



Economic and International Affairs Scrutiny Panel

Public Hearing - Ferry Service

Witness: The Minister for Sustainable Economic Development

Thursday, 13th March 2025

Panel:

Deputy M. Tadier of St. Brelade (Chair)

Deputy K.M. Wilson of St. Clement

Deputy M.B. Andrews of St. Helier North

Deputy G.P. Southern of St. Helier Central

Witnesses:

Deputy K.F. Morel of St. John, St. Laurence and Trinity, The Minister for Sustainable Economic Development

Mr. R. Corrigan, Chief Officer, Department for the Economy

Mr. T. Brackenbury, Sector Lead for Aviation and Maritime, Department for the Economy

[10:37]

Deputy M. Tadier of St. Brelade (Chair):

Minister, thank you for attending today. This is a special hearing for the Economic and International Affairs Scrutiny Panel. We are looking at some issues around the ferry contract and the ferry service going forward, really. I appreciate that your officers yesterday had a meeting with P.A.C. (Public Accounts Committee) to discuss some of these related issues, which I also attended just to watch. I am just going to introduce my side of the table. So I am Deputy Montfort Tadier. I am the Chair of the panel.

Deputy M.B. Andrews of St. Helier North:

I am Deputy Max Andrews.

Deputy G.P. Southern of St. Helier Central:

Geoff Southern, member of the panel.

Deputy M. Tadier:

Online we have ... I will just test the sound out. Can you introduce yourself? Or we will introduce you. We cannot hear you, Karen, but we have Deputy Wilson who is joining us online. I am sure at some point we will be able to hear her as well. Try again.

Deputy K.M. Wilson of St. Clement:

Can you hear me now?

The Minister for Sustainable Economic Development:

Yes.

Deputy G.P. Southern:

Perfect.

Deputy M. Tadier:

Good. So we have the full complement on our side. Minister, could you just introduce yourself and your team for the record, please?

The Minister for Sustainable Economic Development:

Thank you. Deputy Kirsten Morel, Minister for Sustainable Economic Development.

Chief Officer, Department for the Economy:

Richard Corrigan, Chief Officer, Department for the Economy.

Sector Lead for Aviation and Maritime, Department for the Economy:

Thomas Brackenbury, Sector Lead for Aviation and Maritime, Department for the Economy.

Deputy M. Tadier:

Thank you. All right, let us get straight in. Minister, we have a fair amount of ground to cover. We have roughly 90 minutes allocated. We will try and keep our questions on point and if you can do the same, and if I do need to bring you back it is not out of any lack of politeness, it is just to try and keep us focused. So are there any initial learnings that you take as Minister from the undertaking of a shortened procurement process after the initial process that happened?

The Minister for Sustainable Economic Development:

Can I just ask what you mean by learning specifically around the second process?

Deputy M. Tadier:

Yes. I think yesterday the previous procurement process was taken care of by P.A.C. so our question is really focusing on this latest tender process. Can you tell us what you learned from that?

The Minister for Sustainable Economic Development:

So I think one of the things that I think was a clear improvement upon the first was having an independent party playing a role, not just in formulating the process, which is what happened in the first one, but in assessing the bids. That gave us a much higher degree of confidence in the results. I think that was really good. Obviously, the speed with which it took place was interesting. While I think the process was incredibly thorough and a lot of the work was obviously reproduced from the first process in the second process, which enabled the bidders to come to the table, I think ordinarily you would not undertake a process in that kind of speed, that kind of timeframe. But we did do that and we did do it very well, but obviously there was a significant effort to make that happen.

Deputy M. Tadier:

So in terms of the independent party who either made or helped make the decision, can you just tell us who that was?

The Minister for Sustainable Economic Development:

Yes, that was KPMG.

Deputy M. Tadier:

But KPMG were involved in the first round, were they not, in some form?

The Minister for Sustainable Economic Development:

In the set-up of it. So they were involved in creating the tender, helping us draw up the tender documents and creating the framework for that first process. They did not take any part in the adjudication element of it or the analysis of it. In the second process, we wanted a third party who could bring their independent view to the actual assessment of the bids. Importantly, I think KPMG used both staff in Jersey and London, and so the team in London clearly have no ... what is the word I am looking for?

Deputy M.B. Andrews:

Connection?

Sector Lead for Aviation and Maritime, Department for the Economy:

Skin in the game, bias?

The Minister for Sustainable Economic Development:

There is no bias, yes, that is it. Clearly, they are a team in London. But the fact that they had played a role in the first process in terms of creating that process meant they did have an understanding of ferries in Jersey and had done a really big piece of work for Jersey and Guernsey prior to the process taking place at all where we analysed the ferry services in the Channel Islands. They did that with us as well. So as a third party they were the best suited because they had knowledge of Channel Islands ferries.

Deputy M. Tadier:

There was some confusion at one point prior in the first tender process or towards the end of it about who was actually tendering in terms of was it Condor, was it Brittany Ferries. We heard that again yesterday. So can I just ask first of all when did it become apparent to you that it seemed that it was Condor that was tendering?

Chief Officer, Department for the Economy:

Yes. So the tender criteria were set out very clearly on the basis of who was tendering. There were legal definitions of bidder defined in the documentation. There was a legal definition for operator. The operator had to be the successful bidder as defined. The bidder was Brittany Ferries. All of the documentation was Brittany Ferries as the bidder. Officers on the Jersey side became suspicious as we started to work through ... particularly there was a reference yesterday to what we called the Gatwick meetings, which took place around about mid-September, 4 days of discussion with Brittany Ferries in the mornings, DFDS in the afternoons, to hammer out questions that they had of us, we had of them, and to work through the legal draft contract in detail. The Brittany Ferries delegation were almost interchangeably using Condor, Brittany, Condor, and we made it very clear to them at the time that Brittany Ferries has tendered; we expect to see Brittany Ferries delivering the services. Given the fleet investment plans for Brittany Ferries as a mainline brand, we could not see where they would have any vessels in their own direct ownership or contingency should Condor fail because their vessels were outsize compared to what the harbour needs.

The Minister for Sustainable Economic Development:

They were too big for Jersey's harbour.

Chief Officer, Department for the Economy:

Yes. So we had that suspicion as we went along. Nevertheless, we were proceeding in good faith to assess a Brittany Ferries bid. When it got to the final evaluation, and it happened just after I had recused myself from the process in tender process 1, it remained a point that the Ministers were pushing hard with Christophe Mathieu, the acting C.E.O. (Chief Executive Officer) of Condor and actual C.E.O. of Brittany Ferries, to say who is actually bidding here. Christophe came back and emailed to the Chief Minister, I think copied to yourself, Minister, saying the bidder is Condor. Had that been clear at the outset ...

The Minister for Sustainable Economic Development:

Or more to the point, sorry, they said the contract would be signed with Condor.

Chief Officer, Department for the Economy:

Yes. Had that been clear at the outset, almost certainly Condor would have been qualified out because they would not have passed financial standing tests.

Deputy M. Tadier:

Am I correct in saying essentially the basis for this whole tender process was to seek a replacement for Condor anyway because you were not happy with Condor's ... you had questions about Condor's ...

Chief Officer, Department for the Economy:

Well, it was to seek a new operator. That could have been Brittany Ferries but it is fair to say ... because in a parallel track Condor had come to the Governments asking for huge amounts of financial support. It showed a very distressed business and we just do not think that is compatible with delivering lifeline services to the Island.

[10:45]

Deputy M. Tadier:

Okay. So I guess what I am saying, if Condor had just come to you and said: "We want to operate and tender for this service" you would have probably said no?

Chief Officer, Department for the Economy:

They had had 2 earlier attempts to do that. So they had been invited, on the back of COVID, to put proposals forwards for services. So in autumn 2021 and autumn 2022, even as late as autumn 2023 the Minister's opposite number in Guernsey was still saying: "We think we can still do a direct deal with Condor." At that point we decided that metaphorically the ship had sailed and it was time to go out to the marketplace, which of course is what we did.

The Minister for Sustainable Economic Development:

If I can very quickly, I think that is quite an important point. Condor had in 2021 and 2022 direct access. They provided ... we asked them for and they provided proposals for an extension of their contract or a new contract for another 10 or 15 years. Those proposals were lacking in the extreme is what I would say. We made it really clear to them, certainly after the first one, this is not even close to good enough; please give us another one. We were really disappointed with the level of the second ...

Deputy M. Tadier:

So just to answer specifically the question about the time, the time that you became aware of that was the time you said you had recused yourself. What is the period we are talking about? Is that October?

Chief Officer, Department for the Economy:

So my recusal was about 21st October, I think.

Deputy M. Tadier:

October 2024.

Chief Officer, Department for the Economy:

Christophe Mathieu's email was ... 2024, yes. Christophe Mathieu's email was 1st November 2024.

Deputy M. Tadier:

That is fine. So we have a ballpark and that is all I wanted. So was it clear then when you entered into the second tender process that it was Brittany Ferries bidding and DFDS bidding? You were quite happy that it was not Condor that would be the operator?

The Minister for Sustainable Economic Development:

As we understood it at that time, yes.

Deputy M. Tadier:

Okay. I have to ask this question, but there has been some suggestions that the second tender process was effectively a done deal; you had already had a preference for DFDS, that they had effectively already won the first one, although they did not meet the legal challenge. Is that a reasonable ...

The Minister for Sustainable Economic Development:

I will take this one.

Deputy M. Tadier:

... point for people to make?

The Minister for Sustainable Economic Development:

I think it is understandable why people would suggest that or have that suspicion. I know truly in my heart as the decision-maker that was never the case. It was quite simply a case that at the end of tender process 1, from a Jersey perspective we could not award it to either bidder. There were reasons why I would have loved to have given this contract to Brittany Ferries, kind of non-business reasons, so to speak, more political reasons, relationships with Brittany, relationships with Normandy, France, et cetera. There were many reasons why I would love to give this. I may even have said at some point to Brittany Ferries: "Please, on this financial standing, on this commercial operation side, that is where you need to change. That is where you need to up your game" because I knew that there were many reasons to give it to Brittany Ferries. At the end of the day the scores came in 55 to Brittany Ferries, 74 to Condor ... to DFDS, apologies. It was clear blue water between the 2.

Chief Officer, Department for the Economy:

Could I just add very quickly it is fair to say also that in the application for a judicial review that was lodged by Brittany Ferries, the Royal Court and then the Court of Appeal comprehensively threw out any suggestions that there had been bias towards Brittany Ferries' bid in either process.

Deputy M. Tadier:

Yes. I think we can come back to that. My understanding is that they pretty much said it is not in the public interest to pursue this in the course of good public administration. They did not necessarily say that Condor did not have a case.

The Minister for Sustainable Economic Development:

No, they actually called their arguments weak and they did say ... they did throw out the allegation of ...

Deputy M. Tadier:

Not in the first ...

The Minister for Sustainable Economic Development:

They threw out the allegation of bias. The first does not matter. What matters is the end, and at the end they threw out the allegation of bias and they called Brittany Ferries' arguments weak.

Deputy M. Tadier:

Okay. We may come back to that but we are not here today to look at that specifically. You have already raised the suggestion about the political consideration. In terms of our relationship with Guernsey and our relationship with Brittany, for example, are there any longer-term implications from the decision that has been made? Have you got any steps, I suppose, to try and maybe rebuild those relationships if they have indeed been damaged?

The Minister for Sustainable Economic Development:

I think one of the good things is on the Guernsey side I phoned my counterpart in Guernsey just a couple of weeks ago, very much not an official call, very much me phoning on the weekend to have a chat, discuss inter-Island services, that sort of thing. So while I know that certainly from the press that I see in Guernsey, some of the social media comments, things like this, I would say there has been some damage to that relationship, at least at the population perspective. I have no doubt that any damaged relationships will be rebuilt and I think it is really important that I can still pick up the phone to my counterpart in Guernsey. On the Brittany side, we continue to work in Brittany in all sorts of areas, and one of the things that is a kind of unintended benefit, I believe, one of the benefits of there being 2 ferry providers for the Channel Islands is that now the Port of St. Malo should have even more business going on. It has 2 different providers. It has more ships going in there than would have been the case with just one provider. So there are clear economic benefits I think for the Port of St. Malo and I have talked about that with the President of Brittany as well. We want to work together to realise those benefits and work in other areas such as fishing, offshore wind farms and so on.

Deputy M. Tadier:

Okay. I think we will ask specifically about inter-Island travel later, but that could arise from this. But I think it is one of our questions.

Deputy G.P. Southern:

Coming up to date, what, if any, contingency for ferry services are in place for 2025 when DFDS begin their service from 28th March 2025?

The Minister for Sustainable Economic Development:

I think officially for about 3 days. I think it is 31st March is the end of the contingency.

Chief Officer, Department for the Economy:

It is sort of coterminous. So the contingency ends as DFDS commences, so the contingency only existed because we were concerned for Condor's perilous position and that has been demonstrably

the case. The Minister endeavoured to try and through correspondence get commitments out of Brittany Ferries and Condor. There was nothing of satisfaction so the contingency had to be extended up until expiry of the current operating agreement, which is 27th March 2025. We have absolute confidence in DFDS going forward, so the contingency will fall away at that point.

Deputy M. Tadier:

Can it be said that the ... I understand why the contingency was put in place, but could it be said the fact that you did not need the contingency and that, in fact, Condor have remained solvent right until the end of this process means that those fears were not warranted and that Condor is actually a solvent and reliable company?

The Minister for Sustainable Economic Development:

I do not think that is something you can say if you put yourself in our shoes back in December 2023. Insurance is insurance. Insurance is something you pay for and hope never to use. That is effectively the situation we were in. The contingency was an insurance policy that we paid for ourselves. The counterfactual is Condor did go bust. They had written to us asking for £80 million of underwriting and £40 million, and even when we then ... towards last year when we said: "If you do not win this contract, will you be able to continue?" they said: "We will need £11 million to £36 million." That is coming directly from the company itself. They are telling me in black and white they do not have the financial capability of surviving, that they are, as Richard said, in a perilous position. I cannot look at that and ignore it and just cross my fingers and hope it goes away.

Deputy M. Tadier:

But in the end they did not go bust and they found other ...

The Minister for Sustainable Economic Development:

Yes, and that is to their ... I am really pleased.

Deputy M. Tadier:

But the contingency was put in place only after that point, so when Brittany Ferries I think stepped in to secure financing.

Chief Officer, Department for the Economy:

No, no.

The Minister for Sustainable Economic Development:

No.

Deputy M. Tadier:

So when was the contingency put in place?

Chief Officer, Department for the Economy:

The contingency was put in place in December of 2023, very shortly after the first notification that Condor had ... when they came to Government looking for that level of financial support, with some of it literally: "We need it by the end of next week." That is how critical things were. So the first contingency was put in place ... I think the date was 19th December from memory. That was a short window using a vessel called the Finlandia Seaways, which we know was not an ideal fit. It is outside for the harbour, but it was the best of what was available at that immediate point in time to have something. We then worked through those contingency arrangements to find something that was much more suitable and much more resilient over time. But in February 2024 Matt Thomas, Chief Exec of Ports of Jersey, and I represented Jersey at an all-parties meeting in London. It was a boardroom with a table that sat about 30 people around it and then people sat in the wings. It was all of Condor's lenders, all of Condor's shareholders, all of their respective advisers, and the Islands talking about the financial mess that was Condor's balance sheet. So there is absolutely no doubt in my mind from everything around that meeting that Condor was in a mess. We are very grateful for the forbearance of Condor's lender group, who have continued to support the company up to this point. I have to say there has been some money that has gone in from one or more of the shareholders to help keep the lights on at a critical point in time. But nonetheless, the risk was assessed to be so significant we have had to keep that contingency running in the background. As the Minister said, it is an insurance policy we hope never to use.

The Minister for Sustainable Economic Development:

If I can just quickly come in as well, there are another 2 facts which I think need to be highlighted. One is Condor back in December 2023 and into 2024 had a court judgment against it in the Maritime Court. It had been brought by Poole harbour authorities and it was basically the first stage of a 2-stage process whereby Condor's ships could be impounded at a moment's notice. So we knew in December 2023 that Condor had Maritime Court judgments against it in the U.K. (United Kingdom) that would enable Poole harbour to impound any of Condor's vessels in any U.K. port at any time.

Chief Officer, Department for the Economy:

Admiralty claims in rem is the process, but Poole harbour had gone to the Admiralty Court in the U.K. and secured claims in rem against all of Condor's vessels, so that meant a lifeline freight vessel could have been locked in.

The Minister for Sustainable Economic Development:

I think it is also really important that only became clear once we had set off looking for contingency. So we had the letters from Condor. At no point did they mention that they had court cases against them and judgments against them, no point did they mention that. We found that out through our own contacts with Poole harbour. It was something of a shock. Then secondly, very quickly, is the letter that was sent to me in September 2024 when I asked Condor's shareholders: "Can you guarantee services if you were not to win this tender process?" Their response was clearly no, we cannot guarantee services if we do not win this tender process. So that is telling me as late as September 2024 that I cannot count on Condor to keep themselves financially above water.

Deputy M. Tadier:

Can you remind us of the overall cost of contingencies for Jersey to date?

The Minister for Sustainable Economic Development:

It was approximately £5 million.

Deputy M. Tadier:

I suppose looking forward, and this goes back to our initial question about learning, what provisions are there in the current agreement with DFDS to stop this kind of thing happening again? So were DFDS to find themselves in a position that Condor was in, is there something that would kick in to ...?

Chief Officer, Department for the Economy:

Yes. There are a lot of other protections. The concession agreement for the new arrangement is 132 pages long. It is very comprehensive in terms of the ...

Deputy M. Tadier:

Is there anything you can tell us specifically?

Chief Officer, Department for the Economy:

Yes, it is financial reporting requirements. There are reporting requirements. There is capacity and service demand. There are service criteria and K.P.I.s (key performance indicators). There are penalties for non-delivery. So there is a whole variety of things ...

The Minister for Sustainable Economic Development:

Also in the event of them having some sort of their own financial problems, there are protections where we can withdraw.

Chief Officer, Department for the Economy:

Yes, there is an escalation process.

Deputy M. Tadier:

So the contract is now terminated within this period and we can appoint a different operator, is that ...?

The Minister for Sustainable Economic Development:

I believe that is the case, yes.

Deputy M. Tadier:

Is that the case?

Chief Officer, Department for the Economy:

Yes. So basically if there is problems with DFDS we have much more protections in the realms of the current contract than in the outgoing operating agreement where Condor had no responsibility to provide us with financial information. The other important aspect to note here is that DFDS is a publicly listed company so they have market transparency responsibilities of their own. So we can check in real time as they do their investor relations updates what the performance of the company is, what the outlook for the company is.

Deputy M. Tadier:

Can we ask about that actually? Because there has been a suggestion ... their share price has dropped considerably, has it not, even in the last 6 months? Have you got any concerns about the ...?

The Minister for Sustainable Economic Development:

If I could say, I think it is fascinating how my counterpart in Guernsey has been pointing people in the direction of DFDS's share price. I would suggest focusing on their own ferry services and forgetting about Jersey's. I think it is ...

Deputy M. Tadier:

No, but we are asking ...

The Minister for Sustainable Economic Development:

It is not my concern where their share price is. What my concern is: are they financially viable? Are they financially running? Are they being run well? Yes. Am I going to sit and watch their share price day in, day out, like my counterpart in Guernsey is? No, I am not.

Deputy M. Tadier:

It is just that your officer said that we can see their share price and it is a matter of ...

The Minister for Sustainable Economic Development:

No, he said you can see their financial reporting.

Chief Officer, Department for the Economy:

We can see their financial performance. They have to report and give updates to the marketplace.

Deputy M. Tadier:

I think that has an effect on market confidence, though, does it not?

Chief Officer, Department for the Economy:

It does and I think if you look at the last investor relations update, I think you will see quite clearly why the market sentiment at the moment is looking the way that it is looking and what the plan is for the company to address that. We are comforted by having such public transparency of a company. By contrast, if you go to the Brittany Ferries website, they appear to be quite overdue in publishing their own accounts to their own website.

The Minister for Sustainable Economic Development:

Obviously, we have no idea ...

Chief Officer, Department for the Economy:

It speaks very differently of transparency.

The Minister for Sustainable Economic Development:

... what Brittany Ferries' share price would be because we have no idea, you never will have any idea.

Deputy M. Tadier:

Thank you. The aim of this is to look forward, not so much back, but inevitably there is a mid-point, I suppose. I am going to turn now, I suppose, to inter-Island travel. So in your letter, Minister, of 7th February you identified that you had requested DFDS to reciprocate the Brittany Ferries inter-Island service. Can you confirm the current status of discussions with Guernsey counterparts, as well as Brittany Ferries or other parties about their involvement in establishing an inter-Island scheduling?

The Minister for Sustainable Economic Development:

So that is for DFDS to work through with Brittany Ferries.

Deputy M. Tadier:

Is there any requirement in the current contract about ... is there any mention of inter-Island travel?

The Minister for Sustainable Economic Development:

Yes, there is. There is mention of inter-Island and there is mention of the intention to provide inter-Island services where possible, but it is not part of the contractual arrangement.

Deputy M. Tadier:

So that cannot be compelled? You could not compel DFDS to run an inter-Island service?

[11:00]

Chief Officer, Department for the Economy:

No. In the joint Channel Islands tender it specified a number of inter-Island rotations. The only appointment that came from that first tender round was Guernsey's appointment of Brittany Ferries and it would appear that they have not made any mandatory provision for inter-Island services arising from an appointment at tender process 1. It would have been unfair on Jersey's service provider, whoever that was to be at the end of tender process 2, to place the full onus on them to deliver inter-Island services that may not be commercially viable and, therefore, a bit of a dead weight around their business. So what we have said to DFDS is we would like them to reciprocate with the one sailing a week and if further sailings are added by Brittany Ferries/Guernsey, then to look at reciprocating and adding further sailings if they are commercially viable.

The Minister for Sustainable Economic Development:

You asked, Chair, as well for discussions between the Islands. As I said earlier, I was on the phone to my counterpart in Guernsey just 2 Sundays ago asking about inter-Island services. Obviously, we have Manche Iles Express. We speak and work with them as well, and obviously there is a new player, Islands Unlimited, who are hoping to start up those services.

Deputy M. Tadier:

Is there anyone else that you are in conversation with about running potentially a ferry service?

The Minister for Sustainable Economic Development:

I am not in conversation. I have heard of a potential other inter-Island provider but I do not know how advanced their plans ...

Deputy M. Tadier:

Are they Jersey based?

The Minister for Sustainable Economic Development:

I do not know. It is similar to Islands Unlimited. It is a start-up so I do not know where they base themselves, whether it be in Guernsey or Jersey.

Deputy M.B. Andrews:

In terms of when we are looking at, say, inter-Island sailings, when we had Condor Ferries, of course, before we knew where we were, because they were obviously commuting between Jersey and Guernsey, but what impact has it had with Guernsey obviously going with a different operator compared to Jersey going with DFDS?

The Minister for Sustainable Economic Development:

Well, as the court case showed, the court case ... I was just looking for the quote. The court case, the judgment, the summary judgment we have had, said it was Guernsey's decision to end the joint Channel Islands process. That is written down in the court records now. So I think that was their choice to end that process. They, therefore, by doing that, created an issue around inter-Island services. That was their creation. They have created that. We are working together to solve that. Economically, inter-Island services are not economically of great importance. Culturally and socially, I believe they are, particularly for sporting communities and other voluntary communities. From an economic perspective, there is very little impact, but from that social perspective there is a greater impact. We are alive to that and this is why we are talking and working on that issue.

Deputy M.B. Andrews:

So it may be if we are looking at, say, the first process that happened, obviously Jersey and Guernsey were appraising the situation separately and, of course, Guernsey firstly came up and said: "Look, we are going with Condor" but do you feel, if you are looking back retrospectively, if the process was, say, to happen again and if there is any learnings, that perhaps the role of the U.K. might have come into this to ensure that there was some level of independence to ensure that there is a recommendation to both Islands instead of both Islands going their separate ways?

The Minister for Sustainable Economic Development:

No, I think the U.K. ... you mean the U.K. Government?

Deputy M.B. Andrews:

The U.K. or even, say, an independent invigilator?

The Minister for Sustainable Economic Development:

The U.K. quite simply has no place in this process, none whatsoever, and I would resist any call for the U.K. Government to be involved in something like this. There is no need for that whatsoever.

Deputy M.B. Andrews:

Do you think, say, with KPMG that they potentially could have had a greater role in that process?

The Minister for Sustainable Economic Development:

In the first process that is one of the things that I personally would change. I would have that independent assessor in there at the beginning, definitely. One of the reasons is - I believe this was told to the Public Accounts Committee yesterday - we saw some very strange increases in Guernsey's marks for Condor as a result of that first process, very unusual spikes where they moved low scores to very high scores for no reason that we could see.

Deputy M.B. Andrews:

Can I ask, Minister, did you feel a bit uncomfortable going into the first tender process knowing that the Guernsey Government had made this financial commitment for Condor to obviously keep on going?

The Minister for Sustainable Economic Development:

So I think it is important that Guernsey had bought that vessel at a time when we were in this project looking at ferry services, and that was meant to be an open book project where we had agreed to share all information between the Islands on whatever we were doing with ferries. Guernsey chose to buy a vessel, a ferry, without telling Jersey at all during an exercise on open book ... an open book exercise on ferry services. So that was a huge shock but ... and did it tie them to Condor/Brittany Ferries? It probably did. We have letters which, when you read them, you realise that you can see that they are saying Condor must be in the final selection for the tender process, et cetera, or the incumbent, they say, must be in there. I went into that first process with pure good will, good faith and optimism that we would find a joint provider. That tender process was ended by Guernsey on its own volition, its own desire not to allow any further conversation on that matter. So Guernsey created the situation that we are in today and it is a huge shame that that was the case. Was their financial commitment to Condor part of that? The public can draw their own conclusions, but I know where mine are.

Chief Officer, Department for the Economy:

If I might just ...

Deputy M. Tadier:

Sorry, can I cut in? It is not one of our core questions so I think that is more for P.A.C.

Chief Officer, Department for the Economy:

That is fine, yes.

Deputy M. Tadier:

So I do not mean to cut anyone off at the knees.

The Minister for Sustainable Economic Development:

No, of course.

Deputy M. Tadier:

I know it is something that has been suggested before, though. We will move on just to another aspect of inter-Island travel. So it was reported in the local media that DFDS would consider offering 25 realistic day trips - I presume that means to France - as the other day trip schedules only give visitors one hour or less at the destination before the return sailing. Could you talk to us about what you know about day trips?

Chief Officer, Department for the Economy:

Yes. DFDS published yesterday with the Chamber of Commerce the exact number of movements. So I think they ... first of all, in the contract we have with DFDS we have day trips. Guernsey's contract with Brittany Ferries, they have no day trips. To have a day in St. Malo you need to spend 2 nights' accommodation in St. Malo, which also renders the price comparisons meaningless as well because you add 2 nights' hotel stay. It is fundamentally different. DFDS have 31 day trips to France where there is more than 5 hours in St. Malo. They are looking at adding some additional capacity, but when the tender was constructed in no small part it was about trying to drive inward tourism to Jersey to promote the visitor economy and then the secondary aspect is can we fit in some day trips around that because we know how much Island residents value those long days in St. Malo where they can come in. So the default position is we want as long a day as possible for French visitors to come to Jersey and spend in our economy here and then DFDS are working in those additional days that they can to give Jersey residents as many hours as possible in St. Malo. But already in the current schedule there are 31 day trips with more than 5 hours that you can spend in St. Malo, and in the peak summer we will have up to 3 rotations per day. That is vastly different to anywhere we have been in recent times with Condor.

Deputy M. Tadier:

I want to look at the inter-island travel as well, particularly the day trip market, I guess. A lot of European visitors see the Channel Islands as a group, an archipelago, as Victor Hugo might have

said, and we do not necessarily think of them like that. So they might want to come to Jersey first, go to Guernsey either for day trips or for a few days, and the other way round. It seems strange at the moment we have 3 ferry operators if we include Manche Iles. We have a new entrant here in Guernsey with Islands Unlimited and potentially we are talking about a fifth one that is going to run services between Guernsey and Jersey. At the moment there is no way to travel between the Islands, it seems, on a regular basis and not that many day trips to France either, certainly not to St. Malo and probably not to Normandy either. Is that a missed opportunity and do you think that is something that is likely to improve, Minister?

The Minister for Sustainable Economic Development:

It is something I really want to improve. I think regional connectivity, as I call it, the connectivity within the gulf of Mont-Saint-Michel, to me is really important. I think it is also something that is likely to need subsidy. We know that, for instance, the Manche Iles Express service receives €2 million a year from the Department of La Manche as a subsidy. I think that gives you a really big indication of the level of public financial support you need to provide those services. I am open to that because I think just in the business support briefing earlier and we were talking about the importance of investing in our infrastructure, that level of regional infrastructure is, I think, really important. Of course, you can fly to Guernsey today; there are flights every day to Guernsey. If you are a tourist coming to Jersey you can, no question, fly to Guernsey. I wish Islands Unlimited all the best. I hope they succeed because that will be a great solution between here and Guernsey. Equally, Manche Iles Express, we need to be entering into conversations with La Manche about the future of that service, the long-term future of that service. My view is Jersey should be prepared to invest in that service, otherwise the only connections we will have to France will be via St. Malo.

Deputy M. Tadier:

If we accept that we probably need to subsidise inter-Island travel and possibly day-trip travel, would it not have been better to include that in the tender process with DFDS and say: "We will subsidise inter-Island travel but we would like you to provide it"?

The Minister for Sustainable Economic Development:

It was not really possible to include it in this tender process with DFDS. It was at the stage as well we did not know anything about the contract with Brittany Ferries or how that would be provided. The tender was with Guernsey, bring an end to the joint process, the tender was very much Jersey-only services. It was very much about the St. Malo link and the Portsmouth-Poole link. That is the piece of work we are doing now is to try and sort ...

Chief Officer, Department for the Economy:

Those are all the points, the point of closing the scoring on tender process 1 and the Minister receiving a letter from Deputy Inder on 17th October. There was an intransigent position from Guernsey. They would not enter into any discussion about what the different positions meant for a joint process. We respect that Guernsey could not appoint DFDS because of the fail in the legals because we too had assessed DFDS as a fail in the legals. Guernsey have written to Brittany Ferries saying they believe the process was compliant and they could not appoint a failed bidder, which is why they appointed Brittany Ferries. Ergo, from Jersey's perspective Brittany Ferries failed in 2 aspects of the criteria. We could not appoint Brittany Ferries. There is a different line being peddled out of Guernsey, even as recently as this morning, from Deputy Inder; that is wrong. But it is important to say that we wanted to have those conversations in the days after scoring had closed, about what it meant for a joint process and inter-Island travel. Guernsey would not enter into those conversations.

Deputy M. Tadier:

Talking about where we are now, I get your point about, potentially, St. Malo have benefits because they have 2 operators now coming to them. What should have happened in an ideal world? The original position was that we have one operator servicing France, Jersey, Guernsey, U.K., will not include Manche Iles because they are already there, but maybe we have, potentially, 4 operators running now between Jersey, Guernsey and then also the 2 running between north and south. Does ramp time become an issue? It is fine to say you have all these extra services but will they be able to get access and will they be able to share and will they be willing to share is the key point?

The Minister for Sustainable Economic Development:

I know our side we are very willing to share that, I think from a ports perspective.

Sector Lead for Aviation and Maritime, Department for the Economy:

The operational implications would be assessed by Ports of Jersey. Obviously Jersey operates on a system of ramp licences and the ramp licence would not be issued without a successful deconfliction report.

Chief Officer, Department for the Economy:

I think it is worth saying, though, also that DFDS have offered to have a northbound service, so our high-speed craft going north to Poole, to have that call to drop off in Guernsey on its way north. Not to pick up in Guernsey for the next bit of the journey but just to drop off or, alternatively, for that to pick up at Guernsey to come to Jersey on the way back. That has been rejected in discussions with Brittany Ferries because they do not trust the process.

The Minister for Sustainable Economic Development:

I must jump in and say that is incredibly frustrating. DFDS have proposed a perfectly viable way of using their northern ferry to create an inter-Island service, particularly at the weekend, which is when I would like to see it there. That has been rejected. I can see no good reason why that is okay.

Deputy M. Tadier:

Can I go back to what deconfliction report means? You say that ...

Sector Lead for Aviation and Maritime, Department for the Economy:

The idea simply that there would be the time and the space to allow the vessel to come alongside, berth, go out again, without it causing any operational implications for the harbour's wider operations or for another ferry company.

The Minister for Sustainable Economic Development:

Basically, to deconflict access to the ramps, so there is no 2 ferries trying to get one ramp at the same time.

Deputy M. Tadier:

Can you understand that either DFDS's or Brittany's point of view is that they have been offered exclusivity in either island of a contract? If I were Brittany Ferries I might think I do not necessarily want ... in fact, if I was DFDS I might think by running services from Jersey to Guernsey is inveterate. What is to stop somebody getting off the boat and then getting on to Brittany Ferries to go to the U.K.? Potentially, Brittany Ferries might offer special offers for people to do that, rather than just using the direct service from ...

Chief Officer, Department for the Economy:

That is a risk. These are all things that we would have wanted to talk about after the scoring had closed on tender process 1. That opportunity was not afforded.

The Minister for Sustainable Economic Development:

I think there is a worry about that sort of leakage. But from a DFDS perspective - and I was talking to them yesterday about this - they would not, for instance, put on ... if they went from Jersey to Guernsey to Poole they would not make it possible to book a Guernsey to Poole service with them. You would not be able to go on their website and find that is a service. They would not be picking people up in Guernsey and taking them to the U.K.; that is not going to happen.

Chief Officer, Department for the Economy:

I think in terms of coming off one operator and going on to the other for the next bit of the journey, it will not quite work like that insomuch as the high-speed craft of Brittany Ferries, we understand,

were based in St. Malo, leave there in the morning, go north and then back, whereas we have the reverse. We will have a vessel based in Poole that will come south in the morning and then head back. They are running in opposite directions.

The Minister for Sustainable Economic Development:

The timing does not work to make that viable.

Chief Officer, Department for the Economy:

Yes, yes.

Deputy M. Tadier:

I get what you are saying, but is it fair to say we may have to wait and see if there are any unintended consequences on that? The market might resolve it or it might need some kind of discussions and interventions I think.

The Minister for Sustainable Economic Development:

That is right. I think that is fair.

Deputy M. Tadier:

We will leave that there, I think. I will pass over to Deputy Andrews.

Deputy M.B. Andrews:

Okay. Thank you very much, Chair.

[11:15]

Minister, I just want to ask you, with the appointment of DFDS and their new schedule, will there be a decrease or an increase in sailings compared to what Condor were providing previously?

The Minister for Sustainable Economic Development:

I think in general there is, effectively, an increase in sailings. I know that people have seen changes in the days. Obviously, that happened on the Condor all the time; they changed things all of the time. I think we must not forget the service we have been receiving for the last 20 years. But I think overall it is an increase but, Richard, you may ...

Chief Officer, Department for the Economy:

Yes. What we will see is we will see daily freight arrivals. We will see a daily ro-pax arrival, which is similar timing to what you see at the moment. On the Condor service the Goodwill arrives in the

morning and either the Islander or the Clipper arrive in the evening. What you will see going forward is the Arrow arriving in the morning and then the Stena Vinga arriving in the evening. On the high-speed craft side you will still have a high-speed craft going up and down from Jersey to Poole, Poole to Jersey and back, I should say. But we will see the main increase, however, is on the route to France, but we will have a dedicated high-speed craft just between Jersey and France. We will see a significant increase in sailings.

The Minister for Sustainable Economic Development:

Yes, on that route, looking at DFDS's figures, they are saying a 56 per cent increase in the number of sailings to France and they are also saying a 47 per cent increase in the number of sailings to the U.K.

Deputy M.B. Andrews:

In terms of, say, the size of the vessels that DFDS have compared to Condor, are we talking about vessels that are bigger and have a larger capacity for freight, for instance, or is there not much difference between the 2?

Chief Officer, Department for the Economy:

Yes, it is similar capacity vessels in terms of freight, for example. However, there will be less freight because it is Jersey-only service, so that gives us better capacity to pick up from bad weather events or technical delays or anything else that might happen. On the passenger side, I think the 2 vessels are broadly similar in size on the high-speed craft to those of Voyager and Liberation. I think the one on the southern route is quite similar to the old repeat vessel that used to ply between ... these are substantial vessels with a significant capacity that DFDS are eager to fill.

Deputy M.B. Andrews:

When we are looking, for instance, now with DFDS obviously operating with Jersey, U.K. and France, do you think our harbour will now have a better capacity to deal with the freight that has come through the Island and will we see a reduction of freight due to Jersey and Guernsey going our separate ways?

The Minister for Sustainable Economic Development:

You will not see a reduction of freight coming here. In fact, I would like to think, particularly in the southern route, what I am keen over the coming years is to see freight build up from that side. You will not see a reduction of freight that has landed in Jersey, if you know what I mean.

Deputy M.B. Andrews:

No, no, okay.

The Minister for Sustainable Economic Development:

But obviously Ports have a masterplan and, really importantly, that plan is about making the freight area work a lot, lot better, deconflicting, to use that word again, with the passengers and the travellers. Because at the moment if you think when you go to the Elizabeth Terminal you have lots of very large freight trucks and you are trying to either walk or drive through the middle of them to get to the passenger terminal. The new layout separates all that, so passengers will have a much nicer experience. But it creates more space for freight to take part which, again, enables greater competition in the sector as well.

Chief Officer, Department for the Economy:

Freight demand is reasonably finite because really it is sum of consumption from the Island. Outwith any major building projects that require the import of goods, it is generally just the sum of consumption, just quite a steady flow of business. But, as I say, we will have 2 sailings a day that can carry significant freight volumes. Guernsey will have one sailing a day, which has to combine freight and passengers and vehicles on the Islander and then will have the high-speed crafts. We have a lot more freight capacity and a lot more optionality to pick up from bad weather.

Deputy M.B. Andrews:

What can we expect from DFDS that is different from Condor? Is there anything in particular that is new that was not previously provided?

The Minister for Sustainable Economic Development:

That is a very good question. I think at its core the service is similar; it is a ferry service at the end of the day. I think it is really important what we saw DFDS saying yesterday. They want to provide frequency, they want to provide reliability, and reliability is really very, very much where I wanted to be. We have seen, I think, over years an unreliable service. We are going to see £300 million of investment in the new fleet within 6 or 7 years. Again, I have to contrast that with Guernsey, which has no pounds allocated to fleet investment. Guernsey, as my understanding from what I have seen in the media, is that Guernsey has a promise that Brittany Ferries will sit down and talk to Guernsey in 6 to 7 years' time about fleet investment; that is the only promise they have. We have £300 million promised. We have financial resilience, a group guarantee on service for all Islanders, so that is really important because that was not available in either the existing or the Brittany Ferries version. I think we have already seen that they are responsive. We have seen them change their pets, their bicycles, policies, et cetera. One of the key things that we have got is a cap on future price rises. We saw some really significant price rises, both in the freight and the passenger market over the last few years and we sit there sometimes wondering how they are so large. We have capped that using R.P.I. (Retail Price Index), so it is index-linked to inflation but there is capping now for the rest

of the contract. From the freight perspective, that gives businesses a level of certainty they have never seen before. They know what the ferry prices, effectively, are going to be for the next 20 years. That is incredible. I think that then speaks to the flat-rate card as well, which has created the ability to have competition in the sector and an ability for us to have transparency. Now we know how much it costs to bring that pallet of goods on the ferry to Jersey. We have never known that in the past. These price rises that we have seen, we have never known if they are justified or not because we have no view of it. We now know how much the ferry costs. We now know how those prices will rise over the future linked to R.P.I. I think we have much greater visibility. It makes Jersey a much stronger investment prospect, in my view. Because if you are an island ... I have not directly spoken to those retailers. My department is speaking to retailers looking to move in Jersey. They have to shift their goods to Jersey. If they are signing a 10-year lease or a 9-year lease they now know roughly where their prices are going to be for bringing goods to Jersey for the next 20 years. That helps that investment case for Jersey significantly.

Chief Officer, Department for the Economy:

There is one additional important point. I think the Island has done a great deal in terms of the social agenda. Living wage, for example, coming to the fore so people are paid properly for a proper day's work. On the ferries the Condor contract in the past has been subject to a lot of criticism from the R.M.T. (National Union of Rail, Maritime and Transport Workers) in the U.K. around exploitative terms, is how they have described it. DFDS have a first-class pedigree in crewing. You will see already that one of the high-speed craft has been reflagged on to U.K. registry, which means U.K. levels of pay and crewing standards, as opposed to lowest common denominator. Again, it removes that reputational stain that sat on the Condor business for what was described by the R.M.T. as exploitative conditions.

The Minister for Sustainable Economic Development:

As an aside, possibly the biggest surprise in all of the procurement process was to receive a letter from the Director General of the R.M.T. union, which said: "Pick DFDS, they are really good from a paying perspective. Do not pick Condor; they have been exploitative." It is important to say that Brittany Ferries does have a good reputation around there, I think that is really important to say, but Condor did not.

Deputy M. Tadier:

Yes. The obvious quip would be to say that you still gave it to Condor, we still operated with Condor, and we did nothing to say that we did not approve of their practices previously. I remember raising ...

The Minister for Sustainable Economic Development:

I think since I became Minister all I have really worked on is this ferry tender process in terms of ferries.

Deputy M. Tadier:

I remember asking Senator Maclean at the time when he was Treasury about why Condor Ferries staff were being paid ...

Chief Officer, Department for the Economy:

So should you, Chair.

The Minister for Sustainable Economic Development:

I can imagine it, yes. If I could just say I am not Senator Maclean, so I cannot speak for what he said.

Chief Officer, Department for the Economy:

But this issue, part of our tender criteria did exactly deal with those sorts of points, so there were scores for that social responsibility of the organisation, crewing and welfare and so on. While it may not have happened in the moment, those sorts of things have been noted and made sure that when we can renegotiate towards a new contract, that that has been taken into account. We build better conditions going forwards.

Deputy M. Tadier:

There is going to be a lot of questions that we are going to ask about the concession agreement but, ultimately, a lot of these questions will not need to be asked if the concession agreement is put into the public domain. We know that redacted copies of previous operating agreements between harbours and Condor Limited were publicly hosted on the Ports of Jersey website. Can you confirm whether there is going to be any public availability of the current concession agreement and, if not, why not?

The Minister for Sustainable Economic Development:

It is not something I have thought about, to be honest with you. I always feel slightly uncomfortable about putting commercial documents in the public domain, but I do not see ... as long as it is appropriately redacted.

Deputy M. Tadier:

I suppose what we say is unless there is a good reason for it, because the tender process has now happened. I think in terms of understanding, for example, what those price caps are, what the R.P.I. and what the flat-rate card means, et cetera, are you going to seek to put ...

The Minister for Sustainable Economic Development:

I think that is absolutely fair. I have no in-principle issue with it, I just need to make sure it is appropriately redacted from a commercial perspective.

Deputy M. Tadier:

Obviously in conversation with the operator.

The Minister for Sustainable Economic Development:

But I think one of the things I have been saying now, I have said throughout this, is the transparency. I would be keen to provide that transparency as well. I think it will just take us some time to make sure this 123-page document is appropriately redacted.

Deputy M. Tadier:

I will ask this question but I will keep it brief - hopefully you can as well - is that one of the suggestions was that it was difficult. Condor were not a sustainable operator because they were servicing such high levels of debt. Presumably, that needed to be figured into their business model. Ticket pricing needed to service that debt. DFDS do not seem to have that problem. Does that mean we are likely to see cheaper tickets from DFDS in the long term than we would have from Condor?

The Minister for Sustainable Economic Development:

It is interesting because it is 2 different business models. I think we are ignoring recent headlines, which are genuinely just headlines. There is very little substance to them. We can see that the pricing is similar. There is a cost to bringing people to Jersey; there is a cost to bringing people to Guernsey. While Condor's model had to include debt repayments, of course it did, Jersey's business model, the one that we signed up to, has to include that future fleet financing. In that sense there is £300 million commitment and that has to be paid for through those ticket prices. I think that is one reason why you will not see any significant price differences. But DFDS operate in some of the most competitive ferry markets. They do the Dover-Calais route, the Dover-Dunkirk route; they are immensely competitive. They know the importance of maintaining good pricing. The situation we have was obviously lacking competition but we have, effectively, put in price regulation as a result of that. I think over the course of the 20-year period I think you will see increasingly good value through the pricing. Whether it will be massively cheaper or not than what is happening in Guernsey I have no idea and, to be honest, I am not really worried about Guernsey's pricing.

Deputy M. Tadier:

Okay. We heard it here first, so we will be looking at those prices. Thank you, Minister.

The Minister for Sustainable Economic Development:

Call me back in 20 years.

Deputy M. Tadier:

You might be getting calls before then but we will see.

Sector Lead for Aviation and Maritime, Department for the Economy:

Because I think it is also important to say within the terms of the concession agreement we have spoken about the maximum yield on the passenger side, but what we were keenest to gain regular insights is into the mean average. Maximum being if you book very shortly before departure on a very popular service, but what are customers paying on average if they pay it at a usual time? I will pop this in again. For the first time we can have those insights in real time, which we were not party to under the concession agreement.

Deputy M. Tadier:

Yes. But, Minister, you were not interested in a flat rate for passengers then, just for freight.

The Minister for Sustainable Economic Development:

It is not something we looked into at all.

Deputy M. Tadier:

Do you think it will be beneficial for passengers to have certainty that they can book, even, say, if they need to book ... a lot of people have to travel in school holidays presumably?

The Minister for Sustainable Economic Development:

It is very interesting. That could have been done. You could have had a flat rate for passengers. I think obviously, given the price comparison news articles of recent days, you would then have seen some significant differences because you would be getting some very low prices on Condor/Brittany Ferries routes because they use dynamic pricing and you would not see any changes. You would have no opportunity for particularly low-price tickets. Equally, you would clearly never get higher-price tickets either. In some ways it is swings and roundabouts. I think everybody, as in Islanders, are used to, through planes, through their flights, through their experience on Condor at the moment, they are used to dynamic pricing. The whole travel industry uses dynamic pricing. I found it interesting. There was a question yesterday in the Chamber of Commerce lunch that said: "Is dynamic pricing the right thing?" It does not matter if it is the right thing or not, it is what the industry uses. Condor use dynamic pricing today.

Deputy M. Tadier:

But not in freight, though. Yes, they do not use it in freight.

The Minister for Sustainable Economic Development:

We did not know what they used in freight I think would be the better way to say that.

Deputy M. Tadier:

Right. We will come to freight in a moment because I ...

Chief Officer, Department for the Economy:

It is so interesting. Brittany Ferries has tendered in tender process 1, which is where Guernsey have gone with appointment, despite the fact that none of it has been made transparent. The model there was for dynamic pricing on freight as well.

The Minister for Sustainable Economic Development:

Was it?

Chief Officer, Department for the Economy:

There was a ladder structure and then there was also a dynamic price attaching to it. But if you went on a Friday overnight into the Channel Islands you would pay more for your freight than if you came on a Monday overnight sailing.

The Minister for Sustainable Economic Development:

That is right, yes, there was, yes.

Deputy M. Tadier:

We have moved on to freight organically, so to speak, so I do want to bring Deputy Wilson in at some point, and let me just consult my notes because I want to make sure we cover it. But let us talk about freight maybe for the next 5 minutes or so. I think the panel is fairly neutral on the subject and we want to look at the facts. The presumption is that you let the free market dictate, so in the same way that there is dynamic pricing for passengers, the default position presumably is that there should be dynamic pricing and let the companies decide how much they want to charge. I think we have had a suggestion that there was a desire from some elements maybe within Government to try and tackle the market dominance of a certain importer into Jersey or a distributor and that there was a special relationship between Condor that they gave a discount to this operator. Is that not just fair business? Were Condor not just entitled to do that, especially if that operator then says; "We can pass those savings on to our customer"?

Chief Officer, Department for the Economy:

Yes, yes.

The Minister for Sustainable Economic Development:

I say from a Competition Law perspective, not when it is to the detriment of the market.

Deputy M. Tadier:

Did you ever raise that with the Competition Regulator? Did you say we ...

The Minister for Sustainable Economic Development:

I have not directly raised it, I do not believe.

[11:30]

Obviously the freight survey that they did, or not survey, study that they did, informed our views of what the Competition Regulator thought, which I never requested greater transparency and understanding of those freight costs.

Deputy M. Tadier:

I am being careful not to name them. I do not know if that is probably the right thing to do.

The Minister for Sustainable Economic Development:

Yes.

Deputy M. Tadier:

But if there was an issue, if there were concerns with this operator operating in a manner which was abusive to the market or indeed perhaps illegally, that should have been something that the operator stepped in with and they did not seem to.

Chief Officer, Department for the Economy:

No, so what Condor have operated was a rate card that said the more volume you do, the cheaper the price. That is a perfectly reasonable structure for pricing in a marketplace.

The Minister for Sustainable Economic Development:

In a competitive marketplace rather.

Chief Officer, Department for the Economy:

The issue here is that you do not have competition in the market. If this was Dover-Calais with 3 different operators and high frequency of sailings, you have, arguably, fairly perfect market

conditions because you have competition of provider and you have different sailing times that may have peak and off-peak aspects to them. Here you had one or 2 sailings a day that were bringing in freight. Ostensibly, it is the one overnight sailing south that is bringing the freight into the Island. The way that we have looked at this going forwards is that that is, effectively, like a toll bridge. We are granting a concession for 20 years to bring freight into the Island to that operator. The demand for that is set by Islanders as a whole. The demand for freight is not set by ferry speed, Jersey Post, any other provider. They may carry it but they are ...

The Minister for Sustainable Economic Development:

The pie is only so big, basically.

Chief Officer, Department for the Economy:

Yes, the Island demand is based on consumption. That consumption is not determined by Jersey Post or ferry speed, it is determined by Islanders. We wanted to make sure that the freight part, which is a fairly finite volume ... that was the argument for being on a flat-rate card. It was nothing to do with trying to challenge a provider in the adjacent market sector. What it means, however, is that if you are a retailer you can now transparently see what the cost of your freight was for the ferry part of the journey. That allows you to determine where the value for money is in any adjacent services that you procure. Whether that is from the hauliers on this side of the water or if it is what the hauliers are doing for you on the northern side, you can determine those services and you pay accordingly for them. But you know that the bit in between is transparent but it is the same rate for everyone. What we did not have on the outgoing rate card was enough certainty and indeed complaints made to the J.C.R.A. (Jersey Competition Regulatory Authority) that the rate card Condor was supposed to be working to was not really being observed in its entirety. That is something for the J.C.R.A. to ultimately determine, not for Government. There is a Competition Law and if they are concerned the J.C.R.A. can start an investigation. But it is the stuff of some legend locally and indeed in conversations that we have had with the acting C.E.O. of Condor, it is fair to say there has been concern raised in our minds as to whether there was just that rate card in play or whether there were other factors in play over and above.

Deputy M. Tadier:

I know we have asked questions in the Assembly about this, but one of the concerns, I suppose, is can you be sure that this operator, so the distributor, importer, who perhaps was able to make economies of scale because of a discounted purchase agreement, shall we say, that they are not going to see their prices go up, which will then be passed on to customers? Is that a concern for you?

The Minister for Sustainable Economic Development:

Obviously, from the freight pricing perspective we have done an analysis and it shows that freight pricing is 7 per cent of the cost of goods in the shops. The price rise we are seeing here is 14 per cent off 7 per cent, something like that. Ultimately, the impact on your cost of goods in Jersey is 0.4 per cent and that is a one-off impact. That is not significant, that is, particularly for the price and transparency and the continuing thereafter price regulation that goes on, we have now got Jersey into a position whereby we have forward sight, effectively, of freight pricing. That is an incredible benefit to this Island.

Chief Officer, Department for the Economy:

We should also be clear that both of the bids, both Brittany Ferries ... or actually it is Condor in the first bid, let us be clear about that, Condor and DFDS, in both bids freight prices were going up from the outgoing agreement. So, irrespective, there was a price rise coming. The 2 bids were fairly closely matched on where that freight price was going to be between a flat rate and then the mean average pricing was proposed by the other operator.

The Minister for Sustainable Economic Development:

There was less than £1 difference between them, yes.

Chief Officer, Department for the Economy:

Yes.

Deputy M. Tadier:

Thank you. I think we have covered that. If we have further questions we will come back to you. Can I hand over to Deputy Wilson? She has some questions for you as well. Thank you.

Deputy K.M. Wilson:

Thank you. Can you hear me?

The Minister for Sustainable Economic Development:

Yes.

Deputy K.M. Wilson:

I just wanted to follow on, if I could, before I ask my main question. Is there a difference in the charges to refrigerated and non-refrigerated freight and, if so, why is that?

The Minister for Sustainable Economic Development:

There is not a difference.

Deputy K.M. Wilson:

There is not a difference, okay. That was just a query that we were asked by a member of the public, so thank you for clarifying that. I just want to come to the concession agreement, and thank you for forwarding that to us. One of the concerns has been about the break clause and what it is that you have agreed to the break clause to 20 years and why that was 20 years, if you could just explain that for the public.

The Minister for Sustainable Economic Development:

Yes, the 20 years, it was really interesting. We did not set out in the second procurement process for a 20-year agreement. I think we modelled it around a 15-year agreement, effectively. Well, that is what we were expecting anyway. But it was very interesting. Both bidders, separately and according to their own calculations, presented propositions for 20-year contracts. Effectively, the reasoning for that - and I fully understand the reasoning for that - is because of the fleet investment they were asking for. The fleet investment on what is a smaller market, Jersey only as opposed to Channel Islands market, required both operators, having done their very separate analysis, determined that they would need a 20-year concession agreement in order to deliver that fleet investment.

Deputy K.M. Wilson:

Going forward, given that there is a 20-year agreement in place, what kind of process is being put in place to ensure the process for the next tender when that comes to an end will be a lot more smoother, shall we say, than the one that has been entered into recently? Should it be ended prematurely?

The Minister for Sustainable Economic Development:

That is an excellent question and, to be honest, we have not started designing the tender process for the next ferry tender agreement and it is something that should be done. I think corporate memory in the Government of Jersey as a whole - the States of Jersey I will use in this wider - is relatively poor. I think that is in some ways seen by this tender process. Because back in 1997 it is my understanding that Jersey and Guernsey did a very similar joint Channel Island tender process, that a different ferry provider that was not Condor was offered that tender. Then Guernsey changes its mind and pulled out at the last minute and the joint tender process fell away and we ended up with determining that the Islands were then not sticking with Condor. In 1997 we had a similar - I will use the term - failed joint tender process, but when I speak to people most people do not know that. It is 28 years ago. It is quite some time ago. We do have to find a way of taking learnings from all this and building that into a corporate memory that can be accessed in the future. Because let us be realistic, if this contract goes perfectly well people will not start thinking about a new tender process until you are 15, 16, 17 years into this contract. What we need to do is make sure that

learnings from this are available to those people in the future so they can make sure that if there is to be a joint tender process that it is done in a way which has a greater chance of overall success.

Chief Officer, Department for the Economy:

Yes, clearly we have the work of this panel. We have Public Accounts Committee for the hearing yesterday. I am sure we will have some feedback and thoughts from P.A.C. in due course. The Comptroller and Auditor General is also doing a review of critical infrastructure resilience. Again, her office may have some thoughts on these matters going forwards. All of that will need to be brought together in terms of an overall lessons learned and notes for the future. Whoever is here in 20 years' time, probably not me, hopefully has a stronger base to work from.

Deputy K.M. Wilson:

Thank you. I think this is why we are trying to focus on the lessons learned with a view to going forward so that ...

The Minister for Sustainable Economic Development:

Yes, it is the right thing to do, I appreciate it.

Deputy K.M. Wilson:

Could you tell us what provision there is in the concession agreement for it to be updated in the future?

The Minister for Sustainable Economic Development:

Off the top of my head I will have to go looking for that.

Chief Officer, Department for the Economy:

For the agreement to be updated in the future or ...

Deputy K.M. Wilson:

Yes. If, for example, there was a need to change anything or update it because of the change in legislation or whatever, what kind of processes do you have in place to address that particular ...

Chief Officer, Department for the Economy:

The operator will have to meet with prevailing legislation. There is provision for that on a general basis within the contract. But if we wanted to vary the contract there are conditions in there around mutuality. We could agree to make changes to the contract. If, for example, DFDS came to us and said: "We want to invest in the new ro-pax vessel now instead of the new ro-ro, so can we switch them around?" then the schedule that deals with fleet investment could be changed by mutual

consent at that point in time. There are those factors and it means that we are not in a straitjacket, we are in something that has appropriate contractual responsibilities on both sides. But it is not such a straitjacket that you cannot achieve any movement within the life of the contract.

The Minister for Sustainable Economic Development:

I think as well it is really important the contract requires DFDS, Ports of Jersey and the Government of Jersey to meet on a regular basis to discuss K.P.I.s, to discuss from the perspective of revenue that is coming into the fleet. Because, for instance, imagine that for whatever reasons tourism in Jersey falls away and the revenue coming into the service is much lower than expected. DFDS would obviously find it harder to make the fleet investment that they are contractually obliged to. Therefore, they would come to that group, the Ports of Jersey, Government and DFDS group, explain the situation, show the figures, and the contract speaks to the 5 levers. We would work with them as to which of those 5 levers we felt would be most appropriate to pull to enable that fleet investment to go ahead, given the lower revenues that were being experienced. We built in this flexibility which absolutely was not there in the past contract.

Chief Officer, Department for the Economy:

You will see Clause 44 of the concession agreement deals with variation and the circumstances for that, whether it is around performance or specified events, yes.

Deputy K.M. Wilson:

Can you just give us an indication of how you will ... what particular key performance indicators are included in the concession?

Chief Officer, Department for the Economy:

There are elements like net promoter score, so really looking at customer service indexing of are users of the service satisfied and to what extent. There is reliability, punctuality, service cancellations versus service delays. Are they weather related? Are they technical related? We cannot control the weather. What we want to ensure if there is weather delays is an appropriate notification period. We have agreed that 48 hours is an accurate enough weather window between the operator and the port to say: "We are going to have to make an adjustment to a sailing, either to delay or to cancel it altogether." There are provisions for all of those aspects. Then there are criteria that if they have an excessive number of, say, technical cancellations, then the concession fee starts to kick in. They would start to pay a penalty within the contract for that failure to deliver on an element of the contract.

The Minister for Sustainable Economic Development:

We also have, where there is continual failure to deliver, the ability to then put that into, effectively, a special measures type situation whereby their performance on that measure would be tracked if it does not improve. If it is seen as so critically bad we would have the option to exit the contract if there was continual failure from certain areas.

Chief Officer, Department for the Economy:

Then all of that is underpinned by a performance bond. Should we ever - and I certainly hope it is not the case - find ourselves in the position that we have with Condor of having to go out and get contingency vessels, there is a performance bond drawn on DFDS bankers that we can call upon that performance bond for DFDS failing to deliver and that then reimburses the taxpayer for any out-of-pocket costs that we have had to incur.

Deputy K.M. Wilson:

Minister, you have talked about the issue of transparency earlier on. Are you going to publish and make these indicators, the performance against these indicators, public? How often will you track these? When will the public know whether or not the contract is performing well or not? Will we have regular updates?

The Minister for Sustainable Economic Development:

Yes, so we do intend to publish that and we are more than happy to publish that. I do not know at the moment whether we would do that on a quarterly, 6-monthly or annual basis. Genuinely, it has not been decided.

Sector Lead for Aviation and Maritime, Department for the Economy:

But the contract does mandate the creation of a monitoring committee to look through all of these metrics.

The Minister for Sustainable Economic Development:

The Ports of Jersey, Government committee.

Chief Officer, Department for the Economy:

What we want to do, Deputy Wilson, is to promote confidence in the service and to promote confidence in the operator. The issues around sea connectivity can be the stuff of myth. People can say the wind speed in St. Helier Harbour is only 15 knots; why has the sailing been cancelled? But it could be wave heights mid-channel, it could be the gusts of wind mid-channel. At the end of the day we want a responsible operator to make the right decision and not to be impaired in their ability to do that.

[11:45]

What we want to do is promote public confidence around the levels of punctuality, reliability and so on within the service and that can only be achieved by publishing those statistics, publishing the net promoter score and so on and so forth.

The Minister for Sustainable Economic Development:

The confidence that if those things are not being delivered we have the ability to rectify that, which we know. This is very much about Condor of the past as opposed to Brittany Ferries of the future in terms of Guernsey. But we know that the current operating agreement has not served Islanders and one of the key reasons it has not served Islanders is because it has had no ability to encourage, incentivise or enforce the incumbent operator to change anything if they are underperforming. The easy way to say that is it is a lack of teeth. We now have a contract which has some teeth from our side but equally - and this has been mentioned - holds us to certain elements as well as an Island.

Deputy M. Tadier:

Can I just jump in? Will DFDS be respecting and working to the E.U. (European Union) compensation for passengers in terms of delays? If it is not an E.U. port, so, for example, if there were delays for ...

The Minister for Sustainable Economic Development:

In short, I do not believe they will be. We are not in the E.U. That is not part of it.

Deputy M. Tadier:

But I think Condor previously honoured that, did they not?

The Minister for Sustainable Economic Development:

That may have been their choice and it may be DFDS will, but it is not contractually ...

Chief Officer, Department for the Economy:

I am not certain on the specific points. It might be something we need to follow up in writing and I will check specifically in their terms and conditions of carriage. It is not something I recall as having regard to in the ...

The Minister for Sustainable Economic Development:

Or contractual ...

Sector Lead for Aviation and Maritime, Department for the Economy:

One for Law Officers. What I would say is, as within the airline industry, if you are an operator originating from an E.U. member state, France and St. Malo, those obligations can apply. It is one we can take away and come back to the panel with that.

Deputy M. Tadier:

Yes. My understanding is it might just be ... I think it is if you are travelling to or from an E.U. port.

Chief Officer, Department for the Economy:

That is right.

Deputy M. Tadier:

But it would be helpful to know if they might honour the same to a U.K. ...

Chief Officer, Department for the Economy:

Yes, if we can come back in writing on that.

The Minister for Sustainable Economic Development:

Yes, absolutely.

Deputy M. Tadier:

Yes.

Deputy K.M. Wilson:

You mentioned earlier around some of the conditions under which the contract will be varied. What contractual conditions will protect Jersey if DFDS do fail to deliver the proposed £300 million investment in new vessels?

The Minister for Sustainable Economic Development:

That, again, comes down to the elements of the contract and that monitoring provision as well. Number one, we would be very aware in advance of their inability to deliver that part of it. We would have gone through the whole process, particularly through the monitoring committee, to understand why. If we felt the reasons were very valid, particularly if they were beyond DFDS's control, let us say, or things like this, you would have a very different approach to that as an Island in dealing with that, compared to if it was just DFDS failing to deliver what they said they would deliver. We would then contractually be able to penalise them in a number of different ways, including, potentially, exiting the contract.

Chief Officer, Department for the Economy:

Yes. Schedule 12 of the concession agreement clearly deals with the level of investment that is required and sets deadlines on when that should take place. As you say, that can be varied or it could be reprioritised if there are good reasons for that to happen and for that to happen, of course, by mutual consent. But fundamentally the fact that we have this level of investment into specific types of vessel contractualised means that if it does not happen it is a default, it is a breach of the contract. That is a huge step forward compared to where we are on the outgoing agreement. It is a very significant differentiator in what we understand Guernsey to have entered into, where there is no commitment for fleet investment.

Deputy K.M. Wilson:

Just picking up on worst case scenario, if that were to happen, what time period are we talking about in terms of trying to mitigate the risk around that?

Chief Officer, Department for the Economy:

The first level of investment in Schedule 12 of the contract is around the new vessel on the southern route. That investment is to be completed before 31st December 2028, a little over 3 years' time, 3½ years' time. Also we would have that first critical point around fleet investment.

The Minister for Sustainable Economic Development:

But I think importantly as well, Filip Hermann, who was speaking to the Chamber of Commerce, said yesterday that effectively delivery deadline of 2028 is soon. We know that they need to start work on the design on the procurement process for that vessel very shortly; he mentioned that yesterday. Again, we will be constantly talking to them to understand how that is progressing and seeking assurance and documentation to prove that assurance, that that investment is taking place. If they want to deliver a vessel by the end of 2028 we know that they cannot go to the shipyards in January 2028 to deliver that. We would be asking very likely this year and next year about the scheduling of it, how is it going in the shipyards, how is it coming along, continuing to monitor that in the years after 2028.

Chief Officer, Department for the Economy:

But quite rightly it places obligations back on to the Island as well, because if you are going to have a vessel with some form, either wholly or partly, of electrification on the southern route, then you need the port infrastructure ...

The Minister for Sustainable Economic Development:

To enable it, yes.

Chief Officer, Department for the Economy:

... in either or both of the ports to enable that to happen. We know that DFDS are already in conversations with Ports of Jersey and Jersey Electricity Company around the early stages of how to make that happen and what the timelines would be. This really is all about partnership going forwards. There are responsibilities on Jersey as a whole to ensure that we can deliver for DFDS and support the delivery of the services that we aspire to. Equally, there are very firm obligations on them to make sure they deliver for Island residents and businesses and visitors.

The Minister for Sustainable Economic Development:

I think as well it has been really important ... working with DFDS over the last few months has shown me that they are highly professional; they do own issues. Where there are things that are not working or have gone wrong or are not as we expected, they do not try and hide from it. They stand up and they meet the challenge and then seek ways of solving that problem. As a partner for the next 20 years, certainly what I am seeing in these very, very early days is a partner that we will be able to work with quite easily, that will not be giving us the run-around or being vague about things or unsure about things. Where they do not know the information, again, what they have to come to us is they have told us they do not know that information but they will go off and seek it. That level of transparency in the conversations we are having with them is giving me a strong sense that my successors in this role, as Minister for Sustainable Economic Development, will be able to have really good conversations with them and have a real sense of where this service is going.

Deputy K.M. Wilson:

Obviously we cannot see into the future and we are in a bit of a honeymoon period at the moment but ...

The Minister for Sustainable Economic Development:

It does not feel much like a honeymoon, I must say.

Deputy K.M. Wilson:

We have not even started the relationship yet really. But just finally from me, one of the things that I just wanted to ask you was what is the difference in terms of the terminology that you are using around a concession and a contract? Is there any difference in the legal basis of those 2 different arrangements and why we do not talk about the contract but we do talk about the concession?

The Minister for Sustainable Economic Development:

Interestingly, Deputy, I was wondering at the very beginning of this hearing if I should say concession agreement means contract. Because you are right, concession agreement, effectively, it is being called that because we have given a concession on this route, an exclusive concession to a provider.

It is entirely analogous to a contract. It holds no less legal weight than a contract does; it is the same thing.

Deputy M. Tadier:

Can I jump in here?

Deputy K.M. Wilson:

Okay, thank you. Thank you, Monty.

Deputy M. Tadier:

That is okay. We have broadly covered, I think, some of the other questions we had. I will pass over to the Deputy, so I am obliged. If we can focus for a couple of more minutes on the idea of the dynamic pricing because a lot of the discussion ... we are here partly to reflect what the public are asking us.

The Minister for Sustainable Economic Development:

Of course, yes.

Deputy M. Tadier:

There is quite a lot of disquiet around the dynamic pricing. We saw an article recently in the media which said that families complaining about the cost of a trip is, potentially, 48 per cent more than what it might have been or might be with Condor if they were in Guernsey. I know you have explained that you are not necessarily comparing apples with apples but is that an issue?

Chief Officer, Department for the Economy:

You cannot compare apples with apples. There is no contractualised fleet investment in Guernsey's contract. That fleet investment has to be paid for and, ultimately, its fare structures will pay for parts of that.

Deputy M. Tadier:

Okay, I get that. We are in a cost of living crisis, so if people are immediately seeing hikes in the ferry speed, I think you are saying do not worry because we are going to have an electric boat in 30 years' time.

The Minister for Sustainable Economic Development:

I think it is really important, number 1, is dynamic pricing is not the issue. The Islanders have been using dynamic pricing for the last 10 years on ferries. Dynamic pricing has been here ... I say 10 years; it might be 7, it might be however many years. But whether you are booking a flight on

EasyJet or British Airways or a boat to France with Condor, Islanders have been using dynamic pricing the entire time.

Deputy M. Tadier:

Okay, but can I just challenge that? Because you have said in terms of freight you have taken a different approach and also there is a land bridge, right. We have given exclusive right to DFDS to run this sea bridge, rather. In terms of planning your budgets as a family, it is really difficult to do that with dynamic pricing.

The Minister for Sustainable Economic Development:

What I would say is that sea ferry is in direct competition with planes. We know that only 20 per cent of people who come to Jersey come on the ferries, 80 per cent come by planes.

Deputy M. Tadier:

But planes are subsidised. But you subsidise plane routes and there are multiple plane routes, right.

The Minister for Sustainable Economic Development:

It is interesting, some we do, some we do not. But they are not subsidising the routes, it is usually subsidising the marketing around the routes rather than the routes themselves. Dynamic pricing, in my perspective, is not the issue. Pricing, you can absolutely complain about the price, there is no question.

Deputy M. Tadier:

But I think the public are saying it is an issue. They are saying: "We can only go on holiday during holiday time. It is half term, we need to get off the Island." Is it not bizarre that when the boat is most full that is when it is cheaper for DFDS to run a full boat, presumably, because they can make more money than an empty boat?

The Minister for Sustainable Economic Development:

I genuinely think from a philosophical perspective, as, Deputy, I know you like to discuss on that sort of matter, is ...

Deputy M. Tadier:

It is economic; it is not philosophy. If you have an empty boat, then surely the cost per passenger should be more and not less.

The Minister for Sustainable Economic Development:

But you want to attract people on to that boat. If you have an empty boat and it is sailing at the end of the week, you want to get people on to that boat, so you will adjust your pricing ...

Chief Officer, Department for the Economy:

It is supply and demand.

The Minister for Sustainable Economic Development:

... in the way that that is how supply and demand works.

Deputy M. Tadier:

But you might want to do that with freight. If you have an empty boat of freight you might want to say: "Come and put more freight on. We will give you a better price." They are not allowed to do that under the current contract.

The Minister for Sustainable Economic Development:

There are no empty boats for freight in Jersey. There are no empty boats for freight.

Chief Officer, Department for the Economy:

We have to differentiate. Freight is not a supply and demand business in the same way. The demand for freight is very, very steady and very predictable from a Sunday through to a Saturday. It is how many trailers come in. More will come in on a Friday night sailing to stock the shops for a Saturday than come in on a Monday night sailing. More empties go back the other way commensurate with that. The demand for freight is a fairly static figure and it is only really going to ebb and flow if population grows or shrinks. Attracting visitors into the Island is a more dynamic business and is more of a supply and demand business, which is why dynamic pricing exists around the passenger and the vehicle charges. We are working with DFDS closely around what the current charges are. The reporting in what was the *Guernsey Press*, I believe, and in ITV was not taking account of other factors such as it was comparing trips to St. Malo. If you go from Guernsey to St. Malo you arrive into St. Malo at 9.15 in the evening. You either need to drive through the night deeper into France or you need to stay overnight in St. Malo. With us you will have up to 3 sailings a day to choose when you arrive into St. Malo. Those are fundamental differences and fundamentally change the costs. If that family of 4 has to stay an extra 2 nights in St. Malo, that fundamentally adds to the difference. It is not comparing apples with apples.

The Minister for Sustainable Economic Development:

There has been a concerted effort in Guernsey to talk down the service in Jersey. That is fine, that is Guernsey's right. But what they have not been doing is talking it down in a way which encapsulated the real differences between the services.

Deputy M. Tadier:

Okay. I accept the ferry service has not ...

The Minister for Sustainable Economic Development:

As I know, the dates, et cetera, the way that those price comparisons were created was done in a way which was created to make the Jersey pricing look worse. I found one and more than one sailing where the price difference to the U.K. for a family of 4 in a car to the U.K. ... well, not a car. It was £188 more expensive to go from Guernsey to the U.K. than it was Jersey to the U.K. For every time that the *Guernsey Press* said: "This is more expensive", you could find the opposite. It was that simple.

Deputy M. Tadier:

Minister, we are not talking about what Guernsey people are saying, we are talking about what Jersey residents are saying online at the moment about pricing.

The Minister for Sustainable Economic Development:

The pricing is very similar to where it was before.

Sector Lead for Aviation and Maritime, Department for the Economy:

Dynamic does not necessarily just mean escalating, it can mean that the operator drops their costs for commercial reasons if they are seeking to fill volume and so on.

Chief Officer, Department for the Economy:

Let us not be one-sided. There is plenty of other stuff on social media and so on and saying they found that year on year the price of the trip has been cheaper. It is not all one-way traffic. It is not all prices have gone up. Some are saying prices have been cheaper. There is, as DFDS have intimated, other steps to come around frequent traveller and outbound loyalty. If you are a Jersey resident with a Jersey address there will be a discount mechanism for you, as opposed to perhaps a visitor coming to the Island who may pay slightly more. That will reward the loyalty of Islanders who are more likely to travel all year round.

Deputy M. Tadier:

Likely to get a frequent traveller, do you think?

Chief Officer, Department for the Economy:

Those are all things that DFDS have intimated more details to follow, that they are not contractualised but they are all the things that we would like them to do to reward frequent travellers.

The Minister for Sustainable Economic Development:

They said publicly yesterday in the Chamber of Commerce.

Chief Officer, Department for the Economy:

Fundamentally, we are in a partnership with a large organisation that is commercially driven and in return for the right fleet investment we believe they will deliver the right level of service and a competitive service for Island residents, visitors and for businesses over time. We have to let them get on with delivering what they do best, which is sailing ferries and filling ferries, now that we have a competitive tender process out of the way.

[12:00]

Deputy M. Tadier:

Thank you. Deputy Southern, have you got any questions at this point?

Deputy G.P. Southern:

Just finally, yes, then we finish up. I have noticed that, Minister, you are very keen on promoting sailings to the continent and I just wondered if there is any conversations already taken place or will take place over new routes into Europe.

The Minister for Sustainable Economic Development:

Not via the ferries. We are talking about that in terms of aircraft. Ports of Jersey are working on that as a project in terms of European air routes. In fact, I am talking to a very, very small provider of air routes into France at the moment, so we may see something on that. But on ferries it is that St. Malo link and then obviously discussions with La Manche and Manche Iles Express around those Norman ports, but nothing beyond that.

Deputy M. Tadier:

I suppose my last question - and then I will obviously go round the table - is there going to be a period where both yourselves as Government ... and you cannot necessarily speak directly for DFDS, but as far as you understand will there be a period whereby feedback both from businesses and the public can be submitted or taken into account that might inform any changes before the full service gets bedded in?

Chief Officer, Department for the Economy:

I think it has been, yes.

The Minister for Sustainable Economic Development:

I was going to say I know that DFDS have been responding. We have seen already very publicly changes on their bike charging.

Chief Officer, Department for the Economy:

Horses.

The Minister for Sustainable Economic Development:

Pets, horses, et cetera, so we have seen the responding. I know from a business perspective, yes, they said it publicly again yesterday. They said they had made several changes in response to business feedback around the timetables for freight particularly. We will see some more changes. Again, that is no different to the current provider in terms of having to make changes. But DFDS have already been extremely responsive to business demands and customer demands.

Chief Officer, Department for the Economy:

I should say where they are making those changes in light of feedback in these early stages, if that has negatively impacted a passenger - again, this was said yesterday - they are offering a full refund or a change on to an alternative service. No one is left behind, so to speak, or disadvantaged in that regard.

Deputy M. Tadier:

Just one more thing. I think earlier you mentioned that there were 5 possible levers that could be used if passengers were lower than anticipated or if the ...

The Minister for Sustainable Economic Development:

If revenue was lower, yes.

Deputy M. Tadier:

... revenue for DFDS was lower. Could you just outline what those 5 levers are?

The Minister for Sustainable Economic Development:

Yes. We have the fleet investment. So the fleet investment can be delayed, it could be reduced, it can be changed, effectively. We have ticket pricing, so you could have a discussion about whether increasing price of tickets might work in that way. I forget about all the rest of them.

Chief Officer, Department for the Economy:

Scheduling.

The Minister for Sustainable Economic Development:

Scheduling, that was the other one.

Chief Officer, Department for the Economy:

You could reduce the number of sailings. Much was made of this around the time of the tender process, these 5 levers. Fundamentally, these levers have all been pulled in the last 10 years by Condor but they have been pulled forcibly and the Islands have just been told to suck it up. The difference this time around is there will be a sensible discussion between the operator and the Islands under the concession agreement to say: "So what is best to give? What is best in terms of minimising the impact of this?" Because, again, we want a ferry service that is resilient and investible and financially sustainable.

Deputy M. Tadier:

The lever that might have been pulled about increasing the prices cannot happen automatically if it goes above the R.P.I. that you have put in.

The Minister for Sustainable Economic Development:

That is correct, yes.

Chief Officer, Department for the Economy:

There is a cap mechanism, yes.

Deputy M. Tadier:

But it could possibly happen if there was a conversation and it was under extremis.

The Minister for Sustainable Economic Development:

That is right. If it was with me, let us say if DFDS were to come and say: "We have been operating for 2 years. The revenue is not where we expected it to be. Building that first boat has become more difficult as a result", personally, myself, I would be looking at things like pushing out the fleet investment before raising ticket prices. I think that would be the case for most Ministers, whoever they are, that they would start with that sort of discussion first, I would expect.

Deputy M. Tadier:

Deputy Wilson.

Deputy K.M. Wilson:

Thank you. Yes, there was just one question about competition in terms of how you might manage the competition between the 2 ferry operators in the Channel Islands over the next 4 to 5 years and whether you envisage any particular issues associated with that.

The Minister for Sustainable Economic Development:

I think the main question is where we started this hearing on those inter-Island services. I think there has to be a level of trust about the possibility of leakage from one route to the other. I think the impacts, if there were to be leakage, would be minimal anyway. My request to the operators is work in good faith with each other to come up with some inter-Island services which work for the Island. In our case that is probably using the northern route ferry rather than the southern route ferry. Why it matters to Brittany Ferries or Guernsey as to which of our ferries we use for an inter-Island service I have no idea, but we believe it is more viable to do that with our northern route ferry.

Chief Officer, Department for the Economy:

There is no real competition the way the routes are structured, other than the fact that one is serving Jersey, one is serving Guernsey, and in that sense there is no competition of where you prefer to visit.

Deputy M. Tadier:

Yes. By the way I think we have 4 levers I have been told, but is the fifth lever slower ferries?

The Minister for Sustainable Economic Development:

You can also reduce speeds, so that can be it as well.

Deputy M. Tadier:

Yes, but that is probably not desirable, is it?

The Minister for Sustainable Economic Development:

But also pushing out fleet investment is one; reducing fleet investment is, potentially, another.

Deputy M. Tadier:

Yes, thank you. Any questions from my fellow panel members? Any final remarks, Minister?

The Minister for Sustainable Economic Development:

Other than I am looking forward to the services starting. I think as you said, Chair, at the very beginning, once this is up and running, yes, people will be able to move on.

Deputy M. Tadier:

Yes. It is interesting to see the public comments. I think there is both the mixture of excitement and nostalgia, so certainly ...

The Minister for Sustainable Economic Development:

Jersey is strong on nostalgia but we need to look to the future on this one.

Deputy M. Tadier:

One last thing, I suppose, is that we are all familiar with a lot of the Condor staff. Have steps been made to try wherever possible to make sure that Jersey-based staff are reallocated if they want to work for the new operator?

The Minister for Sustainable Economic Development:

That is right. I am really pleased to say that DFDS and Condor have been working together on that very issue. Obviously, I do not know the roles exactly but I know DFDS have already appointed some Condor staff or made offers to Condor staff.

Chief Officer, Department for the Economy:

At the Chamber lunch yesterday, correct me if I am wrong, but I think the number was 25 staff from Condor are moving over in Jersey to the new operator, to DFDS. In total, DFDS plan to employ 54 people here in Jersey, so a significant number. Again, it is that localised presence and local accountability that is going to be so important.

Sector Lead for Aviation and Maritime, Department for the Economy:

The 2 operators are working together. If Condor staff are moving over to DFDS they can train and be inducted contemporaneously without impacting on the Condor services.

Deputy M. Tadier:

Do you know if there is any trade union involvement with that? Were there conversations or ...

The Minister for Sustainable Economic Development:

I do not know whether there is or not.

Chief Officer, Department for the Economy:

No, I think there would be in the U.K. and France. In that context you would get T.U.P.E. (Transfer of Undertakings (Protection of Employment)) obligations as well, so both sides of the channel. We do not have that here. DFDS have been in conversations with those employees about, effectively, the seamless transition out of one and on to the other. I do not know the extent to which unions have been consulted. DFDS have not lost a day to union action in decades. Gemma Griffin is their

Head of Crewing globally. They take that responsibility very, very seriously in terms of having the strongest possible relations. I go back to that representation from the R.M.T. It really points to the strength of those.

Deputy M. Tadier:

Yes. Deputy, I know we are ...

The Minister for Sustainable Economic Development:

The hand suddenly went on to ...

Deputy M. Tadier:

But we will give Deputy Wilson a question.

Deputy K.M. Wilson:

Thank you. Very briefly, sorry, can I just clarify whether all of the arrangements around docking and berthing around particular slots of St. Malo have been sorted now? I believe there was some concern about that early on, but there does not seem to be any further news on that. Perhaps you could just update us.

The Minister for Sustainable Economic Development:

Yes, that has all been done. As I understand it, that is done and dusted. There were no real issues that I know of but ...

Chief Officer, Department for the Economy:

No. Again, it was deconfliction. It is making sure that the Jersey vessels are arriving in and it fits in with other sailings. Clearly, Brittany and Condor were already out with their timetables while we were tied up in a second tender process and a court case. That has now been deconflicted from St. Malo's perspective that we have certain sailing times. Once we have services mobilised, attention will then turn to putting the 2026 timetable together and appropriately deconflicting that with other operators.

Deputy K.M. Wilson:

Has this had any impact on the timing of the sailings at all?

The Minister for Sustainable Economic Development:

It will do, it necessarily has to. Deconfliction means that if one boat is there at 10 o'clock the other boat cannot go there at 10 o'clock, it has to go in at 11 o'clock. It necessarily does. Obviously, one of the things I am sure DFDS are looking forward to as well is that obviously without a tender process

to go through this year they will be able to work with all the ports that they are operating to, Jersey, the U.K. ports and St. Malo, in a much more timely fashion to get their requests in for times and slots and things like this.

Deputy K.M. Wilson:

Okay, thank you.

Deputy M. Tadier:

Thank you. Minister, thank you for attending upon us today.

The Minister for Sustainable Economic Development:

No, thank you.

Deputy M. Tadier:

I know you have been busy, as we all are in a different way, I suppose.

The Minister for Sustainable Economic Development:

We are all busy.

Deputy M. Tadier:

We wish you all the best with the new contract and obviously to the new operator and we will be watching closely.

The Minister for Sustainable Economic Development:

I am sure you will.

Deputy M. Tadier:

Thank you.

Chief Officer, Department for the Economy:

Thank you.

The Minister for Sustainable Economic Development:

Thank you.

Sector Lead for Aviation and Maritime, Department for the Economy:

Thank you, everybody.

Deputy M. Tadier:

Thank you.

[12:10]