

**B Minutes of a meeting of Visit Jersey Limited (“VJ”)
Held at Elizabeth Castle, St Helier Jersey, on Tuesday 12th July 2016 at 1pm**

Present:	Kevin Keen (KK) – Chair
Catherine Leech (CL)	Tim Crowley (TC)
David Seymour (DS)	Sam Watts (SW)
Keith Beecham (KB)	Doug Bannister (DB)
(collectively referred to as the “Board” or the “Directors”)	
In Attendance	
Aimee Maskell, AM to PM Secretarial Services (Scribe)	
Mike King (MK) Chief Executive, EDTS&C	
Paul Luxon (PL), CEO, Condor Ferries	

1. DISCUSSION WITH PAUL LUXON, CEO, CONDOR FERRIES (CONDOR)

The Board welcomed PL to the meeting who presented on the following five areas:

- The history of Condor
- 2012 – 2014
- 2015 – 2016
- The Future of Condor
- Actions that are underway

PL stressed the importance of sea, air and digital connectivity between small Islands noting that it was required to support the Island’s growth and tourism strategies as well as for leisure. PL advised that Condor accept responsibility for the issues which arose with Liberation last year. However, following 12 months of crisis, he expressed the hope that after three to four months of recovery Condor will reach a stable position.

PL advised that Macquarie are very good shareholders with whom he is comfortable work and stressed that they are not private equity investors or “asset strippers”.

IT WAS NOTED that Condor employs 518 people (of which PL has now met the majority) and he acknowledged that they faced a difficult time in 2015. PL reported that Condor works out of six ports and has 4 vessels and noted that that it is considered a small company in shipping terms.

PL reported that between 2012 and 2014 Condor’s existing vessels were starting to become unreliable. A decision was therefore made to invest in a new vessel (from the boat builder Austal – a company which Macquarie does not have any ownership in) to avoid disruption. **IT WAS NOTED** that the Liberation was originally priced at AUS\$84m and Condor purchased her for AUS\$34. However, work was required on the vessel to make her fit for purpose and the AUS\$34m plus the cost of the work undertaken led to a total investment of £50m. In retrospect, PL accepted that more sea or port trials may have been worthwhile and a lesson learnt has been that improved introduction to service plans should be implemented for future vessels.

The Board noted that a number of key events took place in 2015 and 2016. PL acknowledged that the Liberation hitting a fixed object in Guernsey was due to human error. However the remainder of the issues were due to design mechanism failings the majority of which were covered by Austal, albeit that this did not help with Condor’s reputational issues or alleviate the disruption caused. He accepted that Condor was not ready to deal with the series of crises that occurred because it did not have the specific resources in place and he suggested that this further highlights how small the company actually is. In particular, Condor’s customer services were not adequately equipped to deal with the series of crises. He stressed the importance of

not getting the perception of comms wrong and noted that the company's budget for PR and Comms is £200k and suggested that Condor was not getting a significant enough return on that level of investment.

The Board noted that PL has been in post for two months, although he did do some work for the company during his notice period with the States of Guernsey, including appointing an interim Customer Services Director Keith Gate (KG) with effect from 1st July 2016. He reported that KG's role is to assist the Operations and Commercial Directors (who until his appointment had been doing their own jobs as well as dealing with change and crisis management) by taking on responsibility for implementing transitional change. KG has also, obviously, taken over responsibility for customer services which will include focusing on customer experiencing (including customers' experiences of booking, being on board and disembarking).

The Board noted that this will enable the Operations Director and her team to focus on Condor's Asset Health Programme. He reported that £750k has been invested into this and is currently working well with issues being dealt with overnight. He added that the Commercial Director and her team are now focusing on the booking and fare pricing system

PL advised that one of Condor's current actions includes undertaking a Comprehensive Service Review (CSR). He noted that this is in accordance with its agreement with the States of Jersey (SOJ) and was brought forward from 2017 to June 2016. PL advised that the CSR is a broad reach consultation in which Condor will talk to Islanders about the ferry service. **IT WAS NOTED** that PL would be involved in all workshops and upon completion of the CSR (in September), Condor will report back to the Ferry Services Steering Group (FSSG) and thereafter to EDTSC with recommendations and proposals of how it proposes to go forward.

PL invited questions from the Board and DS noted that Condor appear to be focussing on the Islands' population in terms of customer service and queried how Condor proposed working with the companies who bring tourists into the Island (e.g. group tour operators) and, in particular, how Condor proposes to re-instil the confidence which has been lost by the smaller tour operators. PL responded that although the issues have been acknowledged larger tour operators such as Channel Island Tour Group's (CITG) continue to work with Condor and bookings are up. He expressed disappointment that the smaller tour operators do not feel appreciated by Condor and proposed meeting with them to try and understand their concerns and reassured DS that there was no tactical plan for Condor to focus only on the larger tour operators. He added that he was aware which groups have not booked as a result of the issues of last year. He therefore proposes to meet with them and acknowledge his regret in this regard with a view to encouraging them back next year.

DB queried whether PL anticipated there being any volume recovery in 2016 and PL responded that the previous week, on the back of Brexit, Condor launched a UK promotional offer. This highlights the benefits of coming to the Channel Islands for a Sterling holiday and bookings have already been received as a result. The Board noted that Condor are also doing some messaging in St Malo and it is proposed to build on this whilst Brexit is still in the media.

IT WAS NOTED that the arrivals during January to May were 50k down in Jersey and 21k down in Guernsey. However, PL noted that there is overall growth in Jersey because of improved air travel whereas air travel is difficult in Guernsey. He acknowledged that Condor has lost passenger numbers during this time and accepts that these cannot be recovered. However, he expressed the hope that numbers will improve in late summer/early autumn, noting that he has recently signed of an additional marketing investment on top of the existing £1m marketing budget.

In answer to a further question from DB, PL confirmed that Condor's aspiration in terms of volume was to hold the figures at 50k down. He explained that this was difficult to achieve on the basis that passengers have been lost due to reliability. However, due to the Asset Health Programme some mechanical parts will be planned for replacement which will improve reliability issues. He stressed the importance of engaging with the public to understand why they have a negative perception of the Liberation and, if necessary, he proposes getting them on board to disprove their thoughts, albeit that this will take some time to achieve.

TC queried what marketing activity Condor was undertaking to bring business in, in particular he asked where in the UK investment was being made. He advised that the main focus was France and the UK. He noted that Condor are fully supportive of Visit Jersey's ambition to attract 1m visitors to the Island by 2030 and he suggested that whilst most of those visitors will come from the UK, he believes that Jersey can double the number of visitors it attracts from France and he referred to a forthcoming meeting he has together with the Commercial Team in Paris shortly to discuss the same. He suggested investing in the French market with a view to growing it over the next three years. DB proposed that PL liaise with Aurielle Leroy with regard to the French market and this was welcomed by PL, who noted that Condor have not previously been very aspirational on the Southern route and he reassured DS that consideration was being given to French visitors coming to Jersey and Guernsey for three, four or five nights with a car not just day trippers or Saturday night visitors. He also acknowledged TC's concerns regarding capacity and noted that this was on Condor's "radar".

IT WAS NOTED that Visit Jersey has a large amount of statistics about France and **IT WAS RESOLVED** that KB would share this with PL. **Action: KB/PL**

The inter-island routes were discussed and KB expressed concern that these have been contracting for some time and he queried how VJ could work with Condor to support them with a view to preventing this from happening any further. PL echoed this concern and responded that he proposed focussing on the inter-island route, although this has not yet received approval from the Condor board. He reported that he has looked into ways in which Condor can help improve commuter travel as well as creating a low cost model which would travel between the Islands (Jersey, Guernsey and Alderney) three days a week to help with weekend sports events and he suggested that between Condor, Blue Islands and Aurigny it would be possible to get passengers backwards and forwards within a day at a reasonable price. The Board noted that PL has already discussed this initiative with a number of sports associations and the Jersey Sport Shadow Board all of whom are supportive of the idea. CL noted that it would also be welcomed by tourists wishing to take a day trip to one of the other Islands during their stay.

KK queried whether PL had any plans to change the current cross subsidy between freight and passengers on Condor routes and PL responded that it was not possible to change this because without the passenger/freight mix there would not be an operator in place.

KK asked whether Macquarie are expected to be long-term owners of Condor. PL advised that Condor is part of a pension fund which is administered by Macquarie European Infrastructure Fund 2 the term of which is ten years. Therefore at the expiration of the fund (in two years' time), there will probably be a change of ownership. However, there is an option to extend the fund's term and no decisions have yet been made in this regard. That said, he reported that a change in shareholder in the short term would not surprise him.

There being no further questions for PL, the Board thanked him for his time and he left the meeting at 2pm.

The Board discussed what actions should be undertaken as a follow up to PL's attendance and **IT WAS RESOLVED** to invite him to present to the Board again in six months' time. **Action: KB/KK**

The CSR was discussed and DB reported that the FSSG have listed DS, TC and KB as suggested consultees but they noted that they have not yet been invited to provide input. It was agreed that in addition to DS, TC and KB's individual input the Board should also formally submit their concerns and **IT WAS RESOLVED** that KB would contact PL to make the necessary arrangements and was agreed that KK and KB would work together to prepare a paper in this regard. **Action: KB/KK**

There being no further business the meeting was closed at 2pm.