

David Stretch - Transcript Employee Update 30th September

- For those that don't know me, I'm David Stretch, and I became CEO of P&O Ferries in August, having joined the business in 2018 to run the Short Routes business. These are, of course, unsettling times for everyone. I can understand that many of you will be feeling uncertain about what the future holds. For my part, I feel privileged to be leading this business and I am determined to do whatever it takes to get us through this very challenging period
- It's hard to know how or when things might return to normal, or anything like it. What's more, it's possible that there will be no trade agreement between the UK and the EU, meaning a no deal Brexit at the end of the year, and more uncertainty
- On top of that, many of you will be well aware of changes that are going on right now and affecting many parts of our business. Changes that have meant a large number of colleagues have already left us; changes that are being felt at every level of our business
- That's largely because of the impact of coronavirus but it's also because in the past we've been too slow to adapt... our services haven't kept pace with what our customers demand, so when things get really tough, we've not been able to adapt quickly enough
- Now, you might be thinking, if things are so bad, how come our vessels are still sailing? How come my wages are still being paid? Well, it's not down to a Government bail-out. This has been some modest support for the ferry industry, and we also benefited from the furlough scheme, but it's not why we continue to trade today
- For that, we have to thank DP World, our owner. They have been incredibly supportive and flexible. But they are also demanding – and rightly so. Whilst they have great confidence in our ability to survive – and indeed thrive in the future - they expect us to be more financially resilient in the short term as we get the business back to profitability
- That's why we've been looking at every part of the business to see where we can cut waste and do things more efficiently. I want to acknowledge the teams right across the business who have been working so hard to find savings wherever they can... for example by renegotiating repayments on our bank loans or getting better deals from our suppliers
- DP World has been central to helping us survive the crisis so far and it will be just as important as we build for the future. For those of you who don't know, DP World is a global logistics business which owns ports, terminals, industrial parks, logistics and operates maritime services all over the world
- There are many opportunities for us to integrate and work with DP World companies to help customers with their logistics needs, from getting raw materials into production facilities to delivering finished goods... and all points in between... seamlessly and efficiently.

- One of our big opportunities is to embed ourselves more deeply in our customers' supply chains – to become their indispensable partner every step of the way. But to be part of that future we need to develop more integrated end-to-end customer solutions as well as invest in better technology and systems and adapt to become more flexible, more efficient and more competitive
- One thing we can do to help ourselves is simplify our organisation and how we do business. That's why we are combining P&O Ferrymasters with the freight services part of P&O Ferries to create P&O Logistics and bringing our overnight and short routes together to create a single business unit serving leisure customers. This will eliminate some duplication, but it will take a lot more than that to bring about the cultural and structural changes we need
- And we must always remember, it's our customers who pay our wages. We need to deliver the services customers want at the lowest cost possible, so they come back again and again. For example, nothing undermines customers' confidence more than delays and cancellations. We can't control the weather, but there's a lot we can control, for example moving people and vessels to where demand is growing and away from where it's declining
- That's what good businesses do – they adapt quickly to change. Look at how the big supermarkets expanded their home delivery services over the past few months. So when leisure customers return, we need to make sure we're offering a really slick, efficient service from motorway to motorway, saving them time and us money
- P&O Logistics has made progress in that direction and that's why it is the best performing part of the business from a financial perspective. We've seen demand in industries such as Automotive, Pharmaceuticals, and Food increase as customers try to exercise greater control over their supply chains during this time of uncertainty
- But it's not just a case of sitting back and waiting for our vessels, trains and warehouses to fill up. We've been hard at work getting close to our freight customers, understanding what they need... where in the world they need it... and adapting our business accordingly
- I have said we need to embrace change in order to survive the current crisis and thrive in the future. Our strategy to achieve that is built around a five-point plan:
- One - adapt our business so that whatever happens at the end of this year – deal or no deal – we're in the best possible shape
- Two – protect our core leisure and freight business as much as we can and start to enhance the service in line with customers' needs. That includes continuing with the new ships for Dover Calais. Our current vessels are coming to the end of their service life. If there are no ships, there are no jobs
- Three – make our business much simpler and much more efficient, eliminating activities that our customers don't value

- Four – where we develop and deliver services successfully, replicate them in other parts of the world, such as Eastern Europe
- Five – expand the range of services we offer – for example, complex forwarding and warehousing – so we become more important to our customers
- We need to make sure we use this period to adapt our organisation so that when the economy improves, we're still here to reap the benefit. That's why we are taking tough, decisive action now. Today, I can make some very important announcements – steps we're taking to get the business in the shape it needs to be for the future:
 - Firstly, we are proposing to take the following four ships out of service permanently: On Dover-Calais, the European Seaway and Pride of Burgundy; and on Hull-Zeebrugge, the Pride of York and the Pride of Bruges
 - We are also proposing that the Hull-Zeebrugge ROPAX route will close entirely. The service has been loss making for many years and the situation has deteriorated even further recently. We have reached a point where we can no longer continue to subsidise the route
 - Similarly, the impact of coronavirus on our tourist business has been so severe it is no longer viable for us to operate more than four ships on Dover-Calais. We have therefore decided to take the two older vessels out of service
 - We will start a consultation process in both the UK and the Netherlands from next week to make approximately 140 roles redundant because of these changes. We are, of course, looking at every part of the business and if there are further plans, we will share these with the relevant unions
 - Earlier this year we agreed an approach to redundancy terms, we are proposing to the unions that we honour those agreements. The People Team will be in touch shortly to share details of next steps
- That's a lot to take in I know. For those affected, there will be a lot to think about. I promise we will be open and transparent about the process and keep you regularly updated.
- Thank you for listening.

Ends