

JERSEY AIRPORT: FUTURE FUNDING (P.198/2002) - COMMENTS

**Presented to the States on 19th November 2002
by the Finance and Economics Committee**



STATES OF JERSEY

STATES GREFFE

150

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Comments

The proposition goes to the core of the Airport's funding arrangements and, by doing so, will impact on some individual Committees and have significant ramifications for overall States finances.

There is much within the proposition that the Committee is able to support.

The Committee supports part (a) of the proposition by acknowledging the Airport as a strategic asset for the Island.

The Committee does not support part (a)(i) of the proposition and considers that the items of capital expenditure referred to should be funded by the Airport Trading Fund.

The Committee supports part (a)(ii) of the proposition. It supports the 'user pays' principle and agrees that, where the airport provides a service, there should be an appropriate charge to the identified end user.

The Committee supports the principle of part (c) of the proposition, but considers that it is not within the remit of the Finance and Economics Committee to manage the cost recovery of services provided by the Airport.

The Committee supports the principle of charging for 'community' services, as stated in part (d) of the proposition.

The Committee supports part (e) of the proposition.

The Committee considers that it is for the Human Resources Committee to comment in detail on part (f) of the proposition, but is mindful of the impact on general revenues of costs arising from this proposal.

The Committee supports part (g) of the proposition.

The Committee agrees that the airport is a strategic asset for the Island of Jersey, but does not consider that expenditure on capital infrastructure should be funded from general revenues. The provision of effectively 'free' capital to the Airport may detract from optimal commercial decisions being taken. Should the States approve part (a)(i) of the proposition, capital funding bids from the airport which could amount to several millions of pounds, will need to be prioritised against the bids of other States Committees within the current capital allocations agreed in the 2002 Resource Plan.

The Committee, in supporting part (b) of the proposition, would wish the Harbours and Airport Committee to undertake a cost benefit analysis of continuing to operate the Channel Islands Control Zone.

The Committee recognises that the airport cannot bear all of its current costs of operation (revenue and capital) from its existing income stream and supports the principle that the airport charges its users the full cost of the services provided. In many cases the end user is a Committee of the States and the impact of absorbing these additional costs within the already agreed future total revenue and capital allocations will require affected Committees to take serious and difficult service priority decisions. Where such services are considered to be a priority, that Committee would need to meet charges levied from within its allocated cash limit. The Committee considers that any charges levied to third parties, including other jurisdictions, must be recovered by the Airport and not through the Finance and Economics Committee providing additional funding.

The broad thrust of charging for 'community services', as stated in part (d) of the proposition, is also supported, however, the Committee considers that the recipient Committee must be party to the determination of a 'community service' and any associated charge. Where such charges are levied, the cost must be contained within the already approved revenue budget limits.

The Committee agrees with the proposals in part (e) of the proposition subject to funding being contained within existing approved budgets and the identification of an appropriate medium through which subsidies are channelled. The Airport Task Force is in place as an expedient to manage the process in the short term only and another body, such as the Jersey Transport Authority, will need to be considered for the medium term. The Committee would require appropriate financial and performance safeguards to be in place to ensure value for money is achieved from any public funding.

With regard to part (f) of the proposition, the current Human Resources Committee policy is that all costs of VR and VER (and, if necessary, compulsory redundancies) are met by the employing Committee. On the basis that the Airport will receive the future cost reduction benefit of such action, the Committee considers that the cost of manpower reductions should be met by the Airport.

The Committee acknowledges that it has not been possible for the Harbours and Airport Committee to achieve the previous States decision to incorporate the Airport. The Committee, whilst supporting part (g) of the proposition, considers that the airport cannot continue to operate in a dynamic commercial environment whilst remaining as a trading committee and would seek revised proposals as to the future status of the Airport to be developed as soon as is practicable.