Response to Car and Passenger Ferry Green Paper
by UK based Tour Operators

Introduction

UK tour operators are the major wholesale customers for ferry services on the Northern route and have many years of experience in offering leisure travel to many thousands of both Jersey and Guernsey bound passengers and are therefore critical to the success of our Tourism industry.

This paper represents the views of the four major operators who have combined with Jersey Tourism to provide a perspective from the view point of the incoming leisure market, which is important both to the ferry operator and the Island. The operators participating in this consultation are C.I. Travel Group, Premier Holidays, Preston Travel Group and Travelsmith, who collectively bring an estimated 30k. visitors to the Channel Islands.

Overview

The operators and Tourism management have a high regard for the incumbent ferry operator, Condor Ferries who have provided an excellent service for the Channel Islands for a long period and who therefore have a significant level of valuable experience throughout the integrated network which includes the route to France and the freight network which also provides the weather proofing for continuity of service.

The Green Paper consultation process provides an opportunity to review all aspects of the service provided and could lead to a tender process for a long term service provision. Whilst not wishing to pre-empt the conclusions of the process, there is view that any changes to the service provider would need to be very carefully planned due to the high risk of market failure which could arise from an inexperienced operator being appointed. The experience of the past 12 years since Condor were selected from a choice of four has shown us that we might not be in the satisfactory position in which we find ourselves today had one of the others been chosen at that time.

It should be noted that on the Northern route there are fundamental differences in the service requirements between the local CI resident and the leisure visitor. At the heart of the issue is the fundamental aspect of choice which requires that a stronger element of promotion is required to entice the UK visitor.

In the UK source market, the competition is not just the range of air services to the CI but also every other holiday or short break destination, whatever the method of transport.

For the large majority of CI residents who use the ferry services there is purpose to the journey which is defined by the destination and so only the method of transport is the variable. For leisure travellers price is such a key component of leisure decision making, any therefore any operator must have flexibility to provide a structure to meet market conditions in what is and will continue to be a highly competitive environment. This is particularly relevant to the UK based leisure visitor.

On the Southern route, which is essential to the total viability of the network operation, there are also France based ferry operators operating from St Malo in competition with Condor, and from Granville and Carteret. Whilst these operations are passenger only and mostly involved in the day excursion market they do impact on the viability of the route. In 2009, arrivals statistics produced the following figures. Granville 20k passengers, Carteret 10k passengers and whilst these figures are a combination of all arrivals from those ports they represent a significant volume of the day excursion traffic from France and therefore should be considered as part of the mix of traffic .with an impact on passenger numbers from France during the Summer Months.

Seasonality of Services

The UK source market for the Channel Islands has always been highly seasonal in regard to the leisure market with the main peaks occurring during the Summer months and at times of school holidays. This is unlikely to change in the foreseeable future and therefore planning should be based upon current trends.

The year round fast ferry services are regarded as loss making during the Winter and profitable during the Summer months. There is therefore a natural in-built subsidy by which fares are structured in the popular Summer months when higher demand exists, to offset the low demand periods. Condor management have defended the higher levels of Summer fares by reference to the necessity to provide weather proof and lifeline Winter services which are loss making.

From a UK based leisure visitor perspective there is no requirement to operate the fast ferries during the mid winter months and if the subsidy from the Summer months which is required to underwrite these costs were to be removed , greater volumes would be attracted by the lower fares during the Summer months when the demand exists, thereby providing a growth opportunity.

Therefore the question is whether the Winter traffic could be accommodated by a combination of air services and the conventional ferries to Portsmouth, thus relieving Condor of the necessity of providing so many loss making services. An alternative consideration would be to raise fares during the Winter months to reflect the cost of these services, so that the Summer leisure market is not disadvantaged.

Tour Operators believe that Summer fares are no longer as competitive as they need to be when comparing fly-drive with fast ferry services.

Ports of Operation

Weymouth is a convenient port for passengers travelling from the South West but is not convenient from other parts of the UK. As Weymouth is the principle port from which the fast ferry departs and is backed up by Poole during busier periods, the operators are of the opinion that significant benefits would be derived from a reversal of this situation making Poole the primary port.

Road and rail links are far superior to Poole and the infrastructure is also superior.

A discussion on the relevant merits of comparing journey time aboard ship with shorter and travel time revealed a strong preference for the longer sea journey time associated with the Poole alternative.

For walk on passengers the terminal at Weymouth is also considered to be very poor and uncomfortable, and due to rail times passengers are required to overnight in Weymouth often at both ends of the journey, in accommodation described as either expensive or of poor quality.

Timings of Operation

Whilst there is obviously a complete network which must be served requiring early morning departures and late returns to maximise the use of the assets there is a view that a significant market which previously existed for walk on passengers has been lost due to the departure and arrival times at the UK ports, particularly during the shoulder periods.

Group business could be attracted to middle day departures which would enable coaching operations from the Midlands and further North. This is valuable volume business which used to be attracted to Jersey and which would involve several thousand passengers each year for the midmarket properties.

Tour Operators would urge Condor to reconsider future scheduling to improve the potential for this business to be re-instated.

Fares

During the current year fewer services have been available providing access to the lower ITX fare levels and this has led to a significant loss of customers who have not been prepared to pay the higher prices.

As Condor Ferries operate a yield management system, which enables prices to fluctuate according to demand in much the same way as airlines the published fare system appears to be overcomplicated with many different fares being offered which are not available at the time of booking.

Fares achieved by tour operators in the past year have risen significantly and by as much as 25%. When this is set against the published fare structure set out in the Green Paper there would appear to be significant disparity. We believe that this is caused by the paper showing average fares as opposed to those which are actually being purchased by the operators.

Therefore the maximum and minimum indicated in the Green Paper are not a true reflection of the costs which are actually charged. The table below [entitled year on year ITX comparison] sets out a comparison between 2009 and 2010 which reflects the large increases being experienced by the Tour Operators in peak season.

Condor also have a policy of offering ITX fares to hoteliers at the same levels as those available to inclusive tour operators which is the subject of significant concern to Tour Operators who invest large sums of money on brochure production and marketing and therefore require a margin in order to be competitive. If their business is eroded in this way it will threaten the long term distribution through these important channels to market.

Fares should be sufficiently flexible within a yield management system to meet prevailing market conditions. The concept that controls can by implemented by any form of regulation is unrealistic and should not be contemplated. An operator must have the ability to vary pricing as this is the key tool when marketing in a competitive environment. Maximum fares might realistically be set for a given period to give assurance to a licensing authority that public interests are being protected but that is the limit of what should be attempted. With a yield management system it would in any event be almost impossible and certainly expensive tio regulate with any degree of meaningful control.

Condor vs Steampacket (ITX Fares)

Based on Condor outbound departures and any duration with Steampacket to The Isle of Man; both on weekend rates. Full details of actual fares are confidential but can be supplied separately. The percentages are based upon a comparison of the Condor fare against the Steampacket taken as a base.

		Steampacket	Condor	% comp
		Car with 2 adults + 2 kids Condor price comparison with Steampacket		
1/1/2010	3/28/2010			62%
3/29/2010	3/31/2010			111%
4/1/2010	5/27/2010			27%
5/28/2010	5/31/2010			90%
6/1/2010	6/30/2010			56%
7/1/2010	7/16/2010			36%
7/17/2010	9/3/2010			60%

9/4/2010	9/30/2010			36%
10/1/2010	10/6/2010			169%
10/7/2010	10/22/2010			62%
10/23/2010	10/25/2010			111%
10/26/2010	12/31/2010			62%

Comparison with Air services

Comparison with Gatwick and Southampton air routes on an ITX basis for two adults and two children travelling with a standard car reveal that for the months of January, March and June that the ferry option would be cheaper and in August more expensive.

Year on Year ITX Comparison

% Comparison between 2009 and 2010 ITX fares. Prices include fuel surcharges where applicable

Poole 13.35 Service	Low season	Medium	High	Peak
Standard Car	3.7%	30.5%	25.53%	41.54%
Adult Passenger	No change	2.04%	No change	-5%

Weymouth or Poole

Standard Car	3.7%	2.78%	4.26%	10.77%
Adult Passenger	No change	2.04%	No change	-5%

In this paper we have not specifically looked at the ITX fares on the St Malo route , but operators on the route have commented on the change from sterling based ITX fares to Euro currency which took place in July 2009 and which has had the effect of increasing costs from Europe for inclusive travel arrangements.

Summary of key points from Major Tour Operators

- Condor Ferries have given an excellent service to the Channel Islands and should be given a long term licence, subject to the satisfactory conclusion of the review process.

- There is no reason to go to the market to seek alternative carriers who might appear attractive in the first instance but who would not have the required experience to operate these routes and which might threaten the long term stability of the operation.

- Following recent investment in the new ship on the St Malo route McQuarrie should be given the required encouragement to reinvest for the long term.

- There is absolutely no support for a complex regulation process which is unlikely to work and which would inevitably add cost to the end customer.

- Consideration should be given to reducing Winter fast ferry services on the Northern route with a view to ending the subsidy from the Summer months.

- Condor should be encouraged to simplify the complex array of published fares, and be free to yield manage according to market conditions. This process should include an increase in availability of ITX fares during the peak season.

- There are some scheduling issues which should be considered, including more direct services to Jersey, a refocus on Poole as the primary Port and timings to encourage more walk on traffic.

- If a tendering process is found to be necessary, extreme care should be taken to ensure the ongoing quality of service during the intervening period, particularly if a new operator is envisaged.

This paper was drafted as a response to the Green Paper in July 2010, by the marketing director of Jersey Tourism reflecting the view of the principle tour operators to the Channel Islands.