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Net Zero, Energy and Transport Committee
c/o Clerk to the Committee
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Dear Minister

I refer to and acknowledge your letter of 18 March 2022 concerning the restructuring of P&O Ferries' crewing model.

P&O Ferries' critical role in maintaining supply chains, enabling tourism and growing trade within the UK and with Europe via the English Channel, North and Irish seas is more important than ever. We have been at the heart of this service for years but, in recent times, our business had been operating at significant loss and had become unsustainable. In order to survive and to protect the future of P&O Ferries, we had to make significant changes to the way we operate. Accordingly, we made the decision to restructure our crewing model, in order to ensure that we can continue servicing these vital arterial trade routes for the UK economy.

We know that for our people this redundancy came without warning or prior consultation, and we understand that this has caused distress for them and their families. We took this difficult decision as a last resort and only after full consideration of all other options. However, ultimately, we concluded that the business simply wouldn't survive without fundamentally changed crewing arrangements to bring us in line with the vast majority of other international shipping operators, which in turn would inevitably result in redundancies.

I have provided answers to the specific questions raised (see the **Addendum** to this letter) and confirm that I am happy to provide any further information that may assist.

Yours sincerely



Peter Hebblethwaite
CEO
P&O Ferries

ADDENDUM

Clarification as to the full impact of yesterday's announcement on P&O's staff as of 16 March 2022;

Seafarers were dismissed from three companies on 17 March 2022. A total of 587 seafarers were dismissed by P&O Ferries (Jersey) Limited; 83 seafarers were dismissed by P&O North Sea (Jersey) Limited and 116 by P&O Irish Sea (Jersey) Limited. Total number across all three companies was 786. No consultation was carried out in advance.

We have offered enhanced severance terms to those affected to properly and promptly compensate them for the lack of warning and consultation. These packages are well above legal requirements and contractual redundancy arrangements. We have also offered support to affected employees to find a new job at sea or onshore, whether with another part of DP World, a crewing company or in another area of work. Confidential support (including counselling) is also being made available until June.

As of today, 501 of the 786 affected seafarers have accepted the enhanced redundancy package offered by P&O Ferries and a further 265 have taken steps to pursue the settlement route.

Further information specifically on the impact on staff based in Scotland;

Of the 786 dismissed seafarers, 39 live in Scotland. Alongside the rest of the affected staff, they have been offered enhanced severance packages that are well above legal requirements, to compensate them properly and promptly for the lack of advance notice or consultation. They have also been offered support to find new jobs at sea or onshore, whether with another part of DP World, a crewing company or in another area of work, and have been provided with a list of organisations within the sector that have current vacancies for their consideration as well as being offered to participate in an outplacement (job search) programme that is paid for by P&O Ferries.

Further information as to what effect yesterday's announcement has on the Cairnryan-Larne route in the immediate and longer term;

P&O Ferries continues to focus its attentions on maintaining the vital arterial routes for the UK economy and trade. These necessary changes, made to improve the cost and efficiency of P&O Ferries assets and crew and also provide an improved service to customers, mean there will be no changes made to the Cairnryan-Larne route.

As you will be aware, one of the ships has been detained in Larne by the MCA. P&O Ferries are currently making the necessary changes to crew familiarisation, vessel documentation and crew training, to ensure the vessel returns to sailing as soon as possible.

Safety is the utmost priority for P&O Ferries and our crewing management partners. They have recruited high-quality experienced seafarers, who will now familiarise themselves with the ships, going through all mandatory training requirements set out by our regulators.

What communication you have had with the Scottish Government about the 17 March announcement, whether before or after the announcement;

I briefed the First Minister of Scotland, Nicola Sturgeon, in the afternoon of March 17th and took questions from her over 30-40 minutes.

Any other information that you consider may assist the Committee in its understanding of this matter, in terms of our remit to consider transport matters in Scotland;

Like many tourist and transportation businesses, Brexit and the Covid-19 Pandemic have had a negative impact upon P&O Ferries. Unlike its competitors, it has not modernised over recent years in line with market expectations. As a result, it has struggled to remain competitive. Prior to the Restructuring the business had become unviable. It was unable to meet the commercial and customer demands servicing vital arterial trade routes of the UK economy requires, and recent global events have further highlighted the underlying, and fundamental difficulties affecting the business.

During the pandemic P&O Ferries focussed its attentions on maintaining the vital arterial routes for the UK economy and trade. However, to do so it had to rely upon financial support from its parent company, DP World. P&O Ferries had been making a loss of c.£100m year on year, which had to be met by DP World.

Previous measures had been taken to seek to protect and preserve the business; for example, in 2020 it implemented a redundancy programme under which c.1,100 employees left the business. However, without further restructuring the business was simply unsustainable. P&O Ferries could not continue to operate uncompetitively, and at a loss. To become a viable business, meeting customer and market demands, its operating model required immediate and fundamental change. Without swift action there would have been no future for P&O Ferries at all.

Various changes were identified to secure the future viability of the business. They included revisions to the schedule, to ensure it is better adapted to customer demands in terms of frequency, service and value. They also included changes to improve the cost efficiency or utilisation of both assets and crew from c.65% before the restructure to a target of 90%. P&O Ferries is also currently exploring new partnerships to drive operational improvements in port, including by reducing ship turn-around times and overall operating costs. P&O Ferries is also in the process of adopting a new focus upon digital marketing, to provide an improved service to customers and reach new customers.

The key aspect of the Restructuring that impacted our people was a change to the crewing model. Prior to 17 March 2022, the Ratings and Officers who collectively operated the majority of P&O's ferries were employed by a number of Jersey-based entities (entities collectively referred to as "P&O Jersey Crewing Services"). P&O Jersey Crewing Services provided their employed Officers and Ratings to operate ships.

Most ferry businesses operating in Europe utilise a crew management model in which external third-party crewing companies (referred to as "agencies") provide crew which they engage and manage. This is a more flexible and cost efficient crewing model that is proven to work across the industry and which has become the competitive baseline.

For example, P&O's annual crewing costs in 2021 were c.£35million. This is approximately 50% above that of its competitors, including, for example, Irish Ferries. Without a radical alteration in its crewing model, P&O Ferries would remain unable to be competitive in its markets. The Restructuring allows P&O Ferries to provide a service which is more responsive to customer demand. It also enables P&O Ferries to reduce crewing costs by c.50%, whilst retaining existing service and safety levels.