



Ports Incorporation

Introduction

This document has been prepared by the JCSA branch of Prospect and Unite the Union to express their view on the proposed incorporation of the Ports of Jersey.

As with any change in an organisation's structure there are risks and we would expect that the risks are minimised for both the staff affected and for the people of the Island.

Our position

Our position on incorporation is that strategic assets should remain in public ownership. However, if this is not the political intent, we will work with the employer to secure the best outcome for staff who are affected by the change of status.

The proposition

It has been noted that the wording of the proposition is for the agreement of the States to 'proceed' with incorporation of the Ports of Jersey. This is a departure from a previous proposition that requested a decision 'in principle' and which stated that further propositions would be brought forward for States approval. This statement suggests that the States will not be given any further opportunity to scrutinise the progress or plans. This is a point of concern for the Unions in that the proposition leaves certain elements of the incorporation open for further development.

The States are being asked to approve an unfinished plan, which if approved, gives Members no opportunity to express any concerns around the future direction or development of these plans.

We believe States Members should examine whether the wording of the proposition is appropriate given the magnitude of the request. A more appropriate position would be to examine the decision *in principle* thus giving the opportunity to scrutinise plans in detail later.

Risk

The proposition discusses the transfer of financial risk to the incorporated body and states that this is a benefit to the States, removing the potential cash burden. Indeed from an employee perspective the successful management of financial risk is critical in ensuring continuity of employment.¹

The Ports of Jersey has significant high cost assets i.e. historic harbours, which could be perceived

as having limited commercial value. However, in the event of major storm damage, for example, would the incorporated entity be liable for repairs? What options would be open to the body if insufficient funds were available through the capital program? The only option is to refer the issue to the shareholder. In this instance the shareholder is the States of Jersey. The States of Jersey may still ultimately carry the financial cost of the liabilities for the incorporated body.

In this scenario, what is the advantage of incorporation? It may only increase the financial demands on the organisation.

Employee terms and conditions in incorporated entities

The proposition states that there is a well rehearsed model for incorporation which was used for Jersey Telecom and Jersey Post. The output of this model is of concern to the JCSA branch of Prospect and Unite the Union. The model is based on incorporating the entity with little consideration of any potential detrimental effect on employees should trading conditions change.

Jersey Telecom implemented significant redundancies due to changes in trading conditions. They subsequently re-employed some of the staff, but on different terms and conditions and with inferior pension provision.

Jersey Post has implemented significant restructuring with new employees on lower rates of pay.

This clearly demonstrates that, given the opportunity, an incorporated States entity will implement detrimental terms and conditions over time even with a commitment to maintain current employees' terms and conditions. We are concerned that given the continuing challenging trading conditions and the global slowdown in travel, there is significant risk of detrimental changes to employees' terms and conditions post incorporation.

The States Employment Board is embarking on a review of terms and conditions with the aim of improving the employer's flexibility by rewarding good employee performance and managing poor performance. From our point of view this is business as usual and what would be expected from a model employer.

Sustainability

To date, both the Harbours and Airport have provided a positive cash flow into the States Treasury. It is accepted that there have been issues with major capital assets competing with other Government priorities. However, the last two major investments at the Airport have been funded via financial vehicles approved by the States and repaid from operational revenues. This was agreed by the States without the need for incorporation. The States currently has the option to utilise any returns as necessary.

In *P198/2002 Jersey Airport: Future Funding* it is stated in the conclusion that the cost to the taxpayer for the operation of the Airport is nil. Since then many of the recommendations have been implemented in order to move to the user-pays ethos. Implementation of the remaining recommendations such as charging taxis/coaches for the use of the facilities and removal of the airline subsidies were deemed politically unacceptable. It is clear that post-incorporation initiatives such as these will be reviewed, with potential early gains resulting in increased costs being passed on to users.

There has been coverage in the press regarding the possibilities that will open up should the Ports be incorporated. These are potential opportunities to increase revenues. Many of these options are

currently open to the Ports as it currently stands without incorporation. There is significant capacity at both the Airport and Harbour terminal to handle increased passengers. The management team has the remit to go out and attract new business. With the newly integrated and reorganised structure which has been implemented over the past year the Ports are now in a position to move forward without incorporation.

Benefit to the States of Jersey

As stated above, both Ports cover their cost of operations (and to some extent) have serviced their capital programmes. In recent years this has been managed in the main by deferment of capital replacement programmes by extending the life of assets. Current States of Jersey capital plans do not include any funding for either port.

In the conclusion of P198/2002 it is accepted that the Airport and the Harbours should, where possible, be self-funding. It does however state that any 'shortfall should be paid from central funds'. In reality this will still be the case for an incorporated body as the shareholder, the States, will be liable. On this basis it is difficult to see what are the financial benefits to the States of Jersey.

Conclusion

It is of serious concern to the Unions that incorporation may ultimately have a detrimental impact on terms and conditions for existing and new employees based on the experience of Jersey Post and Jersey Telecom.

It is of further concern that this will be the only opportunity for States Members to vote on the direction and future strategy of the incorporated entity, given that the proposition does not provide the full picture.

The unions are not against an efficient well-managed operation. Indeed, it is engaging with the States of Jersey in the current terms and conditions review to ensure the States of Jersey as a whole becomes a more efficient operation respecting the contribution its staff make to the success of the organisation.

The unions are not convinced that the suggested gains from incorporation are ones that justify such a move. A substantive Business Case is not included in the proposition. The same can be achieved under the existing ownership and revised management structure. If the move to incorporation is seen by its proponents as the first step on the road to privatisation, then they may find that the public of Jersey has real concerns about the ownership of such important strategic assets – after all when it comes to choice it is not as though there is another port or airport on the Island to which the people of Jersey can take their custom.

We would urge you to be cautious in accepting the proposition and to make provision for safeguards should financial conditions continue to decline. Currently there are few indicators to substantiate the view that trends are about to reverse.

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