

STATES OF JERSEY
Economic Affairs Scrutiny Panel
Aircraft Registry

WEDNESDAY, 20th JUNE 2012

Panel:

Deputy S.G. Luce of St. Martin (Chairman)
Connétable S.W. Pallett of St. Brelade
Connétable M.J. Paddock of St. Ouen

Witnesses:

Mr. L. McConnell (Executive Charter Jet)
Mr. P. Stott (Executive Charter Jet)

Also Present:

Mr. T. Oldham (Scrutiny Officer)

[9:30]

Deputy S.G. Luce of St. Martin (Chairman):

I welcome everybody to the meeting this morning. There are a few housekeeping rules before we start; no mobile phones and no shouting out loudly (I do not think that is going to be an issue), general disruption, and if anybody needs to leave if they could do that quietly that would be appreciated. For the benefit of the machine if we could just go round the table introducing ourselves so that the transcribers know who we are talking about. My name is Steve Luce, Deputy of St. Martin and Chairman of the Economic Affairs Scrutiny Panel.

Connétable S.W. Pallett of St. Brelade:

Constable Stephen Pallett of St. Brelade.

Connétable M.J. Paddock of St. Ouen:

Michael Paddock, Connétable of St. Ouen.

Mr. P. Stott:

Philip Stott, Executive Jet Charter Limited.

Mr. L. McConnell:

Lee McConnell, Executive Jet Charter Limited.

The Deputy of St. Martin:

Thank you very much. May I say firstly say how nice it is to see Lee looking better. We were quite concerned after last week that maybe we had had an adverse influence on you very early on and that was quite concerning.

Mr. L. McConnell:

No, no, no, it is okay.

The Deputy of St. Martin:

So pleased to see you are back on form because we were very interested to hear your views on the issues at hand.

Mr. L. McConnell:

Thank you very much. Good.

The Deputy of St. Martin:

Lee, we have a couple of submissions for you but one was mainly a submission to the panel about aircraft registry which you put together with Philip and Jennifer. Since then of course we have had the announcement from Guernsey that they are moving ahead with an agreement with SGI and we are still at the moment hopeful that the Channel Islands option is one that is available. But in any case we have now in front of us the option is possibly a Channel Islands one, based possibly in Guernsey, Guernsey going on their own, with Jersey going on their own or doing nothing.

Mr. L. McConnell:

Yes.

The Deputy of St. Martin:

Can you give us the benefit of your knowledge as to where you believe we are at the moment and which you believe would be the best option to go for?

Mr. L. McConnell:

I believe that the Channel Islands registry is the best way to go forward. Guernsey obviously have taken the leap on this and at the end of the day the Channel Islands registry would look better from a world perspective. It would give mixed signals if Jersey and Guernsey went independent. So, on that point of view I think Jersey really has to go forward with Guernsey.

The Deputy of St. Martin:

So the overriding view at this stage would be a Channel Islands registry is the most important thing above other things at the moment?

Mr. L. McConnell:

Yes.

The Deputy of St. Martin:

Regardless of where it is based; it is more important to be Channel Islands than to be individual?

Mr. L. McConnell:

Absolutely. You would agree with that, would you not?

Mr. P. Stott:

I would agree with that, yes. I think certainly looking at it from potential clients looking at the Islands externally. There is also the argument that you would create then 3 registries (Guernsey, Jersey, and the Isle of Man) all competing with each other and then you would have to argue whether there is enough business out there. I think if the Isle of Man competing against the Channel Islands, I would think, yes, we can compete and that gives people a choice. The minute there are 3 registries I think it starts getting confusing especially when 2 of them will be parked 15 miles from each other.

The Deputy of St. Martin:

While we are on the subject of the Isle of Man, we believe there are easily 500 aircraft registered there and quite a few of those will be Channel Islands aircraft and I use the Channel Islands, Jersey and Guernsey. How many of those aircraft of various sizes would you see relocating to the Channel Islands registry if we had one?

Mr. P. Stott:

I believe that the advantage that the Channel Islands have at this time (both Islands) is they are starting reasonably with a blank canvas so the legislation could be written in a way to make it attractive to a lot of the business jet or business aircraft operators, which would make the Islands competitive and therefore you could compete not only just with the Isle of Man going forward but you could attract aircraft that are presently registered with the Isle and Man to us.

The Deputy of St. Martin:

Are there any particular subjects or details that you could tell us about which might make us more attractive to them?

Mr. P. Stott:

There is one that I have been working on but it is a bit contentious within Europe probably but there is a certain angle to do with fractional ownership. At the moment the large company which I am sure you will all know is NetJets which operate their aircraft on a fractional basis, which means there are multiple owners owning the aircraft and they can interchange. They use the Portuguese register because the Portuguese register does not request them to be what we call public transport within a commercial operation. The aircraft can operate privately which makes them extremely more flexible. That is not allowed in any other state in Europe. So the Portuguese register has made themselves very attractive by doing that. There is no reason why a Channel Islands registry could not go down the same route and therefore attract certain fractional ownership companies to their register.

The Deputy of St. Martin:

What is the downside of fractional ownership if there is one? Obviously if it was attractive and easy to do a lot of other people would have done it as well.

Mr. P. Stott:

There are quite a few companies that do it now. It is just that in America there is a difference between the American law and European law and the European law states that the responsibility of the aeroplane is of the operator and, therefore, because the operator is receiving money from a client or multiple clients then it is deemed to be a commercial operation, whereas in America it is deemed that the operated aircraft is the responsibility of the owner of the aircraft and they just employ a management or commercial operator to operate the aircraft on their behalf and therefore it is deemed a private operation. So there you can make yourself attractive by allowing that. That is just one area.

Mr. L. McConnell:

Also, you know, a lot of our clients that we fly directly ... we are both pilots, both working in the corporate sector, we have had a lot of interest in Jersey other than the Isle of Man so we already know that there are people interested in focussing their interests in Jersey on an aviation perspective. We fly a large amount of heads of state, heads of big business all around the world and they are always interested in Jersey.

The Deputy of St. Martin:

Why would you perceive that to be?

Mr. L. McConnell:

I think Jersey ...

The Deputy of St. Martin:

Is it an issue outside of aircraft singularly?

Mr. L. McConnell:

I think Jersey is more in their consciousness than the Isle of Man is. I think probably financially a lot of business is done here. Certainly my boss, they are billionaires and they deal with trusts in Jersey so it is in their consciousness moreover than the Isle of Man and perhaps even Guernsey. So I think the registry is a platform whereby it cascades other business for them.

The Connétable of St. Brelade:

You mention fractional ownership; are they acceptable under the current European regulations?

Mr. L. McConnell:

Yes.

The Connétable of St. Brelade:

They are?

Mr. L. McConnell:

NetJets, which is one of the biggest corporate jet operators in probably the world, uses fractional ownership as one of their biggest business pushes really and it is allowed under the Portuguese register. Because we have a blank canvas you can put that in the legislation, because obviously we need an aircraft registry act to do all of this and there is a blank canvas there, so at the early stages of drafting law, if you get the right consultation from the right people you can capitalise on a huge competitive advantage.

The Connétable of St. Brelade:

What are the risks to the registry by allowing fractional ownership? Is it currently allowed in the Isle of Man? I do not think it is, is it?

Mr. L. McConnell:

No, I do not think they have thought about it.

The Connétable of St. Brelade:

I think they have because I have seen documentation on a lot of the information I downloaded from the internet.

Mr. L. McConnell:

Yes.

The Connétable of St. Brelade:

So they have considered it but it is not something that they find acceptable at the present time, so my question is why would we find it acceptable here?

Mr. L. McConnell:

I do not know why they have that point of view and Berkshire Hathaway, who fund NetJets, still carries it on; it is still a viable business. It is one of the largest corporate jet operators in the world. So if it is still carrying on I do not see where the problem is personally. We would obviously have to vet that and perhaps discuss with the Isle of Man why they think it is a big issue. Certainly I cannot see any ...

The Deputy of St. Martin:

I would presume NetJets are worldwide but where are they based?

Mr. L. McConnell:

They are based in Lisbon.

The Deputy of St. Martin:

Lisbon?

Mr. L. McConnell:

Yes.

The Deputy of St. Martin:

Right.

Mr. L. McConnell:

It is on the Portuguese register.

Mr. P. Stott:

Fractional ownership is allowed within Europe but it has to be under what we call public transport or commercial operation, whereas in Portugal they allow it to be private operations which obviously makes the company able to operate in a lot more flexible manner with a lower cost base.

Mr. L. McConnell:

Rather than one person flying an individual aircraft, 4 people have a share in that particular aircraft and so it is interchangeable. They have a massive fleet of aircraft. Your aircraft is not necessarily available but they will put you on to another one, so I think that it is a good way of operating, managing your aircraft.

The Deputy of St. Martin:

We will certainly ask him later when we have Fergus Woods here before us but do we have any idea how Fergus Woods would react to that? Has he ever been questioned in respect to it?

Mr. P. Stott:

It would be interesting to hear how he would react to that other view.

The Deputy of St. Martin:

It is not something you have spoken with him about previously?

Mr. P. Stott:

We have not, no, we have not spoken to him on that.

The Connétable of St. Brelade:

There is something else that I have just picked up here from the Isle of Man point of view. Aircraft in the Isle of Man are only for private corporate use. Where do you see the commercial aspect of that in a C.I. (Channel Islands) registry?

Mr. P. Stott:

Initially the Channel Islands registry would have to be exactly the same, I believe.

Mr. L. McConnell:

Yes, it would have to be private because once you go down the road of commercial you have the regulatory aspects of airworthiness, for example. I noticed a few comments from Aviation Beauport about if a Jersey aircraft registered aeroplane crashes, how do we deal with that. Well, we deal with that because the U.K. C.A.A. (United Kingdom Civil Aviation Authority) have got their own airworthiness

department and where a subdivision of that is the Channel Islands D.C.A. (Director of Civil Aviation), so the U.K. C.A.A. aircraft investigation branch would go and deal with that aircraft. The interesting question is would Jersey and the Channel Islands Director of Civil Aviation become more independent from the U.K. Civil Aviation Authority and then develop its own departments of airworthiness and compliance and regulatory aspects but it is a massive costs. It is not unachievable but then you would have full autonomy as a Channel Islands Civil Aviation Authority. I believe that happens in Aruba, where they have an independent airworthiness department.

Mr. P. Stott:

Yes, they do, yes.

Mr. L. McConnell:

So it is like a one-stop shop effectively. So the Aruban registry is all encompassing; they have their own airworthiness department that would go and investigate compliance issues, regulatory issues. But it is another department on top of just simply registering aircraft.

The Connétable of St. Brelade:

In terms of using the fractional ownership scheme, again, what it states there is that that has to be operated in a commercial category so how would you see that being part of our registry if it needs to be operated in a commercial ...

Mr. L. McConnell:

It is not commercial.

Mr. P. Stott:

It may be commercial for the Isle of Man because that is what their legislation states is closely linked to the rest of Europe.

The Connétable of St. Brelade:

What do you consider as being commercial?

Mr. P. Stott:

A commercial operation is hire and reward.

[09:45]

The Connétable of St. Brelade:

Yes, not necessarily airlines or that type of commercial activity; more private commercial use?

Mr. P. Stott:

No, commercial activity on a private jet is exactly the same as an airliner; it comes under the same auspices. I think they are considered public transport and fall under the same auspices as a British Airways 737. The difference between commercial ... so basically what they are saying in Europe (apart from Portugal) is that any aircraft or operator that is utilising a management company regardless of how many owners, the responsibility falls with the management company. The management company are therefore earning money and therefore is higher in award and considered public transport. They therefore must fall within the realms of public transport legal requirements such as the correct paperwork and to do with weight and balance and all the things which a private operator also does but it is regulated and they have to do certain things to meet that. Operating a jet becomes less flexible than a private operation.

The Deputy of St. Martin:

Are there any differences in safety standards between commercial and corporate?

Mr. P. Stott:

You could write in the legislation that fractional ownership is allowed. You could also have other legislation which would keep your safety standards at the same level.

The Connétable of St. Brelade:

Again, if we could just go back, the Isle of Man registry; tell me if I am wrong because obviously I have taken this off an internet site. They say they will only accept aircraft operating in a private category. That means that the aircraft cannot be

used for continued hire or reward. Now that seems to me to be going against what you are saying. They cannot be used for continuous hire or reward.

Mr. L. McConnell:

No, because it is a private registry but what they do do is ... we have just looked at some documents from an Isle of Man registered aircraft and I have them here to show you. For instance, an owner of an aircraft can allow his company (the aircraft is operated under a company) to utilise his aircraft. So it is his aircraft for his private use but there is a proviso in there that allows him to use it for company means so other members of the business can use the aircraft.

Mr. P. Stott:

Yes, but that states that here as well.

Mr. L. McConnell:

That is in the registry. Now, you could say: "Well, that is not for private use".

Mr. P. Stott:

You could.

The Deputy of St. Martin:

There is a grey area between corporate and commercial that we are trying to work our way through.

Mr. L. McConnell:

There is a grey area.

Mr. P. Stott:

There are 2 separate things. You have basically a private operation which most overseas registries are and you have what we call commercial or public transport, which is for hire and reward in airlines operating on international routes. There is a big difference between how those aircraft are operated and it is not a safety thing, it is just that they are operated under different regulations.

Mr. L. McConnell:

One thing I would say is the Isle of Man have been caught out with ... and this is where the regulatory side of oversight of looking after a registry is very important. They have had clients in Russia, for instance, where the aircraft has been registered in Moscow. There is no real oversight of what is happening on that aircraft, so Russian clients flying his aircraft for private use and he has been letting his friends use it. So there is no oversight and then you will go to somewhere like France, for instance, you have what is called S.A.F.A. (Safety Assessment of Foreign Aircraft) checks, so the local civil aviation authorities will board the aircraft and do a spot check on that aircraft to make sure that the aircraft documents are in order, the licences are valid, why is the aircraft being used; so there are things in place where there are inspections of these aircraft and it was found that Russian individuals were letting their friends on the aeroplane. Now you start getting into a very grey area there.

The Connétable of St. Brelade:

Who would you see carrying out the oversight procedures on the C.I. registry to ensure that type of behaviour does not happen?

Mr. L. McConnell:

Well, I think you would have your own in-house inspectors so that you have a tight control on it. The problem with handing it out to outside authorities is do you really have control of that function? I think it is important that we have control of those things and you cannot do one-off inspections as the Channel Islands registry; that you go in there and say: "Okay, how are you behaving with this aircraft? Are you operating it to the procedures that we have recommended?" It needs oversight in that respect and that should be in-house.

The Connétable of St. Brelade:

Presumably that can be quite difficult, because although you may register your aircraft here you can have your aircraft hangared anywhere in the world.

Mr. L. McConnell:

Yes.

The Connétable of St. Brelade:

Again, I am just interested to see how you would operate a scheme that would ensure that these aircraft are being run in the correct way.

Mr. L. McConnell:

It is just oversight and regular communications, sending inspectors out there one-off, having a flight operations team that monitor how procedures are carried out, it is ...

The Connétable of St. Brelade:

That is part of the registry?

Mr. L. McConnell:

It can be.

The Connétable of St. Brelade:

So that potentially could be a significant cost to running the registry, I would have thought, if that is the route you are going to take?

Mr. L. McConnell:

Yes, but you could throw that burden back on to whoever facilitates the registry. Registries can be run by government bodies or you can give it to a facilitator to do that as long as you ...

The Connétable of St. Brelade:

That would be within his running costs?

Mr. L. McConnell:

Yes, and as long as you have the aviation expertise, the right legal framework and the right people doing it then there is no reason why it cannot be a world-class registry really. Jersey and Guernsey both have local aviation experts. There is a massive amount of people in Jersey and Guernsey who are very passionate about aviation and who will do a very good job.

Mr. P. Stott:

The other people who can board an aeroplane are the regulatory body within the country that the aircraft lives, so if the Channel Islands registered aircraft is in America, for instance, the F.A.A. (Federal Aviation Administration) are quite ... or the American, that is the American administration, they are quite well within their rights to board the aircraft and check it. If they do not like anything then it is reported back to the registry here which would come back to either the government body or the private facilitator and then it is dealt with at that level. As I say, the inspector does not necessarily always have to be out looking themselves; there are the bodies around the world that are also checking. As long as there is a pivotal person that that report must go to to take action on that situation and to that end the law normally states that all paperwork for all aeroplanes, every flight, should be kept for at least 3 months post-flight. It would take time to feed through the system so that paperwork could still be there and that is all part of the legislation that would have to be drawn up.

The Deputy of St. Martin:

I think anything that happens to the regulation would have to be very well respected. We cannot do anything which is going to risk Channel Islands reputation and I am sure the same answer would come from anybody in the Channel Islands who would say that, so that is a huge importance.

Mr. P. Stott:

Yes, we agree.

The Deputy of St. Martin:

Could you give us your views, then, on the company that Guernsey has decided to enter into a partnership with? At this stage is there anything you can tell us in your years of knowledge? Am I right in thinking that it is the same company that operate the Aruba registry?

Mr. L. McConnell:

I think that is correct. It is a Dutch company from what I heard about. I have only read reports on them; I have not had any direct experience with them myself. I think you need experts who have done this before to set it up but that is not to say you should stick with them for the duration. I think fundamentally it ought to go back to

local companies and local firms. Again, it goes back to my point of control over the registry from the Channel Islands perspective. It is in-house and there is no reason why you cannot use a company like that to set up the original framework. I think they must work in collaboration with Jersey businesses and local aviation experts to tailor the registry to our own needs in Jersey and/or Guernsey. Again, I think that should be facilitated either in-house in government or in collaboration with local firms to make sure the oversight is thoroughly observed.

The Deputy of St. Martin:

But there is no reason that you would know of why SGI cannot do the initial setting up of the registry?

Mr. P. Stott:

Not to our knowledge.

Mr. L. McConnell:

No, and I have to say I do not know the company very well.

Mr. P. Stott:

No, we do not know the company but we would imagine Guernsey should have carried out an audit on the company before entering into business but we do not have that information.

The Deputy of St. Martin:

Legislation is something you have touched on and is certainly something that the Director of Civil Aviation for the Channel Islands has also touched on and he has indicated to us already in written documents that there is work to do in this area, which is particularly difficult when we have 2 Channel Islands which are separate and have different legislations of their own. How do you see that moving forward at best speed?

Mr. P. Stott:

I can answer that one if you like, on the 2 prefixes. Shall we do that?

Mr. L. McConnell:

Well yes, go on.

Mr. P. Stott:

We have been talking about that but only in the last day or 2, because obviously I was reading the minutes of your last meeting and obviously this situation came up. There is no reason why it cannot be a Channel Islands registry. This does complicate things slightly but you could have 2 prefixes; one for Jersey and one for Guernsey, even though it is overseen by the umbrella, so to speak. So you could have 2 different letters or numbers.

The Deputy of St. Martin:

So GPJ or GPG?

Mr. P. Stott:

Yes, exactly, and therefore depending on which letter you had would conform to the legislation of that Island. So that would be a way of possibly getting around the differences between the legislation.

The Deputy of St. Martin:

How do you feel that might go with the D.C.A. if you approached him with that proposal?

Mr. L. McConnell:

He would scratch his head.

Mr. P. Stott:

Scratch his head, yes, over that one.

Mr. L. McConnell:

But I think it would work very well because you would have ... fundamentally I think it is great to say it is a Channel Islands registry. I think it must be a Channel Islands registry because otherwise it sends a mixed signal. We are dealing with world business leaders or C.E.O.s (Chief Executive Officers) of companies and I think if

there is a Jersey and a Guernsey registry it sends out the signal that 2 islands, 24 miles apart cannot get on. It sends the wrong signal out. So I think on those grounds it has got to be a Channel Islands registry so there is strong collaboration, but then I think if we can get the legislation ... I know the Islands' legislations are very different in many respects but fundamentally there is one Channel Islands Director of Civil Aviation. I do not know why you cannot perhaps split the registry so that people who have business interests in Jersey, for instance, will decide: "Okay, I am going to go to the Channel Islands registry but I want my business dealings through Jersey or my business dealings through Guernsey." I think that would be an interesting angle to pursue. I know we have not really looked at it from a legal point of view but I think it would be worth looking at because you have the Channel Islands registry, you would approach a common board or department and then according to what that aircraft donor wants or where his business affairs or loyalties lie, you would have: "Okay I will have a J reg or I will have a Guernsey reg."

The Deputy of St. Martin:

I suppose the cynical view would be to say that well, basically what you are proposing there is a Jersey prefix for the Jersey people and a Guernsey prefix for Guernsey people operating out of the same registry and just trying to save a few quid by operating the same office to do the paperwork, which might not be a bad thing.

Mr. L. McConnell:

I do not think it will be.

The Connétable of St. Brelade:

From the outside looking in I can see why you say it would be crazy; why would the 2 Islands be working together? There are legislative differences but I just want to touch on another one and that is the tax differences. Do you see that being a potential fly in the ointment, because obviously they do not have G.S.T. (Goods and Services Tax) in Guernsey and we have it here?

Mr. L. McConnell:

Well, it is, it is a huge competitive disadvantage for Jersey, a huge competitive disadvantage, and why would anybody use Jersey over Guernsey if they can save that G.S.T.? I know yachts in Jersey have G.S.T. exemptions so why not aircraft?

The Connétable of St. Brelade:

I can see the point being argued to the Minister for Treasury to exempt aircraft from G.S.T. but there are also obviously other services that you will require if you are buying an aircraft here, one of them, for example, would be insurance.

Mr. L. McConnell:

Yes.

The Connétable of St. Brelade:

Now, that is exempted in the Isle of Man. Would that be another exemption you would be looking to get here?

Mr. L. McConnell:

I think anything that gives us a lead and a competitive advantage should be looked at and reviewed. I think it is very important. I think Jersey and Guernsey have an opportunity to learn from the mistakes of the Isle of Man and to take a competitive advantage lead. So I think it all should be reviewed and do not forget, people who own these aircraft are often heads of business and there is a proliferation of business that comes from that. The registry may not necessarily make massive amounts of money initially, but it is a platform; somebody who has their own Falcon 900 and they look at the registration and say: "Where is that from?" They could be in the Middle East, they could be in China: "Oh, it is a Jersey-registered aeroplane. Oh, where is Jersey?" Then business comes from that; we are talking about insurance, mortgages, legal affairs. It creates an interest straight away. That is what is happening with the Isle of Man; there are 500 aircraft all over the world.

[10:00]

The Connétable of St. Brelade:

I will ask a question I asked at the last Scrutiny Hearing and that is the easier way to put it would be piggy-backing; if we were not part of the C.I. registry and we did not have our own registry, could you not see us being able to set up some of the offshoot industries here without being part of the registry? I am thinking of servicing, hangarage, that type of service, without being part of the registry.

Mr. L. McConnell:

Yes, of course, but do not forget again Guernsey have taken lead on this. We have worked with the Government on various things since 2005. Going back to 2005 I mentioned the aircraft registry to the Jersey Government and I used to work for a company in Farnborough called Tag Aviation which was also a very big corporate jet operator and I got the Minister for Economic Development, the Jersey Airport management team to come across to Farnborough. It was in 2007, on an education ... to educate them on potential business aviation in Jersey, creating a niche market. So we have been at it a long time and it is a niche market. It is a great way of economic diversification because Jersey can specialise in specific services. It is a unique position; it is 30 minutes from London. All of these things are really good attributes that Jersey can offer and it is the only way I can see Jersey Airport increasing its revenues in future. I do not think you are going to get any more expansion from the airlines to Jersey unless there is a massive change in something. But business aviation still grows; it is still very prominent. We are just constantly busy.

The Connétable of St. Brelade:

The speed that Jersey has worked at this and what you have just said, suggest to me that you are quite critical of the way E.D.D. (Economic Development Department) have dealt with this over the last 5 or 6 years, would that be a fair comment, that they have not been seeing the opportunities? Now they have started to see the opportunities and some people may say: "Well, you are looking at this at a pretty late stage here because other people have got ahead of us now." The Isle of Man, other parts of the world have registries set up. What I would then lead on to, and I think it has been a question all the way through, is where are the elite selling points of the registry? Because I look at some of the things that the Isle of Man ... I am sorry about mentioning the Isle of Man all the time but obviously they are going to be a competitor and I look down the list of things that they offer and I am looking for

something that is going to stare out at me and say: “Jersey’s going to do that better than them.” I really want to get from you what are we going to offer that is better than they do that is going to get people into here, because we have been over some of the issues that are problematic but what do you see as the things that are going to get us that business?

Mr. L. McConnell:

I think you have to fight for business now and even if you are on the late boat there are still people with enough business acumen on the Island that can capitalise, push market, develop the registry and still create a name for the registry. You are asking me where we are going to find the advantage. We already have clients interested in the registry, big organisations. They have links with all of the manufacturers of aircraft (Dassault, Embraer, Bombardier) who show an interest in the Jersey registry, we have the people there already.

The Connétable of St. Brelade:

I totally understand that but I think all I am really asking is if those people are interested in coming here, what do they see that they cannot get somewhere else?

Mr. L. McConnell:

I think it is personal relationships sometimes. This is what it comes down to. Phil and I have been in this industry for 20 years, we both did our flying licences in 1987 with the Jersey Aero Club, we know a lot of people in the industry and sometimes it just comes down to ...

The Connétable of St. Brelade:

You are almost saying it is our reputation in many regards.

Mr. L. McConnell:

Yes.

Mr. P. Stott:

I think at the moment it is the Isle of Man. Guernsey is not there yet and the Isle of Man are being extremely successful and they will continue to be so unless they have

competition and if we do not go ahead and do it then we are not going to get anything out of it. So being in the race is part of it.

The Connétable of St. Brelade:

Is what you are saying that although there are a lot of things that they can offer, insurances and in terms of tax issues, we can match all that? I think that is what you are saying, we can match all that.

Mr. L. McConnell:

Yes. I believe we can do ...

The Connétable of St. Brelade:

Plus our reputation.

Mr. L. McConnell:

Yes, plus Jersey, on a regulatory point of view we can excel in that. Isle of Man have had issues with no control and oversight over certain aircraft and they have been pulled up on it. If it is highly regulated, it is well regarded, business happens quickly, you will push to the forefront and people just want an alternative too.

The Connétable of St. Brelade:

Can I just pick on one more small point, because I know Steve is dying to get in? Just in terms of speed to the market, is it now important in terms of legislation and all the issues that go along with that and it is true of other finance packages as well that may come along, it is important now that Jersey speeds its legislation along quicker than it has done in the past, because obviously now we are at a point where if this is going to happen it needs to happen quickly?

Mr. L. McConnell:

Yes.

The Connétable of St. Brelade:

Do you see that as being a problem, that the fact is we are very slow sometimes in getting things through from a legislative point of view?

Mr. L. McConnell:

Yes, I do not know how quickly the Privy Council can work on these and I do not know how much leverage can be put to them but if they work in consultation with specialists and getting the right advice, it should be done as quickly as possible because we should not lose any more ground on it.

The Connétable of St. Brelade:

But you agree it is a potential problem if we do not pull our finger out?

Mr. L. McConnell:

It is a potential problem, yes.

Mr. P. Stott:

Yes.

The Deputy of St. Martin:

All right, I am going to step in. I am conscious that we are starting to get shortish on time. It goes very quickly, I know, so some relatively short questions, hopefully some relatively quick answers. What physical infrastructure changes do you see required at the airport to facilitate really getting this off the ground if we are going to do the job properly?

Mr. L. McConnell:

I do not think infrastructure changes need to occur. I think we have already got the Director of Civil Aviation Authority, and it is a question of getting the right people to make it work; getting advice off aviation specialists ...

The Deputy of St. Martin:

So we do not need to double the size of the apron around the facilities, we do not need more hangarage, we do not need any more of that type of structure?

Mr. L. McConnell:

I would say you definitely do. That is aside from the registry. The registry, you might not even get aircraft coming to Jersey to register but there is a huge demand for aircraft hangar space in Jersey.

Mr. P. Stott:

There are other negotiations going on with Jersey Airport for that development.

The Deputy of St. Martin:

We are aware of that, I just wanted to know your views on it.

Mr. P. Stott:

They are in quite late stages now so that would happen. The decision would be made quickly.

The Deputy of St. Martin:

You said in your submission ...

The Connétable of St. Ouen:

Can I just ask something coming back to that?

The Deputy of St. Martin:

Yes.

The Connétable of St. Ouen:

What about the expertise to back that up? So say, for example, we get all this extra hangar space, we get work, et cetera; is there expertise in the Island to service these aircraft or would we have to import that into the Island?

Mr. P. Stott:

The only expertise, I believe, we would need to import would be something we are looking at at the moment, which is the maintenance side of aircraft. It is difficult to talk about because we have had to sign certain disclosure agreements with other departments in the States but basically the maintenance division would have to be originally driven by outside help, basically (j) cats, highly-experienced engineers but

the actual bottom line is and the way we are trying to push it forward, is to create an apprenticeship scheme for the youth and therefore develop the maintenance side of aircraft that way. So initially it would need outside but it would be grown within the Island and obviously creating jobs which obviously is the way where everyone is looking forward to at the moment.

The Connétable of St. Ouen:

Numbers. I know it depends on the size of the operation but numbers initially to get it off the ground; what would you envisage; 2, 3, 10 engineers coming to the Island?

Mr. P. Stott:

Oh no, not that many. Probably a handful, you could probably get away with 4 or 5 I would think and then build from there.

The Deputy of St. Martin:

You say in your submission that Jersey is classed as an overseas territory under the Civil Aviation Act and you say that also gives us certain advantages. Could you just outline those for us, please?

Mr. L. McConnell:

Yes, basically the advantage of that is that you can use F.A.A. licensed crew and E.A.S.A. (European Aviation Safety Agency) licensed crew. So you have a broad spectrum of authorities by which you have a template for. So F.A.A. licensed air crew, F.A.A. licensed engineers can come in and do airworthiness inspections on the Jersey-registered aircraft.

The Deputy of St. Martin:

They would not be able to do that in the U.K.?

Mr. L. McConnell:

No. So you have a broader spectrum of expertise; engineers, pilots, crew, which are licensed under the different jurisdictions.

Mr. P. Stott:

The Isle of Man works in exactly the same way.

Mr. L. McConnell:

Yes.

The Deputy of St. Martin:

Constable Pallett has some questions about the Cape Town Convention.

The Connétable of St. Brelade:

One quick question and I will lead on to another question. Is the Cape Town Convention relevant to Jersey?

Mr. L. McConnell:

It is a nice thing to have because I think when you are leasing aircraft and you have creditors and there are a lot of overhanging issues, it is another way to bolster the confidence that is in oversight and things are being done properly on that registry. It is just something that people sign up to that gives them confidence that there is more financial oversight on that area.

The Connétable of St. Brelade:

Again, I will quote from a gentleman called Captain Butler who is involved with the Bahamas registry and what he clearly states is that the Bahamas also need to sign the Cape Town Convention if its aircraft registry was to succeed. Do you think it could be a major part of helping outer registries to succeed by giving us that little bit of extra international aplomb?

Mr. L. McConnell:

Yes, I think it would boost the registry. It would give it more credibility. It would send a safer message that we are keen to do things properly and we are not hoodwinking anybody and we are signing up to worldwide organisations that ... yes, it gives us credibility.

Mr. P. Stott:

Which reinforces direct ...

Mr. L. McConnell:

Malta did it as an afterthought. Malta added it on and I think it certainly helped their registry become more attractive because people feel more comfortable. It gives them a more comfortable feeling that ...

The Deputy of St. Martin:

Is it more general for people to sign up or of the registries that are used around the world how many would you say are signed up to that convention?

Mr. L. McConnell:

I think a lot of the larger ... in the main to do with leasing companies so companies like Park Aviation who sublease aircraft out. I think it is more to do with when you are dealing with big airline traffic and putting aircraft on to registries. If someone has gone bankrupt, for instance, there is a period of time where there is a change of aircraft register. There are a lot of big registries on it.

The Connétable of St. Brelade:

We have the Minister for Treasury in fairly soon, I presume that would be something from a financial aspect in terms of reputation in the Island, again that would be something of a bonus to say we are signed up to this convention. There is just one thing I would like you to clear up. I think I read somewhere that the E.U. (European Union) as a whole is covered by the Cape Town Convention; is that correct, rather than individual states?

Mr. L. McConnell:

Yes, I think that is correct and because Malta was obviously an independent jurisdiction and then they decided to go into the E.U., I think as part of that they had to do that so I think that that is probably correct.

The Connétable of St. Brelade:

Yes, I think the only European country I think was Ireland but I think Ireland is the base, is it not, for the ...

Mr. L. McConnell:

It is a huge base for leasing aircraft, yes.

The Connétable of St. Brelade:

Yes, and also I think the international registry is there as well, is it not?

Mr. L. McConnell:

Yes.

[10:15]

The Connétable of St. Brelade:

But really to get back to the point it is something that you think would be a positive way forward for a Channel Islands or a Jersey registry?

Mr. L. McConnell:

Yes, it would be a good contribution to the credibility of it and it would give people a more comfortable feeling that they are being financially looked after as well.

The Deputy of St. Martin:

Turning to finance, all the reports that we have in front of us to look at, some of them are 18 months to 2 years old, and since the days that they were written obviously we have had a huge economic downturn, globally almost. Could you give us a very brief overview of how you see the marketplace at the moment for the type of aircraft that you operate and whether that is leasing, whether that is buying, mortgaging or what have you?

Mr. P. Stott:

The worldwide business and aviation market is, especially with the larger aircraft, is very buoyant because the money is there.

The Deputy of St. Martin:

When you say larger could you be a little bit more specific.

Mr. P. Stott:

I am talking about Far East, Middle East, America; the markets are good.

Mr. L. McConnell:

Larger as in aircraft size.

Mr. P. Stott:

Also in aircraft sales. I think presently within Europe the figures are down on aircraft sales and this is mainly due to the implementation of new V.A.T. (Value Added Tax) regulations. However, that problem is being addressed, certainly by certain legal companies within the U.K. finding better ways of doing business for some of the operators and certainly increasing probably the better way they can avoid V.A.T. on some of that by different set-ups. Some people are going down the lines of saying: "Okay, then they are going to pay the V.A.T. and operate like that and build that into the cost of the aircraft" but that is a major issue that is holding the European market down. The European market, I would say, is probably one of the smallest in aviation in the world but it does not affect the registration because you can have aircraft all over the world, as we have stated, on different registrations. So that would not necessarily directly affect the potential of a Jersey aircraft registry. You asked about the markets, we think the European is probably just stagnant a bit at the moment but the rest of the world is doing very well because at that sort of business jet level the money is still around.

The Deputy of St. Martin:

We are getting really down to the last few questions. Assuming we moved the head of the Channel Islands aircraft registry, is the fact that the register itself based in Guernsey going to give you guys an issue or would you see that you really would still want it here in Jersey, even for a Channel Islands register?

Mr. L. McConnell:

I do not think it necessarily bothers us that much but I think fundamentally working towards the Channel Islands registry is the way forward. I would like it in Jersey but I think at the end of the day Guernsey have taken the lead and I think we should pursue that and try some way to find some mutual ground to move forward with it.

Mr. P. Stott:

Obviously communications as in flights and getting around Jersey is a lot better, it has a lot more connections and everything so people coming over here to do business with the registry as in engineers or actual potential users of it, it is a lot easier to get to Jersey than Guernsey, that is fundamentally true so that will be an argument that could be put forward that maybe an office in Jersey would be required.

The Deputy of St. Martin:

All right, we are cutting it short in time. We have literally a couple of minutes.

The Connétable of St. Ouen:

I know we have the advantage in the potential for infrastructure here, with hangars and things and what-have-you. Do you think Guernsey do not have the room to expand when we do here in Jersey and is that a big advantage to us?

Mr. L. McConnell:

We do have more room to expand in Jersey. Guernsey are restricted but they are doing a very good job with what they do have. They are extending their runway now to nearly 5,500 feet which does allow certain aircraft that were restricted before now to be viable to land there. I know it is under contention but they have also approved their hangar. We have tried to find some details on that hangar size, et cetera, to find out where the competition lies, however, we have failed completely. It is not on their planning websites or anything so we do not know the dimensions. We have been trying to find out the dimensions of the hangar to see how that competes with us but we do not know. But yes, Guernsey is more restricted by their actual potential land use around the airport. We do have an advantage there.

The Deputy of St. Martin:

Very briefly, when they have extended their runway how is that going to compare to ours in length?

Mr. P. Stott:

It is the same.

The Deputy of St. Martin:

It will be the same? So they will be landing 737s and everything else after that?

Mr. P. Stott:

Yes, they will get within that range.

The Connétable of St. Brelade:

I have just one last question. One of the attractions to an aircraft registry, I think, worldwide would be the validation of crew licences. Could you explain what those attractions are and what benefits there would be to a registry in Jersey?

Mr. P. Stott:

Yes, I can. Basically at the moment, in fact, it is true of Bermuda, Cayman, all of that, that you can use F.A.A. or European licences. They are both accepted within the realms of the legislation and the validation is basically for one year. In fact, the Isle of Man dedicate it to the aeroplane, so if you have an aeroplane with a registration on it then you validate that crew to fly that aeroplane. If they are going to fly the same type of aeroplane but it has a different registration on it they have to get another validation. So this is a money-generating scheme that does work. That is not true of the Cayman Islands but if you get, for instance, a Falcon 900 validation, it is true for all Falcon 900s, not just for that particular registration.

The Connétable of St. Brelade:

In terms of the validation of crew licences, there is nothing around safety issues or training issues?

Mr. P. Stott:

No, nothing at all. I know that E.A.S.A. are going down the road that every operator within the E.U., regardless of registration, will have to have a European licence. This is obviously causing a lot of contention. Jersey and Guernsey have a massive advantage there; we are not part of the E.U. therefore we do not need to comply with that legislation and therefore we could accept aircraft on our registry and we could still utilise all the licences.

The Deputy of St. Martin:

Would that be the same in the Isle of Man?

Mr. P. Stott:

No, it would not be the same in the Isle of Man. We are outside the E.U.; we do not have to comply with certain legislation. That is nothing to do with safety; that is just law.

The Connétable of St. Brelade:

So that is a potential major benefit?

Mr. P. Stott:

That is a potential major benefit.

The Deputy of St. Martin:

Okay, Lee and Phil, you have got literally 30 seconds each to tell us anything or say anything you would like to, because we really do need to close.

Mr. L. McConnell:

I would like to say we have been on this since 2005. No one has shown any real leadership in Government on it and I think there has been no foresight to show any perception to really go ahead with the registry. I do not know whether it has been a sign of Government malaise in this area but I think Jersey needs to show more business acumen, assess these things quickly so that it takes advantage of the competitive advantage and we can capitalise on it. It has been very frustrating so I hope we can move forward as quickly as possible in summary. It has been very frustrating.

The Deputy of St. Martin:

All right, thank you for coming in this morning. I am sorry we are having to close but we do have another hearing at 10.30 a.m. which we need to prepare for. Once again, thank you for coming and we will be in touch soon.

Mr. L. McConnell:

Thank you.

Mr. P. Stott:

Thank you.

[10:23]