

CICRA  
2<sup>nd</sup> Floor Salisbury House  
1-9 Union Street  
St Helier  
JERSEY  
JE2 3RF

8 October 2018

Dear Sir or Madam

**CICRA Submission PoJ1395J –  
Ports of Jersey Long Term Pricing Framework – Assumptions: Call for Information**

**General Comments**

Condor fully supported the decision by the States of Jersey (SofJ) to create the Ports of Jersey Limited (PofJ) through the process of incorporation, and fully supports the PoJ vision, strategy and core objectives, specifically focused around the Harbour Estate infrastructure for obvious reasons, relevant to Condor's role as the Channel Islands' main ferry operator. We recognize the essentiality of a robust and vibrant Harbour and Airport infrastructure and operation for the critically important 2 legs of any successful island economy, sea and air connectivity (digital as the third leg, is of course, outside of the scope of this process).

Respectfully, Condor believes that there should have been a higher level of asset capital provision allocation from the SofJ to the PofJ, as part of the post-incorporation transitional arrangements to ensure PofJ received an adequate level of funding to deal with the outstanding legacy of under investment in key Harbour infrastructure assets especially built structures (e.g. Elizabeth terminal's roof and IT Systems etc.).

Otherwise, PoJ begins its stewardship as custodian of the Port facilities and assets from a deficit position with regards to allocated capital to invest, resulting in the potential need to apply for higher than needed price increases to fill this historical funding gap, thus placing an underserved higher pressure on Harbour Users whether operators like us, or the travelling consumer, to contribute for current and future investment needs, plus the catch up premium. This is unfair and could result in unintended consequences of overpriced fares.

Condor remains concerned that there has been, is, and that there may be a further imbalance between the allocation of capital investment with the PofJ infrastructure assets between the more perceived "sexy" airport and the less "sexy" Harbour Estate. This disproportionate early stage significant bias towards investment at the Airport versus the Harbour, means that the Harbour Estate continues to be sub-optimal in several ways and especially for the customer experience on arrival in Jersey by sea which is alien to the intentions of the SofJ and Visit Jersey strategies to enhance both of the island gateways, the Harbour and Airport equally. We are concerned that the immediate future investment plans maintain the unfortunate imbalance resulting in an inevitable significant time delay in seeing meaningful "catch up" and positive development improvement of Jersey Harbour and its facilities.

We recognise that there is an obvious competing tension in terms of the capital investment demands from both the Airport and Harbour, however, Condor naturally would wish to see equitability for the Harbour Estate in how PoJ determines its investment and spending priorities, bearing in mind that the overall capital requirements are significant and will understandably no doubt take a decade or so plus to be addressed linked to the revenue flows and financing policies to fund this long term programme.

Two serious unintended consequences that we feel could emanate from this situation if a migration trend of passengers moving from sea travel to air travel because of these factors are:-

1. Ports of Jersey and Visit Jersey could find themselves biasing disproportionate energies and marketing investments towards growing the islands' air connectivity arrivals at the expense of sea connectivity arrivals, because of an understandable belief that high ROI will be achieved through the superior Airport asset versus the sub-standard Harbour asset.
2. Condor could therefore be faced with the dilemma of insufficient or a reduced level of operating surplus being earned thus affecting the extent and speed of its own important capital investment in the fleet to deliver passenger expectations over coming years.

To repeat, Condor has an excellent commercial, trading and operational relationship with PofJ and all PoJ departmental managers and staff, working in partnership to deliver the islands' goals to increase passenger arrivals and provide a seamless daily essential freight lifeline supply chain of goods used and consumed by island residents. With a mutual priority focus on efficient, safe and secure processes as prudent operators of critically important island infrastructure service providers and is supportive of the PofJ long term infrastructure Ports investment strategy, it being proportionate and sustainable for users, passengers and customers.

#### Questions 1-20 – Assumptions – Call for Information

Answers:-

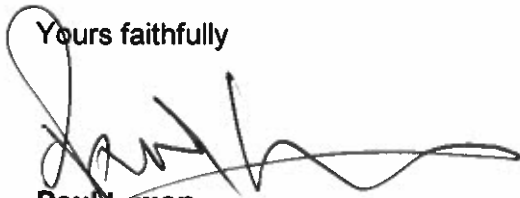
1. In general, yes, but please refer to earlier comment about the need to have had transitional CAPEX funding allocation from the SofJ.
2. Yes, subject to acceptance that if the forward averaged median inflation rate deviates from the 3% base assumption that a review and adjustment if appropriate could be made to the rate.

3. Yes, although it is unclear, and we are unsure however if the Visit Jersey arrivals growth strategy from 2019/30 has been included in this calculation and analysis?
4. We have insufficient information nor detailed clarity of the Harbour Master Plan to make an informed comment.
5. In principle yes, however, we do not believe that the current plan includes what could be described as all of the important items/projects, e.g. Harbour blasting and dredging to enable Jersey to be a true open Port not tidally restricted as now, enabling a better sea connectivity proposition to travelling passenger.
6. In principle yes, however, we are unable to determine if all of the doable prospective commercial opportunities have been included in the modelling, if they have then fine, if they have not then the modelling is light in terms of additional revenue and profit deriving from those initiatives omitted which could mean that a higher requirement for user charges and prices has been set unnecessarily.
7. Matter for the PofJ Board.
8. Probably.
9. Probably.
10. In general terms it could be viewed that this may not be a sufficiently stretching objective for the organisation bearing in mind PofJ is a relatively recently created incorporated entity so private sector disciplines should lead to enhanced productivity and cost-effective efficiency, but clearly this is an assessment for the PofJ Board and Executive to determine.
11. Reasonable.
12. A matter for the SofJ as Shareholder and PofJ as Operator but appears a reasonable approach.
13. Jersey is a small island with a low benign taxation regime and as such commercial organisations are rightly expected to support the third sector through their CSR programmes, PofJ no less in this regard appears to be appropriate.
14. Yes, however, outstanding legacy CAPEX, current CAPEX needs and planned immediate future CAPEX requirements should be financed through operating surplus first, before the dividend distribution policy should kick-in perhaps.
15. Yes

16. We are not entirely sure what exact definition of "single till" is being used in this context? However, as a principle, we would suggest that in the past the Airport has consistently received a disproportionately higher share of capital funding than the Harbour, both by the SofJ up until PofJ incorporation and by PofJ since, and this approach remains in place now and for the foreseeable future, which Condor believes should now be redressed so a fair allocation is invested at the Harbour and with some degree of reasonable "catch up" for the Harbour assets.
17. Generally, yes and within the context of the previous answer.
18. Seems reasonably.
19. In principle yes, but please refer to our earlier opening general comments for context.
20. In principle yes, but please refer to our earlier opening general comments for context.

Thank you for inviting and receiving our responses, we would be happy to discuss or clarify any of these points with CICRA and/or the Ports of Jersey within this "Assumptions – Call for Information" submission.

Yours faithfully



**Paul Luxon**  
Chief Executive Officer  
Condor Ferries Limited