WRITTEN QUESTION TO THE PRESIDENT OF THE HARBOURS AND AIRPORT COMMITTEE BY DEPUTY G.P. SOUTHERN OF ST. HELIER

ANSWER TO BE TABLED ON TUESDAY 27th SEPTEMBER 2005

Question

"Would the President advise members whether the Committee has considered comparisons for Jersey Airport with other airports in the world, particularly with regard to finance and accounting practices relating to –

(a) the treatment and use of cash surpluses;

(b) the funding of capital spending from income;

(c) the writing off of capital spending in the year it is spent; and,

(d) the funding of capital spending without borrowing;

and, if not, would the President undertake to carry out such a comparison and report back to the States?"

Answer

"Jersey Airport regularly compares itself with U.K. airports of a similar size and with similar passenger numbers. It is also aware of the capital funding mechanisms used by these airports.

The Deputy will be aware that the whole issue of the capital funding requirement of the Airport and how it is to be financed has been the subject of a States debate, (P.198/2002: Future Funding of Jersey Airport). As a result, a package of funding measures have been put in place, and as stated in my response to a very similar question asked recently by the Deputy, these include commercial borrowing, government grant and the use of the Trading Fund. The future funding proposals have also been the subject of a separate review by PricewaterhouseCoopers in 2004 – 'Financial viability of Jersey Airport'. This has all resulted from Jersey Airport, as any commercial business would do, undertaking longer term financial planning and as a consequence being aware of the financial issues it faces. It has then taken early and constructive steps to deal with these issues for which it should, I suggest, be commended.

I am perplexed as to what point the Deputy is trying to make when he lists the finance and accounting practices he does. From reports in the local press on 20th September 2005, it would appear he believes that if the Airport were to change its account reporting procedures it could reduce its passenger charges by £3.5 million. I would welcome the opportunity of learning from the Deputy how this might be achieved.

The reality is that Jersey Airport is subject to the Public Finances (Administration) (Jersey) Law 1967, as amended, which requires it to account in a certain way. A key issue is the absence of depreciation in the accounts. However, this does not mean that the Airport does not maintain a depreciation schedule of its assets; it does. The absence of a depreciation charge in the accounts is balanced by the fact that all trading surpluses are transferred to the Trading Fund. The sole purpose of the Trading Fund is to fund future capital requirements, as is a depreciation reserve. This source of funding is, as stated earlier, just one element of the funding mechanisms used. External borrowing has been undertaken and a significant commitment has been given by the States to fund 'below ground works'.

These mechanisms are precisely those available to other Airports and indeed, all other businesses. In addition, limited companies also have the ability to raise equity capital.

The decision on how to fund any particular project is based on value, estimated life cycle and cost."