



## RESPONSE TO THE GREEN PAPER CONSULTATION REFERENCE COMPETITION, LICENSING AND REGULATION IN THE CAR AND PASSENGER FERRY MARKET

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### INTRODUCTION

The Jersey Hospitality Association (JHA) has reviewed the States of Jersey and Guernsey Green Paper (joint consultation document) regarding Competition, Licensing and Regulation in the Car and Passenger Ferry Market. The JHA is an independent trade association that was formed fifty-three years ago to promote the interests of its members who are all involved in the Hospitality, Tourism, Leisure and Travel Industry.

As a lobbying and commercial entity, the JHA currently represents around 400 hospitality industry partners including hotels, guest houses, self-catering apartments, campsites, restaurants, cafés, pubs, bars, clubs, attractions, food service, tour operators, transport providers, car hire companies, leisure, retail and hospitality sector suppliers.

It is also a member of various advisory and working groups including the Airport, Harbours and Tourism Task Forces, Cruise Jersey and Jersey Conference Bureau.

The Association trades indirectly by means of Jersey registered limited liability companies such as the Jersey Hospitality Association Limited. This company is held beneficially in Trust for the members of the Association by a Purpose Trust called the Jersey Hospitality Association Trust.

As stakeholders we have been asked for views regarding service levels, fares and associated competition and regulatory options, the consultation closes on 2<sup>nd</sup> September 2010.

As the hospitality industry's trade association, we welcome the opportunity to participate in this consultation process.

## RESPONSE

1. Condor Ferries, as the current operator, is responsible for some 3,000 sailings to and from the Islands each year and in this process they carry significant volumes of passengers and passenger and freight vehicles.
2. Following the demise of HD Ferries, who operated on the southern route, Condor Ferries service the Channel Islands as their primary market and currently operate on a non-exclusive basis without competition at present with the exception of two foot passenger ferry services operating between the Islands and France – Manche Iles and Corsaire.
3. It is evident that they compete in a very volatile marketplace with airlines being their main competition. These airlines provide the bulk of our visitors and also offer a low cost car hire service. Despite this fierce competition, the number of passengers travelling by sea increased between 2009 and 2008. Economic analysis indicates that the ferry market to the Islands is not sufficient to support more than one operator whilst maintaining the service levels we enjoy today. We understand that Condor Ferries welcomes competition from air and sea operators as long as there is a level playing field in terms of the operational requirements and funding.
4. Any process to draw comparisons with the activities of ferry routes elsewhere should take into account that Condor Ferries operates primarily high speed ferries that have much higher fuel consumption and use a more expensive type of fuel compared to conventional ships. High harbour dues also apply and they have service level obligations and exchange rate differences to manage.
5. We believe that Condor Ferries must be complimented for improving their customer satisfaction and perception during the past 18 months. It is our view that they have transformed their previous ratings; this shift being achieved by the company tackling customer issues in a more direct and positive way, and in the process grasping important issues quickly that needed attention or improvement. The appointment of a Channel Island's based advertising and PR agency has supported this improvement.
6. During the past 18 months their pricing structures have also been simplified as well as introducing revised pricing for vehicles, motor homes and caravans whereby better value offers on off-peak sailings was introduced. This process was assisted by taking steps to fix fuel prices, which has given greater certainty to the travelling public.
7. The introduction of the new "short break fares" between the Channel Islands and the UK mainland and France were part of the many positive initiatives they undertook. Revised pricing was also introduced for the conventional ferry, with prices for passengers and cars decreasing significantly. After taking into account the increase in retail prices (measured through RPI), Condor Ferries fares have actually gone down by between -18% and -65% over a 5 year period.

8. We must highlight two significant areas of important support offered by Condor Ferries. During the volcanic ash disruption in April this year they helped many Islanders and visitors reach their final destination by providing extra sailings and its staff working tirelessly to minimise the impact on customers. In January, with snow and ice closing many mainland airports, they helped Islanders get home, even delaying departures to allow passengers stranded in the UK to reach Portsmouth to catch Commodore Clipper.
9. Condor Ferries have also integrated more effectively into Channel Island life by becoming sponsors of key awards events, activities sports tourism and festivals.
10. They have also invested significantly into their fleet e.g. the acquisition of new larger ferry (Condor Rapide) which now operates between the Islands and France offering three times the vehicle capacity of Condor 10.
11. From a regulatory and competition perspective Condor Ferries are already regulated. This regulation, for example, restricts changes to maximum fares, vessels and routes while also setting minimum frequency of service levels during different times of the year. In addition to this, they are subject to local competition law and are overseen by the JCRA.
12. Condor Ferries is a valuable trade partner to the visitor economy in Jersey particularly through their significant financial investment into promoting both Island's as tourism destinations with associated sea travel. More importantly and with tour operators representing some 53% of Jersey's visitor economy they give significant consumer marketing support to developing and supporting tour operators with Channel Island activities.

## CONCLUSIONS

The JHA believes the existing system works well and is efficient, Condor Ferries have shown that they are committed to serving the Channel Islands and is dedicated to investing in its future. We believe that they provide an excellent service, which supports a visitor economy in Jersey valued at £234m in 2009. Therefore, we would strongly support them being allowed to continue as operators when their agreement is subject to re-implementation in 2013. The current process enables a regular dialogue with the authorities in the Channel Islands who control the maximum fares that can be charged as well as monitoring service levels including reliability, punctuality and customer feedback. At a time when the economy is trying to recover from a severe economic recession we would not support regulation being delegated to an independent regulator whereby significant additional costs would be incurred.

We understand that the JCRA has estimated these extra costs would be £250,000 per year. With Condor Ferries probably incurring additional costs too it would be inevitable that these costs would have to be recovered thereby impacting adversely on the visitor economy. This would be unacceptable in our view; therefore the status quo should remain in place.