

4.11 Deputy M.R. Higgins of the Minister for Economic Development regarding Flybe's decision to sell its landing rights at Gatwick airport to easyJet:

Will the Minister state when his department became aware of Flybe's decision to sell its landing rights at Gatwick Airport to easyJet and explain what contingency plans he has to secure Jersey's vital air links to London?

Senator A.J.H. Maclean (The Minister for Economic Development):

The first official written confirmation by Flybe of its reluctant decision to sell its landing slots at Gatwick Airport to easyJet was received at 9.39 p.m. on 22nd May. This was in advance of the announcement to the London Stock Exchange the following morning at 7.00 a.m. Although this announcement is disappointing, we have been aware of the airline's increasing frustration with the rising costs of operating from Gatwick Airport. To put this into perspective, Flybe tell us that they have seen their landing charges at Gatwick Airport increase by 102 per cent over the last 5 years. To support Flybe and other airlines, I previously wrote as long ago as 2011 to the Minister of State for the Crown Dependencies, as well as to Sir David Rowlands as Chairman of Gatwick Airport, to raise our concerns about the disproportionate impact of increasing landing charges and other charges such as airport passenger duty on small regional aircraft and the communities like Jersey that they serve.

[11:00]

Jersey has an impressive network of air routes by virtually any standard. Preserving and growing that network of flights remains a top priority. In particular, we recognise the absolute importance of good quality air services to London for Islanders and our vitally important tourism and broader business communities. I would therefore like to reassure Members that every effort is being made to ensure that vital London services are maintained at current levels or indeed improved in the future if at all possible. In this regard, I would like to reassure Members that Jersey Airport's Route Development Team are in active discussions with a number of airlines that are showing interest in replacing Flybe services on the Gatwick route. I would also like to take the opportunity to make it clear that Flybe have confirmed they will continue to operate all their Gatwick services until March 2014 and that no other routes they operate are affected. Flybe will continue to offer extensive, high-quality and valuable air services to and from Jersey. I will of course keep Members advised of any updates as and when they arrive. Thank you.

4.11.1 Deputy M.R. Higgins:

Did the Minister or his officers at any time consider purchasing the landing rights at Gatwick Airport to secure slots at London Airport? Because no matter which airlines you talk to, those landing slots are extremely valuable and in the case of easyJet, for example, would be far more profitable on them using the 20 or so take-off and landing slots that they have on other destinations further afield. So, first of all, did the department consider acquiring landing rights to secure our presence at Gatwick and, if not, what other contingencies do you have to try and secure that route?

The Bailiff:

Minister, if you could hold those questions in your mind, please. Unfortunately, we are now inquorate. Could I ask Members in the coffee room to return to the Chamber, so we may become quorate again. Minister?

Senator A.J.H. Maclean:

Yes, in fact, we did consider the options some years ago with regard to Heathrow. The Deputy raises a very interesting point. It is a nice idea to think that the Government could purchase slots at airports that are key to the economic and social future of the Island. Unfortunately, it is not that simple. Only airlines and operational airlines can purchase landing slots. So, I am afraid that is not an option available to us. But, what I can say to the Deputy and to Members is the

clear value of Gatwick and Jersey as a route. There are over 600,000 passengers moving backwards and forwards. Certainly from the initial discussions with airlines there is a great deal of interest. We are confident that there will be replacement services in the not too distant future.

4.11.2 Deputy S. Power of St. Brelade:

I think most Members would be certainly reassured by the Minister's responses to date. Unfortunately, I think the Minister would also acknowledge the fact that a lot of what is happening is outside his control, with the commercial pressures on airlines and indeed ferry companies. My question is this: the Isle of Man has also lost its Gatwick links as a result of a similar move by the same airline. Would the Minister not agree with me that it is vitally important that his department step in now and try and secure a deal with other airlines? Otherwise the prospect for Channel Islanders or Jersey folk to have to use Southampton or London City or Southend or wherever is going to be restrictive.

Senator A.J.H. Maclean:

Yes, I would absolutely agree with the Deputy. That is exactly what is happening. The Route Development Team at Jersey Airport are doing exactly that. There are discussions underway at the moment with airlines about the possibility of increasing services to Gatwick, of replacing the loss of Flybe from next March. I am confident that we will find replacement services. I think we need to put into context though, the reason that Flybe have taken this decision. The increasing charges are impacting specifically on smaller regional aircraft. It is the size of aircraft and it is the noise distribution of the aircraft that have to pay more money. So the larger aircraft are at an advantage, there is more profitability. It does not mean that services are going to go altogether, it just means we are going to see a change in the profile of who serves the Island from airports like Gatwick.

4.11.3 The Connétable of St. Lawrence:

The Minister has referred a number of times to the Route Development Team. I would like him to expand on that and explain who sits on it, who manages it and whether they are looking at additional destinations other than the ones he has just referred to.

Senator A.J.H. Maclean:

Absolutely. The Route Development Team was created a number of years ago. In fact, prior to that there was no active communication with airlines. In fact, decisions by airlines to stop routes... often the airport heard at the last minute, had no prior knowledge of it and it was a most unsatisfactory situation. In recent years a team has been put together of senior officers. It is overseen clearly by the Chief Executive. That is absolutely as it should be. There is continuous and ongoing dialogue with airlines, looking at ways in which we can assist them if they are finding particular routes are challenging and looking at ways we can create new routes. Indeed there has been some success. I have to say that easyJet are a good example. We have seen Glasgow, Liverpool, London Southend, all expanding. That is due to the good work that the team have done at Jersey Airport. It is about ongoing management of our key partners, the airlines, that is going to sustain our future.

4.11.4 Deputy R.G. Le Hérissier:

The Minister skirted the issue of buying slots. Firstly, has he looked at the Aurigny solution? This, of course... the States of Guernsey and some people laughed at the time, but it appears to be vindicated to a point. Secondly, could he tell us - it all seemed very obscure - is he saying airlines with small aircraft can no longer viably, in an economic sense, fly into Gatwick? Is he saying it is only airlines with big planes, which they will have to fill, who are now able to deal with the economics of Gatwick?

Senator A.J.H. Maclean:

I did not think I skirted the answer at all. I thought I was fairly clear about it. Government cannot purchase slots at airports like Gatwick and Heathrow. Operational airlines can. It is as simple as that. Clearly the decision that Guernsey took in terms of acquiring Aurigny was for that very reason, to ensure that they secured the slots at Gatwick airport. The difficulty, I think, that they will find now is that Aurigny is even smaller than Flybe was in terms of the size of aircraft and the profile. They tend to be older aircraft. They are noisier. As such, they are going to be paying much higher charges. So, it is going to be less viable for them to operate that route and will have to be, no doubt, subsidised by the Guernsey taxpayer in the years ahead. I am sure that is a strategic decision that Guernsey have taken. It is certainly not a route that I would favour. We have a very good service already, 5 flights a day from British Airways. I am very hopeful that we will get another airline stepping in to pick up the majority of Flybe flights. That was 4 a day. That is a really good service. We should also remember it is not just the number of flights, it is the capacity, the size of aircraft that we have are large. The number of seats are also way ahead of competitors.

4.11.5 The Connétable of St. Lawrence:

The Minister has told us that we, as a Government, cannot buy landing slots. But I seem to remember a few years ago, we used to subsidise the Heathrow route. Has the Minister looked at perhaps subsidising an airline? If he has not, will he? Or are we now?

Senator A.J.H. Maclean:

The Connétable is quite correct. Yes, we did indeed provide an incentive to an airline to operate the Heathrow route for the very reason that we were not able to purchase slots. As far as incentives are concerned, yes, Jersey Airport offers incentives for new routes. They offer incentives for growing market share and so on. In the future... and part of the negotiations that are ensuing now with regard to Gatwick and other routes, the airport will look at the commercial opportunities of incentives to airlines that are going to be in the economic interests of the Island. That is exactly as it should be.

4.11.6 Deputy S. Power:

Could the Minister confirm whether easyJet has expressed any interest in what is called the early morning slot or the 'red-eye' to Gatwick? Those 2 flights, those early morning departures, are key links into London. As he has indicated, Flybe are pulling out, can he indicate the importance of maintaining the 2 early morning links into Gatwick?

Senator A.J.H. Maclean:

What I can say is that I thoroughly agree with the importance of the early morning 'red-eye' flights. That is clearly understood. What I cannot do at this stage - and I am sure the Deputy will understand - is talk about confidential negotiations that are being undertaken with different airlines and so on. But we are very aware of the importance of the early flight and that particular profile is something that is key as far as we are concerned in negotiations.

4.11.7 Deputy J.H. Young:

I am puzzled by the Minister's answers. In particular the question that Deputy Higgins raised. How can we be confident that the landing slots, which are so valuable and are lost to us, are going to be taken by another airline on the Jersey route and not to another location? I cannot hear in the Minister's answer, so I would like the Minister to tell us, what are the elements that are going to make sure that happens and make us feel confident about it?

Senator A.J.H. Maclean:

I am in a difficult position, because I cannot give details as Members, I hope, would understand, about negotiations that are underway at the moment. I hoped my opening answer was able to give enough confidence to Members that there is interest from airlines to take on those routes.

There are a lot of passengers that fly between Gatwick and Jersey, over 600,000. We have had interest expressed in the past from airlines, such as easyJet, about Gatwick. Of course, at that stage there were already 2 airlines that were flying there. I am confident that we will have replacement services. We already have 5 flights a day from British Airways. At this stage that is all I can confirm. But I will come back to Members as soon as I can on the conclusion of negotiations. I am very confident that we will get a satisfactory outcome. We do understand the importance of this vital link to London and in particular Gatwick. We are working hard in order to resolve the change resulting from Flybe's removal from the service.

4.11.8 Deputy R.G. Le Hérisier:

Even though the Minister talks of not interfering directly, there is no doubt that the ferry service is a monopoly because of Jersey Government intervention. A monopoly was granted. Firstly, would he admit that in terms of competition, the ferry service should be a much more competitive item in relation to air travel? Secondly, is he totally convinced that the replacement fleet policy, the capitalisation of the service, is really something that the monopoly has given it or there are problems ahead on the sea as well as in the air? Thank you.

Senator A.J.H. Maclean:

I am not quite sure how we have got to the sea services. There are challenges to answer his questions in both air and sea, as is always the case. We are an Island. We rely on essential lifeline links. There are a number of complex issues that need to be considered in terms of securing those routes. I believe they are being worked very effectively and very efficiently by close negotiations with all our key partners, whether they be airlines or indeed ferry operators. Make no mistake, there are challenges ahead. I am confident that we will have the services that the Island requires, both socially and economically, into the future. We have a great advantage, as an Island, by the need and demand that is shown by our key industries, both finance and tourism, and I am sure that in the future they will have the services that they deserve.

4.11.9 Deputy M.R. Higgins:

I am somewhat confused by the Minister's earlier answer when he mentioned about the Route Development Team's function is basically to keep the pulse of the airlines and keep in touch with them so we do not get caught suddenly losing our routes. Yet, they were told the night before the announcement on the stock exchange. Can the Minister tell us whether there were any discussions between Flybe and the Route Development Team or anybody else within his department about the difficulties they were in and asking if there was any way the States could assist them to continue the Gatwick route?

Senator A.J.H. Maclean:

I thought I had made that absolutely clear in my opening answer. Back in 2011 we were aware of the concerns that Flybe had about the rising costs of operating at Gatwick Airport. That was the reason that I wrote to the Minister in the U.K. to express concerns about those rising costs, the importance of regional airlines and aircraft to communities such as Jersey and asked for assistance.

[11:15]

We also raised the issue about other costs, like airport passenger duty, which I also mentioned earlier. So, yes, we have been active in trying to address some of the concerns that airlines like Flybe have been raising for some time, and in a public forum.

4.11.10 Deputy M.R. Higgins:

Supplementary? Did you consider subsidies on the route?

Senator A.J.H. Maclean:

There are competitive requirements on the route that do not necessarily require direct subsidies, we believe, at this stage. As I have said before, negotiations are underway for replacement services on the Gatwick service. All options are available for discussion as part of those commercial negotiations.