

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

18th July, 2018

Proposition P.2018/62

COMMITTEE for ECONOMIC DEVELOPMENT

REVIEW OF AIR TRANSPORT LICENSING

AMENDMENT

Proposed by: Deputy E A Yerby
Seconded by: Deputy M H Dorey

To delete Propositions 1 to 10 and to replace them with the following:

- "1. To agree that the States, through its approval from time to time of the Air Transport Licensing Policy Statement, shall designate certain air routes as "Lifeline Routes";
2. To agree that a "Lifeline Route" shall be defined as "a route which is deemed to be critical to the economic and social well-being, including access to health services, of the people of one or more of the Islands of the Bailiwick";
3. To agree that any operator or charterer serving a Lifeline Route shall remain under obligation to hold a Guernsey air transport license;
4. To agree that the following routes to and from Guernsey shall be designated as Lifeline Routes:
 - a. Gatwick;
 - b. Alderney;
 - c. Southampton;
 - d. Jersey; and
 - e. Manchester;
5. To agree that the Committee for Economic Development shall have the authority, subject to any necessary budget approvals, to establish a Public Service Obligation for any Lifeline Route which appears to it to be unsustainable, or unable to sustain a minimum acceptable service standard, without some level of government support or intervention;

EITHER

6A. To agree that operators and charterers serving any route not designated as a Lifeline Route shall be exempt from the need to hold a Guernsey air transport license;

OR, only if Proposition 6A shall have been defeated,

6B. To agree that any operator or charterer serving any route not designated as a Lifeline Route shall remain under obligation to hold a Guernsey air transport license and that the Policy Statement shall be changed to provide that there should be a presumption in favour of granting applications for licenses relating to such routes, unless it is believed that doing so will pose a risk to the viability of a Lifeline Route, or there is other good cause not to grant the application;

7. To note the Committee for Economic Development's policy for providing air route development support for new routes;

8. To direct the Committee for Economic Development to proceed immediately with its work to establish a Public Service Obligation, and any necessary funding arrangements, for air services on the Guernsey – Alderney route, consistent with its designation as a Lifeline Route in Proposition 4(a);

9. To note that while the Alderney-Southampton route is not subject to Guernsey Air Transport Licensing - and therefore outside of the scope of the Committee's review - it may be considered for a Public Service Obligation in combination with the Alderney-Guernsey route, should such a combined approach be possible following the tender process, and subject to agreement between the Policy & Resources Committee and the States of Alderney as to the source of funding for this route; and

10. To direct the Committee for Economic Development to re-draft, and to return to the States for approval as soon as possible, the Air Transport Licensing Policy Statement, in order to reflect the policy direction of the States set out in Propositions 1 to 6, and further to include:

a. For each route designated a Lifeline Route, a brief outline of the minimum service standard considered by the Committee to be acceptable for that route – which may include guidance as to the capacity of the route, the frequency of flights, or such other provisions as the Committee considers appropriate;

b. A presumption that the Transport Licensing Authority will not issue additional licenses for Lifeline Routes while there is an incumbent operating the route in accordance with minimum service standards,

unless a joint proposal is made by the incumbent and another operator to share the route, or exceptional circumstances otherwise apply;

- c. Such provisions as the Committee thinks fit in respect of cargo and charter airlines, in order to achieve the objective of securing the Lifeline Routes; and
- d. An undertaking that the Air Transport Licensing Policy Statement will be returned to the States, together with any recommendations from the Committee for adding or removing Lifeline Routes, amending minimum service standards, or any other changes it considers necessary, at least once in every States' term."

EXPLANATORY NOTE

Proposition 1: This gives the States, rather than the Committee for Economic Development, the authority to designate certain routes as Lifeline Routes.

Proposition 2: This offers a different definition of 'Lifeline Route' to the one used in the policy letter – it does not include the requirement that a Lifeline Route is one that's unsustainable without government intervention. In our view, that is the test for whether a route needs a PSO: the test for whether it's a Lifeline Route or not is simply a question of how important it is to Guernsey or Alderney's survival and flourishing.

Proposition 3: This is the same as in the policy letter – Lifeline Routes will remain licensed.

Proposition 4: This adds Southampton, Jersey and Manchester to the list of Lifeline Routes, consistent with the definition in new Proposition 2.

Proposition 5: This is consistent with the policy letter.

Proposition 6: Option 6A is consistent with the policy letter – this would remove licensing for routes which are not designated as Lifeline Routes. Option 6B is more like the current system, as licensing would remain in place for all routes, but the aim is to ensure that the approval of licenses for non-Lifeline Routes is as rapid and non-bureaucratic as possible, while ensuring that we have the tools to protect Lifeline Routes from 'cannibalisation' if needed.

Propositions 7 to 9: These are consistent with the policy letter.

Proposition 10: The "Air Transport Licensing Policy Statement" is the guidance used by the Transport Licensing Authority when it approves or rejects applications by airlines to fly new routes. The new Propositions would reflect a substantial change from the existing Statement, requiring it to be fully re-drafted.

One important element of this Proposition is part 10a, which directs the Committee for Economic Development to set out a minimum acceptable standard of service for each Lifeline Route within the Policy Statement. This might include, for example, the frequency of flights on the route, or the provision of transport for medical patients (where appropriate), or the overall capacity of the route – the KPIs currently used for the Gatwick route are indicative of the kind of things the Committee might include here. If service standards for each route are set out, it will give clearer guidance to the Transport Licensing Authority about what constitutes an acceptable license application (an important point raised in the Frontier Economics report, which is not wholly reflected in the policy letter); it will help to indicate (if routes regularly fall short of such standards) whether a PSO may be needed on any given route; and it will give the people of Guernsey and Alderney a clearer understanding of what core connectivity they should expect.