

## Matthew Harrison

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**From:** hugues.gros@manche-iles.com  
**Sent:** 02 November 2018 13:20  
**To:** CL43219-InfoJE  
**Cc:** Matthieu Leseigneur  
**Subject:** POJ1395J – Ports of Jersey Long Term Pricing Framework - Assumptions: Call for Information'

Dear Sirs,

Further having read your call for information, please find hereunder our responses:

1/ Question 1 : Yes, we agree with PoJL's proposal that the Case for Incorporation and the Air & Sea Ports Incorporation (Jersey) Law provide an appropriate starting point for the assumptions to be used for a long-term pricing framework.

2/ Question 2: Yes, we agree with PoJL's proposal that 3% general inflation should be used as an assumption for a long-term pricing framework.

3/ Question 3: Yes, we agree with PoJL's proposal that long-term growth rates of 0.0% for sea passengers (we have no knowledge about the air and/or freight market) should be used as assumptions for a long-term pricing framework.

4/ Question 4: Yes, we agree with PoJL's proposal that the amounts assumed by PoJL for phase 1 of the harbour 'Master Plans' should be used for the long-term pricing framework (Manche Iles is not involved in the airport), but must include a real improvement of the Albert Terminal where the passengers are not treated as well as they should be.

5/ Question 5: Manche Iles Express has no opinion about the amount of £286m.

6/ Question 6: Manche Iles Express does not see in the Annex A, pages 22 to 24, new commercial activities at the Albert Terminal. We could agree with PoJL's proposal that the 'commercial projects' and associated forecasted cash flows should be used as assumptions for the long-term pricing framework development, if Albert Quay is in the scope of this proposal.

7/ Question 7: Manche Iles Express has no opinion about the limit of 2.5-3.0x EBITDA for PoJL.

8/ Question 8: Manche Iles Express has no opinion.

9/ Question 9: Yes, we agree with PoJL's proposal to use a cost of debt of 3% in the medium term and 5% in the long term as an assumption for the long-term pricing framework.

10/ Question 10: Yes we agree with PoJL's proposal that it should use an efficiency target of 0.2% (in real terms) operating cost reduction for the long-term pricing framework.

11/ Question 11: PoJL must respect the regulation; Yes we agree with PoJL's proposal that it should use a depreciated replacement cost methodology based on the Jersey Financial Reporting Manual (JFREM) for calculating depreciation in business plans on which the long-term pricing framework will be based.

12/ Question 12: We do not agree with PoJL's proposal that it should assume for the long-term pricing framework that its obligation to provide PSOs as currently set out in law and that the associated costs and revenues will continue. In our opinion, the Public Service Obligations, must be supported by the States of Jersey and not by an incorporated company.

13/ Question 13: Yes we agree with PoJL's proposal that it should assume for the long-term pricing framework that it will continue to support community activities in the same manner as before incorporation.

14/ Question 14 : Yes we agree with PoJL's proposal that no cash dividends will be paid until PoJL is financially self-sustainable is an appropriate assumption for the long-term pricing framework.

15/ Question 15: We do not agree with PoJL's proposal that it should assume for the long-term pricing framework that funding for capital investments will come from a combination of cash generation from core operations and commercial projects, as well as debt raised without States of Jersey guarantees. In our opinion, The States of Jersey should guarantee (a part) of the debt.

16/ Question 16: We agree with PoJL's proposal to use a single till.

17/ Question 17: We agree with PoJL's proposal that it should not explicitly separate harbour operations from airport operations or make any other possible divisions such as separating public service obligations in the context of the long-term pricing framework.

18/ Question 18: We agree with PoJL's proposal that a 10 year period for a pricing framework is appropriate.

19/ Question 19: Manche Iles Express has no opinion.

20/ Question 20: We have no further comment.

Yours faithfully,

Hugues Gros  
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