

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

Members will recall that I published, following the Council of Ministers support, a revised air and sea transport policy in early 2006. Members will also recall that on 28th March 2006 the States adopted a proposition of Deputy Fox, P.24/2006. Deputy Fox's proposition set out requirements that should be included in service level agreements to be entered into with operators on routes serving Jersey. The revised policy stated that service level agreements would be put in place on the northern and southern routes for the period to the end of 2008 and, for the period beyond 1st January 2009, a joint approach to ferry services to the Channel Islands would be discussed with Guernsey. The overall policy aim was to secure year-round, long-term reliable, robust and reasonably priced services of sufficient quality and frequency. The policy explicitly recognised that all routes would be covered by long-term agreements from January 2009. A number of discussions have taken place with representatives of the States of Guernsey and officials from Guernsey's Commerce and Employment Department over the last 16 months. The Islands are currently discussing bringing forward a joint policy statement to capture the general principles which are important in managing passenger and car ferry services to the Island. The strong indication I have received from Guernsey is that a longer-term understanding with existing operators is something that they would like to achieve because it would benefit the Islands' consumers and operators. The current policy position in Jersey is that short-term service level agreements expiring in 2008 would be put in place. However, in order to promote market confidence I recognise the need to provide existing operators with some certainty. Accordingly, I wish to inform the Assembly that it is Economic Development's intention with operator agreement to enter into long-term service agreements as soon as practically possible. I am also considering advice from the J.C.R.A. (Jersey Competition Regulatory Authority) about how best Jersey's sea transport market should or could be regulated in the future. I will inform Members of my conclusions on this issue within the next few months. Discussions with Guernsey will be ongoing and I would seek to align great points in any agreements that the Islands have with operators so that the Islands can continue to jointly pursue, as far as possible, their interests in passenger and car ferry services.

### **7.1 Senator L. Norman:**

Would the Minister confirm my understanding that there is not to be a tender process as there was when the J.T.A. (Jersey Transport Authority) first granted a service level agreement on this route but rather that he is going to offer the current operator long-term comfort but reduce the stringent terms of the current S.L.A. (Service Level Agreement) which involves Condor and high costs which have to be passed on to the passenger and also effectively bars the northern route to competition?

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

I think that I can confirm to the Assembly and to Senator Norman that a tender is not, in my view, the best way forward for securing sea routes to Jersey and certainly that is not the approach which is favoured by Guernsey and frankly we have to be in unison in relation to a single market effectively for ferry operators. Senator Norman makes an interesting and important point about the trade-off between high levels of service requirements and service agreements versus exclusivity. My own view is that there is a case and we are discussing with Condor specifically somewhat of a relaxation of the service requirements. At the same time, my own view and the view of my department is that a service level agreement on the northern route should in no way be exclusive.

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

As the Minister is no doubt aware, I was very disappointed with the last signing of agreement with the present operator, that Guernsey signed a contract with them well ahead of Jersey thereby

leaving Jersey with little choice but to go along. Has the Minister a cast iron agreement with Guernsey that who ever is signed-up in 2009 it will be a joint agreement?

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

We are working very hard with Guernsey and there are from time to time different approaches that both Islands would take. I have to say that I think that both the Minister and our departmental officials on both sides recognise the fact that a tender at this stage for ferry services from the beginning of 2009 is not in the Islands' interest. Indeed, securing a longer term agreement with Condor on the northern route is what is in the Islands' interest. As far as I am concerned there should also be competition that should be guided in open access on both the northern and southern routes and we are particularly seeing the fruits of competition on the southern routes at the moment.

**7.3 Deputy A. Breckon:**

I wonder if I may ask a question of the Minister in reference to service level agreements. In his statement in paragraph 2 he said: "The revised policy stated that the service level agreements would be put in place on the northern and southern routes for the period to the end of 2008." At the fourth paragraph he repeats that by saying: "The current policy position in Jersey is that the short-term service level agreement expiring in 2008 would be put in place." I wonder if he could tell the House when the existing service level agreements were put in place and when they were signed.

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

The situation in respect of the southern route with H.D. Ferries is that the service level agreement with a ramp permit has been signed. There is a carrying-over of the service level agreement on Condor and I am shortly, I hope certainly within the next few days, going to be able to be in a position - both the Assistant Minister with his responsibilities for harbours and the ramp permit and I with the former Transport Authority - to be able to sign that service level agreement. Can I also say that I recognise the important role that the Consumer Council has to play and thank them for their work over the last few months in developing a customer charter which is absolutely vital. Customers need to understand what they are getting when they are paying from their purse.

**7.4 Deputy G.P. Southern:**

Can the Minister inform Members whether the advice from the J.C.R.A. is already in the public domain or whether it will be put in the public domain and if not, will he release that advice to the Economic Affairs Scrutiny Panel so that we may view the service level agreements in the correct light?

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

In respect of the J.C.R.A. advice, I have not published that advice at this time. Of course, the Economic Affairs Scrutiny Panel can ask for any information and they will get it under confidentiality arrangements and I am happy to supply that to them. I would intend to publish at some point the J.C.R.A. advice. That J.C.R.A. advice is, of course, in respect of regulation and advice on the regulatory framework. I am considering and in fact I want to really monitor what is going on in the southern route in respect of whether or not the proxy for competition is regulation. If you have competition you do not need regulation and effectively I am keeping a watching brief on the southern route in order to make some conclusions about the level of regulation that is appropriate for this market.

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

First of all one must congratulate the Minister, all the various officers of the department and indeed the travelling public for taking up the now competition on the southern route which has improved the sustainability of sea travel which I was after in my proposition of P.24/2006. The one thing, however, that I am seeking reassurance from the Minister on is that now the current situation and the impending final short term S.L.A.s will be signed by Condor, will it now safeguard the routes for the winter period? It is very important to have a sustainable route that is credible. He was just discussing whether it would require regulation. Is this part of his consideration, the possibility of requiring the regulation of the winter service?

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

I thank Deputy Fox for his comments and indeed his continuing input into the development of the policy. In fact, he is absolutely right when he says the travelling public is travelling. Figures up to 21st April 2007 indicate that we are up something in the order of 18,000 passengers. That is a 10 per cent increase in travelling public both across the network of routes including those from France and that bodes well, I think, for the summer period. In respect of long-term arrangements basically what Condor are saying is that they need to have some degree of certainty in order to justify their long-term investment in the Island. I understand that and for that reason I am informing the Assembly that I intend to issue a letter to them giving them some certainty over a longer term of a 3 or 5-year period because that is what I think is required in order to get that certainty. In terms of regulation, that is the issue that I am discussing and I am happy to have some further discussions with my Assistant Minister and Deputy Fox to discuss the level of regulation that we require. But customer charters linked to a ramp permit is the way forward and I think he is in agreement with that.

### **7.6 Deputy G.C.L. Baudains:**

I am concerned by parts of this statement because it does appear to me that Guernsey, supported by our Minister for Economic Development, are intending to extend current agreements with existing companies without contemplating competition or indeed without inviting tenders from other operators. I ask the Minister what has happened to his policy for competition in every aspect of Island life because quite frankly I cannot support the action the way I think it is intended to go.

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

I do not believe in competition for competition's sake. There is appropriate competition in appropriate markets. Where it is very clear that competition is working is on the southern route where we are seeing a new operator, where we are going to be seeing a passenger/owner service operator. That has happened because I think there is excitement in what is going on in Jersey and frankly, I am expecting to see numbers improve. In respect of the northern route I think this Assembly, and the States of Guernsey too, recognise Condor's long-term commitment to the Island in terms of investment. They have done an awful lot to invest and improve their quality of service and we do have, it is said, a Rolls Royce service in terms of back-up ferries and all the rest of it. I want to publicly recognise what they do because I do think they have served the Island. I think it would be wrong frankly, to engage at this stage in a tender process which would effectively put that business potentially in jeopardy. They have served the Island for a long time; they have been through a tender period. That does not mean to say that we are closed for competition as we are demonstrating on the southern route and my remarks about the southern route could equally be applied potentially, if the market was there, to the northern route. We are open for business and it is not an exclusive arrangement.

### **7.7 Deputy R.G. Le Hérissier:**

I am very confused by the Minister's statement. Would he confirm to the House that he has enough information to say that economically the northern route is a free-standing, economically viable route or that it can only operate given the numbers - the very declining numbers that appear to be involved - because of the concession to do throughput services from England to France?

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

The route, year to date, is not declining. In fact, the route's numbers are up. Clearly there is a transition, as we dealt with in oral questions earlier. We are dealing a tourism economy which is in transition and certainly the ferry operators are being increasingly - and were being increasingly - competed against with low cost airlines. I am hoping that we are going to be seeing some plateauing-out of that decline in business and we are going to be doing everything possible to help Condor and the other operators bring people to the Island. That is why I am very pleased with the efforts of my Assistant Minister and the Harbours Department to put in place incentives to help bring people to Jersey and get the operators to do that. In respect of the economics of it and regulation, that is what I am discussing with the J.C.R.A.

**The Bailiff:**

That concludes the period of time allowed for the questioning of the Minister.

**Deputy J.B. Fox:**

A point of clarification. The Minister did not answer in relation to the safeguards of the southern route in the winter period.

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

Safeguards, absolutely in relation to the S.L.A. and the ramp permit to ensure year round services for both passengers and freight and fishing.