

8. The Minister for Economic Development will make a statement regarding fare regulation of the car ferry market

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

As Members are well aware, ferry operations on the route to St. Malo went through some turbulent times during 2004 to 2005, and again in 2007 to 2008. While we gained some brief and apparently very beneficial fare offers, the uncertainties and cancellations also threatened the very security of our route. In January 2008 we reached an important understanding with Guernsey. In February the States amended the Harbours (Administration) Law and in April we agreed a new set of regulations. My department also commissioned and carried out some important security of supply work, to ensure the Island could cope in the event of serious route disruption. All this was to help underpin the agreed 2006 Sea Transport Policy. I am confident that we are now in a much more stable position however some people continue to have concerns over fares. Members will recall that I announced in February that we had commissioned Oxera to consider whether something more is required to protect the interests of Islanders and how best to ensure that the States Sea Transport Policy objectives are met. Oxera's task is now essentially complete and their report is now being studied. It does not cover all aspects of ferry operations, nor was that the intention. An important aspect to understand whether the public really believes fares need more control than they presently have, however this must be without upsetting hard-won stability on the one hand, or discouraging potential competition and putting fares up on the other hand. I say that because direct fare regulation can be costly and bureaucratic. My own instinct is that government should limit its activities in the commercial world and I recognise that intervention can undermine market benefits. I have therefore decided to ask my department to put together a Green Paper during the coming months. This paper will set out the position we are in and the options for the future. It will use Oxera's work, and indeed it will refer to other evidence such as the Jersey Annual Social Surveys. We will involve the Consumer Council and other interested parties in drafting the paper. Above all, we will seek a wide cross-section of public opinion. The response to the Green Paper will be very important. We need people to take part so that we can fully explore consumer concerns and consider the most appropriate method to maintain and improve the sea routes that serve the Island. In terms of a timescale, I envisage being able to publish the Green Paper in the autumn and will issue the Oxera report alongside it. It is an informative report that will assist in our consideration as to whether further government intervention may be necessary to ensure the sustainability of our sea routes, with the delivery of year-round services at affordable prices. There will be a 12-week period of consultation and the 2009 Jersey Annual Social Survey will also need to be considered when its results are published in December. If matters go to plan, I should be able to form a policy position in February or March of next year. Depending on that position, I hope to be able to report back to States Members thereafter, with an updated Sea Transport Policy.

The Greffier of the States (in the Chair):

Are there any questions for the Minister? Senator Breckon?

8.1.1 Senator A. Breckon:

I wonder if the Minister would agree that with the previous Service Level Agreements that were in place the ferry operators were at best useless, and that what is required now is some transparency perhaps with a single operator and the involvement of the J.C.R.A. (Jersey Competition Regulatory Authority)?

Senator A.J.H. Maclean:

Yes, I do agree with the Senator with regard to the original Service Level Agreements. The primary problem we had with Service Level Agreements at that time was the inability to enforce the terms of those agreements. In terms of what we do in the future, that is the purpose of the Green Paper. We need to consider a number of options. The Oxera report raises some

interesting issues and indeed the consumers' responses will also need to be carefully considered. As to whether or not it is appropriate to include a heavy-handed regulation, and that could possibly include the J.C.R.A. as the most effective body and mechanism to deliver such regulation, or indeed through the same body perhaps a lighter touch regulation.

8.1.2 Deputy M. Tadier:

The Minister is quite correct when he says that some people continue to have concerns over fares and certainly I know that a sizeable amount of my time is taken up dealing with constituents on this very issue. Will the Minister acknowledge that the current state of affairs with a monopoly on both the southern and northern route is effectively little more than protectionism of Condor Ferries, and that the only satisfactory and viable solution is to have one single other operator operating on both the southern and northern routes to provide a sustainable competition, as I believe the Minister for Economic Development purports to support competition as the only real way to bring down fares?

Senator A.J.H. Maclean:

I should point out to the Deputy that the arrangements currently in place with Condor, yes, they are the only operator serving, certainly car and passenger services on the northern route and indeed at the current time on the southern route. I should point out however, that it is not an exclusive license. It is non-exclusive, however in the current economic climate we are not seeing any requests for any further licenses from other operators. It is not likely that at the moment we would receive such requests, but should we do so we would consider them on their merits and indeed the position of the department has been for some time, has been the preference of competition over regulation. However, where there is no competition, regulation is something that needs to be considered carefully if there is deemed to be a market failure.

8.1.3 Deputy M. Tadier:

Supplementary, could I just ask, is the department being proactive in trying to seek alternative operators on the route, or are they just expecting the business to fall into their lap?

Senator A.J.H. Maclean:

I think it is fairly well publicised that there have been different operators, for example on the southern route, over recent years. Those are from the activities partly of the department, but also because of the routes of the Channel Island are well known, and certainly the main operators that provide sea ferry services from the U.K. to a number of destinations, including France which goes straight past, are well aware of the dynamics and limitations that the Jersey market offers. There are not many operators to choose from. Certainly we are seeing more of them going out of business than there are staying in business. What we need is certainty. What the current operator needs is a degree of certainty and I am certainly encouraged by the new owners of Condor in the way in which they are presenting their business and taking on board many of the issues raised in the past. I expect to see a great deal of improvement in the services this year. I am already seeing improvement and I think we should all be very thankful for that.

8.1.4 Deputy P.V.F. Le Claire:

Islanders are very thankful to the transportation companies of this Island for the ability to get on and off it. One thing that really bugs us though, myself included, is the fact that fares are available from the main lands that we visit at cheaper rates than are available to Islanders. Because there are a large number of islands in the world that are serviced by ferries to sustain their communities, and a large number within Great Britain, can the Minister undertake an investigation to see whether or not it is practice within those jurisdictions, for those islands that are serviced by ferries, to be forced to pay more money for their fares to travel, than people who travel to their jurisdictions?

Senator A.J.H. Maclean:

This is an old chestnut and it is a relatively complex issue. It is economic dynamics. Quite simply, the U.K. represents a large market. The operator Condor that is serving the Island from the U.K., have to be competitive with regard to other operators serving other continental destinations, and indeed Irish and so on. It is a large market and in that respect their pricing has to be competitive. It serves to support our tourism industry, for example, in terms of bringing people into the Island. If they did not have the volume from that market, I suspect the outcome would be increased prices for local consumers wishing to get back to the U.K., rather than the other way around. Now, it is a complex and difficult issue. We have to understand that sea ferry operations, and in particular the passenger element, is not a particularly profitable element and as such it is an area on which we have much dialogue with the operator, but it is not one where there is an easy silver bullet answer.

8.1.5 Deputy P.V.F. Le Claire:

Could I press the Minister, please? My question was not whether or not it was an old chestnut to crack. My question was would he undertake to investigate other jurisdictions and to see, and report back to Members, what the practice is in those jurisdictions, because to be told blindly and to accept it as a matter of faith that they have to do this, is not acceptable.

Senator A.J.H. Maclean:

When I come back to the Assembly in the early part of next year with the results of the Green Paper and an update on the Sea Transport Policy, I am more than happy to include that particular query as one of the options that we will cover. It is not something that is going to have, necessarily, an easy solution to it, but I do accept the concerns that not only the Deputy, but many other people have in this regard.

8.1.6 Deputy S. Power:

In relation to Deputy Tadier's comments, I too have spent a great deal of my time this year sending complaints to the J.C.R.A., so can the Minister confirm whether his department and Oxera have sat down with the J.C.R.A. to discuss the level of complaints to do with fare structures? Can he also confirm that in the publication of this Green Paper, that consideration would be given for the provision of a new carrier should a carrier present itself to his department?

Senator A.J.H. Maclean:

Having given the Deputy a soaking at the Trinity fete on Saturday afternoon, I knew he would not hold back from standing up and asking a question. He was in the stocks, and it was a warm day, so I am sure he was actually quite satisfied to have a bucket of water over his head. With regard to the questions, yes, I am perfectly aware. We have a regular dialogue with the J.C.R.A. They have raised the fact that there have been a number of complaints that they are investigating. I believe they are having some difficulty substantiating some of the complaints that have been brought forward, but that is a matter for them and they will, I am sure, go through due process in that regard. As far as new carriers are concerned, I did make the point a moment ago, that of course if a carrier comes forward and presents a viable business case, then it most certainly will be given due consideration. That has always been the position and that remains the position.

8.1.7 Deputy S. Pitman:

The Minister in his statement said: "Above all we will seek a wide cross-section of public opinion." Could he inform Members how he will go about doing that?

Senator A.J.H. Maclean:

The consultation itself will be publicised in the usual way. It will be sent out to all those who have responded in the past to consultations. It will be publicised and any member of the public

will be able to get involved with the consultation process and feed in their views. We are very keen to get as wide a cross-section as possible.

Deputy S. Pitman:

Supplementary, Sir? What does he mean by “usual way”?

Senator A.J.H. Maclean:

Well, the Communications Unit push out information with regard to consultations that occur. They get publicised on the States website. The media tend to pick up and do an excellent job with regard to consultations, it will be well publicised.

8.1.8 Deputy J.B. Fox:

A very quick question to the Minister. Could he extend that to the travelling public so that they are available when they collect their tickets or purchase them in those direct places? That is where I think it would be invaluable. Can you answer, please?

Senator A.J.H. Maclean:

Yes, the Deputy raises a very good point. I am more than happy to ensure that that happens. I should also say that the Consumer Council receives quite a great deal of feedback with regard to ferry routes and I am sure that they will also publicise the fact that there is going to be this Green Paper in their newsletter which gets wide circulation to all households in the Island.