

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

COMMITTEE *for* ECONOMIC DEVELOPMENT

STATES OF GUERNSEY AIR AND SEA ROUTE POLICY DEVELOPMENT AND INVESTMENT
OBJECTIVES

The States are asked to decide:-

Whether, after consideration of the policy letter entitled 'States of Guernsey Air and Sea Route Policy Development and Investment Objectives' dated 12 November, 2018 they are of the opinion:-

1. To approve the Core Strategic Objectives, Critical Success Factors and Investment Objectives as set out in Appendix 1 of the policy letter.
2. To note that the Core Strategic Objectives, Critical Success Factors and Investment Objectives as approved by the States will be taken forward and used to assess the cost/benefit evaluation of options that will be put forward for further investment to secure, improve and optimise the Bailiwick's air and sea links.

The above Propositions have been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications in accordance with Rule 4(1) of the Rules of Procedure of the States of Deliberation and their Committees.

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

COMMITTEE *for* ECONOMIC DEVELOPMENT

STATES OF GUERNSEY AIR AND SEA ROUTE POLICY DEVELOPMENT AND INVESTMENT
OBJECTIVES

The Presiding Officer
States of Guernsey
Royal Court House
St Peter Port

12th November, 2018

Dear Sir

1 Executive Summary

- 1.1 This Policy Letter sets out the recommendations of the Committee *for* Economic Development (“the Committee”) for proposed high level States Investment Objectives for air and sea route policy development. These objectives will provide the criteria for assessing the cost/benefit of future investment options that are currently being considered in the Policy & Resources Committee’s Air and Sea Link Infrastructure Review.
- 1.2 The Committee has responsibility for, amongst other things, advising the States and developing and implementing policy on matters relating to its purpose, including securing the provision of, and promoting, air and sea links to and from the Bailiwick.
- 1.3 The Committee, in identifying the Investment Objectives, has considered what the Core Strategic Objectives should be for the provision of air and sea links to the Bailiwick. As these links cater for three different types of passenger – residents and their visitors, business travellers and leisure tourists, the Committee has also considered the specific requirements of each type of traveller in respect of the sea and air link’s **affordability, connectivity and reliability** ‘trilemma’ challenge. Affordability, connectivity and reliability define the quality of air and sea links, but these requirements will vary for each user group – hence the ‘trilemma challenge’: one single investment will not deliver what is required by all user groups. These requirements can also vary according to the route travelled and whether that is by sea or air. Therefore, these variables have also been taken into account.

- 1.4 Satisfying this ‘trilemma challenge’ will require substantial levels of government investment and support, so the Investment Objectives need to be supported by the States so that they can be applied across States’ wide policies and to enable the release of any required resources through the appropriate funding mechanisms. By seeking approval of the Investment Objectives, the Committee aims to achieve an agreed statement of understanding by the States of what it wishes to achieve for air and sea links so that all Committees’ policies can be aligned to this end. The Investment Objectives, when achieved, will secure, improve and optimise Guernsey’s air and sea links.
- 1.5 However, they are not in and of themselves the complete solution. Once the States have agreed the objectives to improve air and sea links, the next step will be for the Committee to work with operators who feel they can best deliver those Investment Objectives. Their operating models will in turn inform future decisions on the transport infrastructure which is required. Delivery of this programme may entail significant capital and ongoing revenue investment.
- 1.6 Work on determining the infrastructure required to support Guernsey’s future needs is being undertaken by the Policy and Resources Committee and their consultants, and the Committee is contributing actively to that effort.
- 1.7 Affordability, connectivity and reliability are key areas that define the quality of air and sea links, and it is these which form the focus for the Investment Objectives set out in this policy letter. These are explained in more detail in Sections 4 and 5 of this report.
- 1.8 However, there will always be trade-offs between affordability, connectivity and reliability and it is necessary, in setting the objectives for each route, to establish the priority order of these factors. The emphasis placed will vary depending on the objectives and requirements of the route or connectivity type under consideration.

2 Strategic Context – Core Strategic Objectives

Strategic Context - Policy and Resource Plan

- 2.1 The Policy and Resource Plan¹ identifies Air and Sea Links as one the States of Guernsey’s 22 key priorities and states:

“This priority will provide support to the maintenance and investigation of options for the expansion of air and sea links so that Guernsey is well connected with the UK and Europe. It is essential that the island has robust, sustainable, reliable and affordable air and sea links in order to deliver a dynamic and

¹ Approved by the States on 8th November, 2017

growing economy. This incorporates business travel to/from the island, visitor and local travel to/from the island, and the import/export of freight.

Connectivity to major UK and international airport hubs is also a key requirement for both business and leisure travellers, and a reliable schedule and frequency of air and sea services is vital if Guernsey is to facilitate and develop its economic development opportunities.”

Core Strategic Objectives

2.2 This section sets out the Core Strategic Objectives for the Bailiwick’s Air and Sea Links. The Core Strategic Objectives are high level and set out the fundamental requirements for air and sea link connectivity. These are to:

- Meet the majority, if not all, of the current and future requirements of the residents of the Bailiwick
- Enable economic growth
- Increase visitor numbers

2.3 These strategic objectives (“the Core Strategic Objectives”) need to be considered in any decision making in relation to the investment into connectivity.

Critical Success Factors

2.4 In order to achieve the Core Strategic Objectives, Critical Success Factors need to be identified. These are what need to be done well in order to achieve the Core Strategic Objectives. The Critical Success Factors for air and sea links are that they must:

- Act as an economic enabler
- Act as a social/cultural enabler
- Be affordable
- Be sustainable
- Optimise choice and flexibility of connections
- Provide reliability and continuity of service
- Deliver the identified air and sea link connection priorities

2.5 These factors (“the Critical Success Factors”) need to be considered in any decision making in relation to the investment into connectivity.

3 Defining the quality of air and sea links

3.1 During the course of its work with the Policy & Resources Committee on the Air and Sea Link Infrastructure Review, the Committee has developed the Investment Objectives set out in sections 4 and 5 of this policy letter. The

Investment Objectives, when implemented following a full cost/benefit option appraisal of the investment options will be able to deliver the Core Strategic Objectives and Critical Success Factors set out in this Policy Letter.

- 3.2 In developing the Investment Objectives, the Committee has engaged with a significant number of stakeholders across the island, including industry groups, air and sea operators, and across the States. The Committee has also taken into account the findings of a recent survey by the Chamber of Commerce/IoD.
- 3.3 A clear message that has come across consistently is the need to achieve improvement in three areas, namely:
 1. Affordability
 2. Connectivity
 3. Reliability
- 3.4 These three attributes define the quality of air links and sea links and are explained in more detail below.

4 Air route policy: Investment Objectives – what Guernsey needs to achieve from its air links

Affordability

Issues

- 4.1 Guernsey air fares are perceived to be too expensive both in absolute terms and relative to fares available from Jersey. Customers tend to focus on the difference in headline fares, especially the Aurigny Guernsey to Gatwick fare vs. the EasyJet Jersey to Gatwick fare. Aurigny is perceived to be increasingly expensive.
- 4.2 Data² indicates that fares from Guernsey to Gatwick are typically more expensive than fares from Jersey to Gatwick. Prices have risen since Flybe ceased its service in 2014.
- 4.3 As self-connecting flights are subject to additional UK Air Passenger Duty (APD), which might not be payable on a single through ticket option, this increases cost for travellers. These costs can be avoided and are avoided in other jurisdictions such as Jersey which is served by operators which offer through ticketing by means of inter-lining agreements. Current arrangements mean that passengers

² Data on average fares sourced from the Planetoptim Milanamos Database. The database uses 80 different data sources worldwide and cross-references them in order to build a more accurate picture of market demand and revenue.

can pay APD multiple times, e.g. on connecting flights from Gatwick.

- 4.4 It is therefore apparent that the current cost of air fares is inhibiting travel. For residents, the high cost of travel poses a barrier to social inclusion, family visits, and cultural and sporting exchanges. The business community state that the high cost of air travel is deterring new business and lower fares would stimulate tourism growth. There is even evidence that this is either driving business away from Guernsey or discouraging investment. It has been reported that this is an influencing factor in some businesses and residents moving away from the island³.

Investment objectives for air link affordability

- 4.5 The Investment Objectives for air link *affordability* are therefore as follows:

1. Incentivise airlines to help stimulate market growth through lower fares
2. Attract carriers with the capability to sustainably offer market competitive fares

Incentivise airlines to help stimulate market growth through lower fares

- 4.6 In order to achieve long term market growth by enabling operators to offer competitive fares, it may be necessary to incentivise airlines, at least in the short term until sufficient market scale is reached. This is common practice in most jurisdictions.

Incentivising airlines and attracting carriers with the capability to sustainably offer market competitive fares

- 4.7 In the long run, the Bailiwick's air connectivity needs to be sustainable and affordable so any 'kick start' must be with the aim of enabling long-term affordability of air links. Attracting carriers with sufficient scale and capability to grow the market through competitive fares which require reasonable levels of incentive is, therefore, an important objective.

Connectivity

Issues

- 4.8 A key issue is to identify and secure good connectivity for the island. The Committee has identified three categories of air links which, together, would provide Guernsey with good air connectivity. These are as follows:

An international hub

- 4.9 The objective here is that as many people as possible around the world should

³ The evidence for this comes from views received from industry groups and the recent joint Chamber of Commerce / Institute of Directors Air and Sea Routes survey.

be able to get to Guernsey on direct flights or with one stop. The possible international hubs are Heathrow, Amsterdam (Schiphol), Paris (Charles de Gaulle) and Frankfurt, but by far the best hub for us would be Heathrow. The market served would be a business market, and therefore connectivity and reliability would potentially need to be prioritised over affordability. It would be very important for the business market from a connectivity and international visibility and reputation perspective. To best meet these objectives it is believed that a carrier wishing to operate this route should either be an international airline, or one with a code share arrangement with one or more international airlines, and therefore will have international marketing reach and will make Guernsey more visible as a destination to existing and potentially new markets. It goes without saying that the carrier also needs to operate aircraft that are permitted to land at Heathrow.

London

- 4.10 London is the major source of business for our finance industry and a key catchment area for inbound leisure and VFR traffic. The island therefore needs frequent and affordable yet reliable services to at least one airport connected to the centre of the city by fast public transport. At present this is served by the island's connection to Gatwick airport. Statistics for this route show that Gatwick is primarily a leisure/visitor/VFR hub as well as an important business route. Connectivity, in terms of schedule, and affordability are key factors and reliability is also an important considerations. Through Aurigny, the States own 6 pairs of slots at Gatwick, and this arrangement serves the island well.

Regional Routes (UK and Europe)

- 4.11 A network of regional routes is required to give 'point to point' access to as broad a footprint of UK markets as possible, as well as access to key European markets. These are primarily tourism and Visiting Friends and Relatives ("VFR") routes, and the priority here is affordability. Customers are generally flexible about when they fly, and do not require a schedule offering a wide choice of flights, in contrast to the business market where frequency of flights is important.

Investment Objectives for air link connectivity

- 4.12 The Investment Objectives for air link *connectivity* are therefore as follows:
1. Encourage development of regional (UK and Europe) connectivity through an open skies policy approach
 2. Security of connection to London Gatwick (Connectivity and frequency to London acting as a major leisure hub)
 3. Connection to a major international hub such as Heathrow Airport
 4. Security of connectivity to Alderney through the operation of a Public Service Obligation ("PSO")
 5. Attract carriers with proven international connectivity

6. Broaden UK and European connectivity (scheduled and charter services)
7. Access for Bailiwick residents to specialist healthcare and emergency evacuation services

Encourage Development of Regional (UK and Europe) connectivity through an open skies approach / broaden UK and European connectivity

- 4.13 Business and tourism industry representatives hold the view that lack of connectivity is harming Guernsey's competitiveness as a destination both in the eyes of travelling executives and the recruitment of employees. Business travellers value connectivity and frequency highly, and in particular value reliable early morning/late evening flights to enable day trips and efficient use of time. Business stakeholders have highlighted the shortcomings of Gatwick as an international connecting hub for business. Following the Committee's detailed policy letter 'Review of Air Transport Licencing'⁴, the introduction of a quasi-open skies approach has already seen the announcement of the Edinburgh route operated by Loganair, and the Committee is in active discussion with a number of airlines regarding potential new routes for 2019.
- 4.14 The schedule provided by airline operators is an important connectivity consideration. Schedules need to be optimised to generate maximum demand stimulation and to allow maximum connectivity by allowing travel at key times of the day and to facilitate onward connectivity. It should be noted that different user groups often have different requirements – business users may require morning and evening flights, whereas a leisure visitor may prefer to travel in the middle of the day.
- 4.15 This investment objective will look to develop regional connectivity through an open skies approach, as approved by the States. This approach is the best way to enable the greatest level of connectivity through multiple operators.
- 4.16 Guernsey currently serves 16 routes and is relatively well connected for an island of its size. Using currently available connectivity index data, Guernsey scores higher on connectivity than the Isle of Man, but performs lower than Jersey by serving fewer destinations and with less seat capacity. Applications for new route development will continue to be supported by financial support where the routes can be demonstrated to be economic enablers.

Connections to a leisure hub and an International hub

- 4.17 Gatwick airport will continue to be a key London destination and leisure hub also allowing onward connections to UK, European and international destinations, and giving access to the large leisure and VFR visitor market. It will remain a critical investment objective to ensure the continued continuity of connections with this airport.

⁴ As approved by the States: Billet XIX, 18th July 2018

- 4.18 As such, Gatwick has been designated as a “lifeline” route in the Committee’s Policy Letter on Air Transport Licensing⁵.
- 4.19 Guernsey currently does not have direct access to a global connecting hub e.g. Heathrow, Paris (Charles de Gaulle), Amsterdam (Schiphol) or Frankfurt. The Committee is firmly of the view that development of additional connectivity by establishing a link to an International hub airport (such as London Heathrow Airport) is a key investment objective.
- 4.20 London Heathrow is a key international hub, allowing direct connections to all parts of the globe. It is also a very important business hub and would therefore be an important selling point and differentiator for Guernsey as an international financial centre. Ease of access to Guernsey is becoming increasingly important to enable business transactions on the island. In addition, from December 2019, fast train connections into London will be a reality with the commencement of Crossrail services on the Elizabeth Line. This will give transit times from Heathrow to Canary Wharf of 40 minutes with around four trains operating per hour. When the Elizabeth line is operational, Heathrow will become a much more attractive airport both for business and leisure visitors travelling to London.

Security of connectivity to Alderney through the operation of a PSO

- 4.21 This Investment Objective is currently being implemented through the implementation of a PSO tender seeking competitive tenders for the operation of lifeline services to/from Alderney.

Attract carriers with proven international connectivity

- 4.22 This Investment Objective will broaden the network and connectivity capability of the Bailiwick. Carriers with proven international connectivity (operating through-ticketing, interlining and code share arrangements), whether direct from Guernsey or through connecting hubs will enable single ticket connections to international destinations. Growing tourist markets through established and reliable international connections will also be important to achieve the desired future growth in visitor numbers.

Access for Bailiwick residents to specialist healthcare and emergency evacuation services

- 4.23 Bailiwick residents need to be assured of access to specialist healthcare and emergency evacuation services when required. These services off island for Guernsey and Alderney are already in place but require to be put on a firm footing. The PSO is intended to do so for Alderney as there is the requirement for the provision of a competitive tender for the operation of this service to/from Alderney as part of the PSO process.

⁵ Billet d’État XIX, 18 July, 2018

Reliability

Issues

- 4.24 Flight delays and cancellations are a source of frustration, both to travellers and also to operators. These delays and cancellations have a negative impact on how the Bailiwick and the airline operators who fly here are viewed by visitors (business and leisure).
- 4.25 Bad weather delays (mostly due to fog) are an unfortunate by-product of living on an island. Airlines operating out of Guernsey face the additional cost of delays and disruptions due to bad weather. Costs include investment in back-up aircraft and standby crews to improve bad weather resilience, as well as passenger delays and the costs of diverting flights. In 2017, there were 47 days in the year where runway visibility (Runway Visual Range (RVR)) fell below 600m, the point at which landing may not be possible. For the period 2004 to 2017, the average number of days with fog disruption was 36.
- 4.26 Comments fed to the Committee through its stakeholder engagement suggests that in order to avoid disruption, some passengers are choosing to book next-day connecting flights and additional hotel nights. This is also an issue for people travelling to the island as there is a perceived risk of Guernsey being a risky destination to travel to due to weather impacting a visitor's ability to arrive/leave the island as planned. Some stakeholders suggest public perceptions are disproportionately shaped by disrupted business.

Investment Objectives for air link reliability

- 4.27 The Investment Objectives for air link *reliability* are therefore as follows:
1. Seek opportunity to improve low visibility landing capability
 2. Attract carriers with proven reliability and resilience

Low Visibility landing capability

- 4.28 Delays due to fog can be reduced or even eliminated with investment in the appropriate landing systems. However, enabling landing in very low visibility is not easy to achieve. Airport based systems would require additional land and safeguarding areas around the airport which would only become possible with certain runway extension options.
- 4.29 Aircraft based systems (such as the ClearView system used on the next generation ATR 72 600's) provide a solution for certain aircraft types, but these do not present a universal solution for all operators using Guernsey airport. Airfield based systems therefore represent the best opportunity to extend low visibility landing to the greatest number of operators.

Attract carriers with proven reliability and resilience

- 4.30 Aircraft maintenance and technical reliability are also key considerations. This becomes more of an issue when there is a single point of failure due to fleet configuration where in the event of a technical issue a similar replacement aircraft is not immediately available and the ability to transfer passengers onto substitute aircraft is limited due to capacity constraints.
- 4.31 This objective will therefore seek to attract carriers that have proven reliability and resilience. This might either be as a result of wide fleet availability with access to backup aircraft or enhanced aircraft capability to land in adverse weather conditions.

Prioritising the Investment Objectives – the investment ‘Trilemma’

- 4.32 An important consideration is that not all Investment Objectives are mutually exclusive. For instance, highly competitive fares might only be achieved at the expense of schedule considerations. The Investment Objectives represent the desired outcome, but the reality is that when appraising options there may need to be compromises in order to achieve the best outcomes and to avoid unintended outcomes. For instance, in order to achieve low fares, increased capacity and high connectivity, some form of market subsidy or incentive may be necessary to ensure the desired frequency of schedule remains. This therefore presents an investment ‘Trilemma’. There is often a trade-off between connectivity, reliability and affordability.
- 4.33 Guernsey could in theory strategically offer strong connectivity to a range of UK and European airports, as well as broader connectivity flying to a major hub airport such as London Heathrow, Paris (Charles de Gaulle) or Amsterdam (Schiphol). It would also be possible to upgrade airport or fleet technology to improve reliability on the island in response to bad weather. However, given the significant expense required to deliver both of these, it is likely that some of the cost will be passed on to travellers in the form of higher air fares.
- 4.34 It would also be possible to deliver reliable affordable travel, but this would likely need to be focused on specific lifeline routes. Keeping air fares low would potentially require route subsidies, or would require larger aircraft running at less frequency, often affecting frequency and choice of schedule.
- 4.35 Therefore, should investment be prioritised towards improving affordability, connectivity or reliability? Achieving all three would require considerable investment from the States, so prioritisation is needed. This question can be answered by defining overarching priorities for air link connections.

5 **Sea route policy:** **Investment Objectives – what Guernsey needs to achieve from its sea links**

Affordability

Issues

- 5.1 Stakeholder feedback during the PwC air and sea links work has indicated that travel by sea has in the past been viewed as a cheaper alternative to air travel, although the experience in Jersey indicates that modal shift away from sea to air can occur if price incentives to travel by air exist. To ensure the continued viability of sea link services, operators will need to remain competitive with airline operators and/or provide a differentiated service.
- 5.2 Studies conducted by Oxera and Frontier Economics⁶ concluded that the scale of the ferry market in the Channel Islands is unlikely to sustain any competition across routes by multiple operators. In addition a single operator will need to have the funds necessary to sustain continued investment in new fleet and operations. A balance will therefore need to be struck between allowing an operator a reasonable economic return on investment and the cost of providing the services.

Investment Objective for sea link affordability

- 5.3 The Investment Objective for sea link *affordability* is to:
1. enable sustainable competitive fares (passengers, vehicle and freight) reflective of the cost of the service.
- 5.4 Additional services that are not economically viable, but still desirable from a socio-economic need may require some form of government underwrite or subsidy.
- 5.5 Any government underwrite or subsidy will require a robust and accountable method to be agreed with a service provider to enable the monitoring of fare prices and ensure that they remain reflective of the cost of service.

Connectivity

Issues

- 5.6 Sea link connectivity falls into a number of distinct markets, as follows
- Services to/from the UK (The Northern Route)

⁶ See Billet d'État XIV, 29th July, 2015: p. 1647 – Commerce and Employment Department and Public Services Department – Strategic Roll on/Roll off Ferry Services

- Services to/from France/St Malo (The Southern Route)
 - Services to the other Channel Islands of Jersey and Alderney (Inter-island services)
- 5.7 For each of these routes, the needs of users differ. For instance, freight services predominantly operate on the Northern Route between Portsmouth and Guernsey, whereas the majority of passengers and their vehicles use the fast ferry service between Guernsey and Poole.
- 5.8 For freight users, the requirement for the capacity and a schedule to meet the needs for daily 'Just in Time' delivery of produce is important. This will enable timely stocking of supermarket shelves and dictates a twice daily service with arrivals into the island early morning and late afternoon. Particularly for the early morning arrival into Guernsey, the timing of this sailing is unlikely to appeal to many travellers.

Investment Objectives for sea link connectivity

- 5.9 The Investment Objectives for sea link *connectivity* are as follows:
1. A frequency of service, the capacity and the schedule that meets the critical lifeline needs of freight users and the needs of islanders (businesses and residents) and visitors to the island
 2. Use of the most suitable ports to enable flexibility and connectivity across all route sectors
 3. Maximise opportunity for travel between the islands (Guernsey / Jersey and Guernsey / Alderney)

Frequency of service and schedule

- 5.10 Frequency of service is critical to meet the needs of users and to enable growth in visitor numbers. A key requirement of this Investment Objective will be to clearly define the needs of each distinct user group and then ensure that the schedule is able to meet these demands.

Use of the most suitable ports

- 5.11 The objective here will be to ensure that route destinations are optimised to give the most flexible schedule possible. This will include consideration of whether the most appropriate ports are currently being used, and what the feasibility and viability of using alternative ports is.

Inter-island connectivity

- 5.12 The importance of ensuring regular and timely connections between the islands cannot be understated. The States of Alderney, Guernsey and Jersey have worked on improving connectivity. During 2018, the new service between

Alderney and Guernsey was successful (albeit in very good weather conditions), whereas the perception has been that the enhanced service between Guernsey and Jersey had mixed success. Clearly more work needs to be done to improve and optimise inter-island sea connectivity, and this will remain a key investment objective.

Reliability

Issues

- 5.13 Weather resilience and seasonal reliability are key considerations to ensure that users remain confident in the ability of a ferry operator to maintain a regular service and reliable. A lack of confidence leads to users seeking alternative travel methods (for instance using air services), choosing an alternative destination, or declining to travel at all.
- 5.14 However, there needs to be a reasonable expectation of what it is possible to achieve in delivering reliability via sea travel. There is a trade-off between reliability and speed of service. High speed vessels will be subject to wave height and wind strength restrictions: this will be more acute with smaller vessels. Experience has shown that high speed craft are more susceptible to a greater level of technical faults due to the high performance nature of the vessels. Conventional ferries are able to sail in higher seas and stronger winds, and are technically more reliable, but will take much longer to complete the same journey as will a high speed vessel.

Investment Objectives for sea link reliability

- 5.15 The Investment Objectives for sea link *reliability* are as follows:
1. Provision of a year round 'lifeline' service for freight and passengers
 2. Sufficient contingency to allow robust continuity of service in the event of maintenance or technical issues

Provision of a year round 'lifeline' service for freight and passengers

- 5.16 Reliability is critical to freight users who expect daily and timely deliveries of essential supplies into the island. Passengers have a reasonable expectation that their sailing will depart on the day and time that they booked for.

Sufficient contingency to allow robust continuity of service in the event of maintenance or technical issues

- 5.17 In order to achieve these competing demands, fleet capability and flexibility will need to be considered carefully. Capability considerations are important to ensure that vessels are able to sail in the majority of sea conditions in the periods in which they are intended to operate. Capability will also include the ability of

vessels to deliver the requirements of passengers and freight customers. Flexibility would ensure that vessels in a fleet are able to substitute for others in the event of routine maintenance or breakdown thus minimising disruption and providing a robust contingency when needed.

6 Achieving the Investment Objectives – policy initiatives

- 6.1 The work currently being commissioned by the Policy & Resources Committee will result in detailed cost/benefit analysis of the different options for air and sea link infrastructure and future policy development. The Investment Objectives set out in this policy letter will be used as a framework for this analysis in order to assess which options would best meet the Investment Objectives.

7 Compliance with Rule 4

- 7.1 Rule 4 of the Rules of Procedure of the States of Deliberation and their Committees sets out the information which must be included in, or appended to, motions laid before the States.
- 7.2 In accordance with Rule 4(1), the Propositions have been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications.
- 7.3 In accordance with Rule 4(4) of the Rules of Procedure of the States of Deliberation and their Committees, it is confirmed that the propositions above have the unanimous support of the Committee.
- 7.4 In accordance with Rule 4(5), the Propositions relate to the duties of the Committee to advise the States and to develop and implement policies on matters relating to its purpose, which is to secure prosperity through the generation of wealth and the creation of the greatest number and widest range of employment opportunities possible by promoting and developing business, commerce and industry in all sectors of the economy.

Yours faithfully

C N K Parkinson
President

A C Dudley-Owen
Vice-President

D de G De Lisle
J I Mooney
D A Tindall

List of Core Strategic Objectives, Critical Success Factors and Investment Objectives

Core Strategic Objectives	
<i>What are our key requirements for air and sea links?</i>	<p>Air and Sea Links must:</p> <ul style="list-style-type: none"> • Meet the majority, if not all, of the current and future requirements of the residents of the Bailiwick • Enable economic growth • Increase visitor numbers
Critical Success Factors	
<i>What needs to be done well in order to achieve the Core Strategic Objectives?</i>	<p>Air and Sea Links must:</p> <ul style="list-style-type: none"> • Act as an economic enabler • Act as a social/cultural enabler • Be affordable • Be sustainable • Optimise choice and flexibility of connections • Provide reliability and continuity of service • Deliver the air and sea link connection priorities
Air Links	Sea Links
<ul style="list-style-type: none"> • Connection to an International Hub (Relative priority is: 1. Connectivity, 2. Reliability, 3. Affordability) • Connection to a London Hub (Relative priority is: 1. Affordability 2. Connectivity, 3. Reliability) • Regional connections (UK and European) connections (Relative priority is: 1. Affordability, 2. Connectivity, 3. Reliability) 	<ul style="list-style-type: none"> • Connections enabling the provision of lifeline freight services (Relative priority is: 1. Reliability, 2. Connectivity, 3. Affordability) • Connections enabling the provision of carriage for passengers and their vehicles (Relative priority is: 1. Reliability, 2. Affordability, 3. Connectivity)
<p><i>Note: the relative priorities above are as currently assessed following the feedback received from the many stakeholder meetings held during phase 1 of the strategic review of air and sea links with PwC, as well as the survey responses provided by the IoD and Chamber of Commerce.</i></p>	

Investment objectives	
<i>What we need to do to improve the quality of air and sea links</i>	
Affordability	
Air Links	Sea Links
<ul style="list-style-type: none"> • Incentivise airlines to help stimulate market growth through lower fares • Attract carriers with capability to sustainably offer market competitive fares 	<ul style="list-style-type: none"> • Enable sustainable competitive fares (passengers, vehicle and freight) reflective of the cost of the service
Connectivity	
Air Links	Sea Links
<ul style="list-style-type: none"> • Encourage development of regional (UK and Europe) connectivity through an open skies policy approach • Security of connection to London Gatwick (Connectivity and frequency to London acting as a major leisure hub) • Connection to a major international hub such as Heathrow Airport • Security of connectivity to Alderney through the operation of a PSO • Attract carriers with proven international connectivity • Broaden UK and European connectivity (scheduled and Charter services) • Access for Bailiwick residents to specialist healthcare and emergency evacuation services 	<ul style="list-style-type: none"> • A frequency of service and schedule that meets the needs of freight users, islanders (businesses and residents) and visitors to the island • Use of the most suitable ports (UK and France) to enable flexibility and connectivity across all chosen route sectors • Maximise opportunity for travel between the islands (Jersey and Alderney)
Reliability	
Air	Sea
<ul style="list-style-type: none"> • Seek opportunity to improve low visibility landing capability • Attract carriers with proven reliability and resilience 	<ul style="list-style-type: none"> • Provision of a year round 'lifeline' service for freight and passengers • Sufficient contingency to allow robust continuity of service in the event of weather disruption, maintenance or technical issues

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COMMITTEE FOR ECONOMIC DEVELOPMENT

STATES OF GUERNSEY AIR AND SEA ROUTE POLICY DEVELOPMENT AND INVESTMENT
OBJECTIVES

The President
Policy & Resources Committee
Sir Charles Frossard House
La Charroterie
St Peter Port

13th November, 2018

Dear Sir,

Preferred date for consideration by the States of Deliberation

In accordance with Rule 4(2) of the Rules of Procedure of the States of Deliberation and their Committees, the Committee requests that the propositions contained in the Committee's policy letter entitled 'States of Guernsey Air and Sea Route Policy Development and Investment Objectives' dated 12 November be considered at the States' meeting to be held on 12th December, 2018.

The request is made on the basis that agreement of the States on Air and Sea Route Policy Development and Investment Objectives will help to inform the on-going strategic work on air and sea links infrastructure. This work is on-going and immediate, so that timely debate by the States is essential.

Yours faithfully,



C N K Parkinson
President

A C Dudley-Owen
Vice-President

D de G Lisle

J I Mooney

D A Tindall