

**REPLY BY THE PRESIDENT OF
THE STATES' TRADING SUPERVISORY BOARD
TO QUESTIONS ASKED PURSUANT TO RULE 14 OF THE
RULES OF PROCEDURE BY ALDERNEY REPRESENTATIVE STEPHEN ROBERTS**

Question 1

Could the President of STSB tell us whether Aurigny considered any options to lease a Dornier or an alternative aircraft to maintain capacity on the ACI SOU air route in 2020? If any options have been considered and rejected, what were the grounds for rejecting them and who was consulted?

Answer

Aurigny has advised the Board that, on the basis of its previous experience, it did not consider options for leasing in an aircraft to maintain capacity on the Alderney-Southampton air route in 2020. The reason for this is one of affordability.

Aurigny's experience is that European-registered and operated aircraft that are of a similar capacity to the Dornier aircraft and that can operate from the short runway in Alderney are scarce in the extreme and therefore command a very high price. On the basis of the last Dornier that Aurigny contracted on a wet lease basis, the cost to lease it for the whole summer 2020 season would have been well into seven figures (210 days @ 33,000 euros a day = 6.9m euros). To bring it back for just the 15 days around Alderney week would have been very close to the cost of installing a new wing on the old Dornier (15 days @ 33,000 euros a day = 495,000 euros).

Question 2

Could the President of STSB tell us whether the STSB approved Aurigny's unilateral abandonment of their obligations set out in the Memorandum of Understanding without consultation or assessment of the impact on Alderney?

Answer

The STSB received a briefing from Aurigny in September last year about the fleet planning predicament it was facing as a result of the delay in bringing the Public Service Obligation (PSO) tender process to a conclusion. This can be summarised as follows:

- Of the three Dornier aircraft operated by Aurigny on its Alderney services, one was shortly expected to reach the maximum number of operating cycles permitted for its wings before they had to be replaced. The cost of this replacement project is expected to be circa £500,000 and is likely to take 6 months to complete;
- The specification for the PSO tender had a stated preference for a fleet of 3 aircraft, but allowed for bidders to suggest alternative fleet options. Aurigny's tender therefore includes options based on either a 2 or 3 aircraft operating model, both of which meet the required service frequencies. If Aurigny had been successful in its bid for the PSO contract and its 3 aircraft model had been selected, it intended to undertake the re-winging during the course

of the quieter 2019/20 winter season, when only 2 aircraft are required to maintain the schedules. The re-winged aircraft would then be ready to return to service in time for the busier 2020 summer season, when 3 are required;

- The absence of any decision on the PSO not just last September, but still today, means that Aurigny has no certainty that it will be operating the Alderney routes after next summer's season and how many aircraft will be required under the contract. If Aurigny is unsuccessful in its tender, it will have no requirement to retain a Dornier fleet and will dispose of them.

On the basis of the above, the STSB accepted a recommendation from Aurigny that it should not commit to expenditure of £500,000 on re-winging an aircraft when there was absolutely no certainty that it would be required beyond the end of this summer's season.

As a result, I wrote to the President of the Committee *for* Economic Development, which was administering the PSO process, in October of last year setting out the position. The letter, a copy of which was also sent to the President of the States of Alderney's Policy & Finance Committee, made it clear that there was no prospect of being able to re-wing the aircraft before the start of the summer season and that Aurigny would be unable to maintain the service levels required under the Memorandum of Understanding (MoU) this summer.

In tandem with that correspondence, officers of both the STSB, the States of Alderney and Aurigny were working together to identify steps that could be taken to partially mitigate the situation. As a result, Guernsey Ports has been pleased to enter into an agreement with the States of Alderney to extend the opening hours of Alderney Airport by one hour at peak periods next summer. This extension will enable Aurigny to operate more services between Guernsey and Alderney than would otherwise have been possible, providing more opportunities for Alderney passengers to connect with onward services in Guernsey, including flights to and from Southampton.

The net effect of the above is that Aurigny is planning to operate 7,114 fewer seats on the Southampton route this summer compared to last, but 5,273 more seats on the Guernsey route, amounting to a net reduction of 1,841 seats.

Both the STSB and Aurigny very much regret the situation, but it is a direct consequence of the delay in the PSO process. I do not accept that the above amounts to what the question characterises as a "*...unilateral abandonment...*" by Aurigny of its obligations, noting that Aurigny has continued to meet the requirements of the MoU for the winter schedules and is offering more seats on the Guernsey route this summer to mitigate, albeit partially, the reduction in capacity on the Southampton service.

Date of Receipt of the Question: 17th January 2020
Date of Reply: 30th January 2020
