

#### **4.2 Deputy S. Power of St. Brelade of the Minister for Economic Development regarding the costs of travelling to St. Malo by Condor from Jersey to Weymouth:**

Would the Minister advise Members what action, if any, can be taken to ensure that Jersey travellers are charged a fair rate by Condor to travel to St. Malo given that passengers from Weymouth travelling to the same destination are charged a lower fare, despite the fact that the passage time is an average 3 times that of the Jersey passage?

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

Firstly, the Deputy is absolutely right to raise this matter. I very much understand the concerns expressed by some Islanders over fares. It must be frustrating for Jersey travellers to discover that at times they pay more to get to St. Malo from Jersey than those travelling from the U.K. (United Kingdom). The hard reality however is that there may be sound economic reasons why such price differences exist. I recognise that this is a difficult area and that is why we have asked Oxera (Oxford Economic Research Associates) to consider whether something more is required to protect the interest of Islanders and how best to ensure that States' sea transport policy objectives are met. Oxera's report is expected by the end of March. The States of course has already put safeguards in place when Members approved changes to the Harbours (Administration) Law and the Harbours Regulations in 2007 and 2008. The operator must seek approval for increases in maximum fares and public fare pricing policy must not discriminate on the basis of origin of customer booking. However it would be wrong to prejudge the outcome of Oxera's work but if it is necessary to introduce further measures I would not hesitate to bring such proposals to the States.

##### **4.2.1 Deputy S. Power:**

Is the Minister aware that the fares to St. Malo have on average doubled since September while fuel prices have almost halved since the August peak, and what has the Minister or his department done about this in that time?

##### **Senator A.J.H. Maclean:**

We are clearly very aware of the fall in oil prices during the period. We monitor on an ongoing basis fare prices and indeed it is a requirement under the agreement - the ramp permit agreement with the operator - that they notify the department in advance of any increases in the maximum fare price. There are concerns, as I have pointed out, with regard to ferry prices and that is exactly why we have asked Oxera to look at the options available for possible price regulation, if that is deemed to be necessary.

##### **4.2.2 Deputy J.B. Fox of St. Helier:**

I would be grateful if the Minister could explain what "sound economic reasons" are, because the public do not see it that way.

##### **Senator A.J.H. Maclean:**

There is a difficult equation with a small catchment area in Jersey with 90,000 population compared to the very substantial market in the U.K. There are issues of competition that the operator faces from other companies serving mainland France and clearly their pricing structures drive volume and the volume, of course, is in some respects advantageous to local Islanders because it sustains the service. There is in fact a shipping review that was undertaken by the J.C.R.A. (Jersey Competition Regulatory Authority) in 2006, which identified the competition by low cost airlines

in particular, that made pricing on the northern route very much more susceptible, but again these are very complex issues and it is one of the reasons why we have asked Oxera to look in some depth at the options to protect consumers and ensure fair pricing.

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

Would the Minister not acknowledge, despite the myriad of inquiries he announces, the tremendous overview he has taken over the last several years that the end result is no improvement of the situation and all we hear are quite frankly meaningless and anodyne statements, time after time?

#### **Senator A.J.H. Maclean:**

No, I would not. **[Laughter]** It is an extremely complex market. The ferry operators are not just serving the Channel Islands, the ferry operators serving the Island and serving France have gone through very difficult times. They have difficult competition to deal with from low cost airlines, they have all seen a fall-off in passenger numbers travelling, both with passenger-only and cars. It is a competitive market, and a number of operators have gone out of business. We want to ensure that we maintain long-term sustainable ferry services to and from the Island and to do that we have to support the operator and we have to make sure, where possible, that we can get fair and competitive prices. We have seen numbers falling over the last year, 6 per cent down on the northern route, and 4 per cent down on the southern route. Less people are travelling, it makes it less sustainable for the operator and input costs have been rising. It is a difficult equation but we are determined to find the best possible solution. Thank you.

#### **4.2.4 The Deputy of St. John:**

I note the Minister stated that they have meetings each time there is a fare increase. How often are these meetings held? Obviously you do get statistics from the Statistics Unit to have a meeting to decrease the fares.

#### **Senator A.J.H. Maclean:**

I think the Deputy of St. John misheard me. We do not have regular meetings to discuss fares *per se*, however the operator is required to notify the department of an increase in its maximum fares. The operator does function with a fluid pricing system similar to the low costs airlines and many other airlines for that matter. I know that Condor are looking... the new owners Macquarie are determined to overcome some of the concerns that Islanders have on the disparity of fares; they are looking at their fare structures, they are looking at their entire business model. They want to work to deliver the best possible ferry services they can for the Island. It is a very important market for Condor. The new owners, Macquarie: we have had meetings with them. They are determined to resolve some of the issues and some of the concerns both expressed by Members in this House and also the wider public.

#### **4.2.5 Deputy M.R. Higgins of St. Helier:**

The Senator has just mentioned the difficulties faced by the ferry companies and also the falling numbers of people coming to the Island and elsewhere. It sounds very similar to an argument that he has been putting forward for the airlines. Is he also proposing a subsidy for Condor?

#### **Senator A.J.H. Maclean:**

We would look to support any operator providing there is a sound economic base and yes, that could well include Condor but I would not suggest it would be in the form of subsidy. I think we can look to operators and if Condor is the only operator for example on the southern route then we may well look to enter into strategic marketing opportunities with them in France to help drive tourism numbers and passengers to the Island. Indeed the same could happen if we could prove it through a sound economic base from the U.K. What we want to do is make sure the operator is sustainable, provides the lowest possible fares and if we can drive more passengers on to the ferries we are going to meet that objective.

**4.2.6 Deputy S. Power:**

The Minister referred to the complexities of the ferry market and Condor's competition and I take it he means from the U.K. to France. Would the Minister not agree with me that in relation to the Channel Island market, which is what I was referring to, that there are no complexities and it can be simply referred to as a monopoly and a monopoly dictates the pricing policy?

**Senator A.J.H. Maclean:**

Yes, the northern route clearly is a monopoly and it is highly likely that the southern route this year is going to be a monopoly operator as well because it does not look like we have got anybody else looking to run that route, car and passenger that is. Of course we do have passenger only. Nevertheless we do attend to the matters regarding ferry services and their effectiveness and their cost. It is an issue that we will continue to work on and again I have stated the point about the Oxera report looking specifically at the options of price regulation, and that may not be the best outcome but it is something that we are looking at and we should have the report by the end of March and will act accordingly after that.

**The Deputy Bailiff:**

Questions 4 and 5 are due to be asked by Deputy Pitman. May I suggest to Members we put them to the bottom of the list and if he is here at that stage he can ask them. So we come then to question 6.