up to make sure that the Service Level Agreement is adhered to?

**Senator P.F.C. Ozouf:**

I would say that I have no evidence whatsoever that the Service Level Agreement that Condor has had in place on the northern-bound route has not been (a) monitored and (b) met in its entirety. There is, I think, some confusion about what the Service Level Agreement is and what it is not. For example, in this issue to do with standard fares it says that there shall be reciprocated fares but, of course, that is not the commercial reality in respect of lower fares. I have written to Condor, as I must do, with a deadline of 1st March, explaining to them what we will be planning for the period 2007 and 2008. I have the approval of the Council of Ministers to do that, to put in place a new Service Level Agreement for that period until we reach 1st January 2009, when all the Channel Island routes will be effectively coming to an end with the arrangements. I also want to put in place a Service Level Agreement on the southern-bound route and I am alert to and listening to what sort of conditions should be put on that. I have to say, Condor is being extremely co-operative and helpful and - I think - determined to solve the issues that are there. I congratulate them for the activities that they have done with me in the last few days.

**Deputy G.P. Southern:**

If I may, my answer? Will he ensure ...?

**Senator P.F.C. Ozouf:**

I cannot say what I am to ensure. We are going to try and put as much as we can in the Service Level Agreement, to give people the security and all the backup issues, et cetera. The issue perhaps I did not answer was whether or not there are conditions which are overly onerous. I cannot see how they would be affecting the southern-bound route. There are issues about the back up vessel on the northern-bound route. That is something we are examining, but I do not think there is a short-term fix on that. Certainly, it is the back up vessel requirement which effectively is the barrier to any other operator coming in on the route - not that there would be - and I think there are sensitivities about that particular issue. We will work with Condor to try and find solutions.

**2.9.6 Deputy K.C. Lewis:**

I think most of us in the House are old enough to remember the old Sealink routes. I have fond memories of the old Caesarea, but as we know, they were sponsored by British Rail. Does the Minister not think that maybe in the future there may be a case for States financial intervention?

**Senator P.F.C. Ozouf:**

I am not going to be the Minister for Intervention Affairs at Economic Development. I believe in market forces. I do believe, however, that government has a role to ensure that the operators have appropriate conditions where there is one particular monopoly to ensure that customers are safeguarded. The arrival of the Competition Law is a welcome arrival on our statute book. It gives protection where there is a dominant position and gives consumers protection on an ongoing basis, I think, and we are increasingly seeing protection. I do not believe that there is a case for State subsidy for our sea routes. What we need to do is to make sure that the conditions

that we impose upon our ferry services are such that they can be profitable. It is only by having profitable sea routes that we end the problems of the come-and-go ferry arrangements of the last few years. That is why partnership is important. We recognise Condor has served this Island for many years. I am determined to ensure that they, I hope, continue to serve this Island but with the necessary safeguards as far as fares are concerned. But please, no States subsidy.