

**REPLY BY THE MINISTER OF  
THE TREASURY AND RESOURCES DEPARTMENT  
TO A QUESTION ASKED PURSUANT TO RULE 6 OF THE  
RULES OF PROCEDURE BY DEPUTY M FALLAIZE**

**Question**

*Your Department's mandate includes the "shareholders' functions and duties in respect of the States Trading Companies and other States-owned entities". One of these States-owned entities is Aurigny.*

*In August, 2010, during a period when your Department was exploring the possibility of Aurigny merging with Blue Islands, the company stated that its fleet of Trislanders would last until the year 2034. The company said: "The Aurigny Trislanders have what is known as 'extended fatigue life', which was agreed with the manufacturers Britten Norman and the CAA (Civil Aviation Authority) in 1987 due to the relatively benign over-water operations for which they are used. In our fleet of six Trislanders there are aircraft with up to 24 years additional service capability, while Joey has nearly 20 years left in him."*

*However, in April of this year, less than three years later, the company announced that it was planning to replace its fleet of Trislanders and that proposals to fund such replacements would be put to the States later in 2013. The company said: "It's time we looked at a suitable replacement. We're hoping to be able to take something to the States later on in the year to support the funding."*

- 1. Is the Department able to account for these apparently contradictory statements made by a company for which the States is wholly responsible?*

**Answer**

Yes, the Department can account for these statements.

The Department understands that the statement made in 2010 relating to the extended fatigue life of the aircraft was correct. Technically speaking and based on this criterion alone, the Trislander fleet could continue to operate for many years and, quite possibly, until 2034.

However, there are many other criteria which need to be taken into account to determine whether the Trislander should continue to operate and be retained as part of Aurigny's fleet. The development of any business case for the replacement of the aircraft will be based on an analysis of all these criteria, not just the extended fatigue life of the aircraft.

**Question**

- 2. Why is the company, presumably with the support of the Department, currently framing proposals to replace its fleet of Trislanders, no doubt at very considerable expense, when less than three years ago the company claimed, presumably with the support of the Department, that the same fleet would last until 2034?*

## Answer

Since 2010, there have been a number of changes in both the Board and management at Aurigny. As is typical in such cases, the new team at Aurigny is taking a fresh look at the whole of the airline's business, including the viability of the Trislander operation and whether it represents the optimal solution for the airline going forward. The Department supports this as an entirely prudent and responsible exercise.

Aside from the extended fatigue life of the aircraft, there are several criteria which the Department understands the airline is examining in developing a business case, including:

- The increasing cost of operating and maintaining such ageing aircraft;
- The decreasing technical reliability associated with the operation of such ageing aircraft;
- The reducing support that the airline has found is available from the aircraft's manufacturer, Britten-Norman;
- The reducing availability and increasing cost of spare parts for the aircraft;
- Changes in the regulatory environment since the aircraft originally entered service, in particular the difficulty in satisfying increasingly stringent safety standards imposed by the CAA and EASA (European Aviation Safety Agency) and their application of 21<sup>st</sup> century standards to the operation of an aircraft designed in the 1960s. Whilst the issue of single-crew operation has not given rise to specific concerns within Aurigny, two-crew operations are the normal standard, although Aurigny is currently exempted from this;
- Developments in the market place and, specifically, the introduction of more sophisticated aircraft by competitors on the route between Guernsey and Jersey;
- Environmental considerations, including the aircraft noise in the vicinity of airports.

Whilst the Department does support the evaluation process that Aurigny is undertaking, it has not determined whether or not the replacement of the Trislander fleet can be justified at this time. The Department would expect the business case to address a number of issues, including:

- The strategic, economic, business and operational cases for replacing the aircraft;
- An options appraisal, including the possibility of purchasing new or second hand aircraft or, alternatively, taking replacement aircraft on long-term leases rather than purchasing them outright;
- The different funding options, including what, if any, shareholder support is required;
- A cost/benefit analysis that, for example, assesses the extent to which the financing costs of replacing the elderly aircraft would be offset by the reduced maintenance, fuel and operating costs of more modern aircraft;
- An assessment of the different aircraft models that are available and their relative merits for Aurigny's operations.

It is only once the Department has received the full business case from the company that it will decide whether it supports a proposal to replace the Trislanders.

## **Question**

- 3. Does the Department believe that it and, by extension the States, was misled by the claim made by Aurigny in 2010 that among its fleet of Trislanders were planes with a remaining lifespan of 24 and 20 years respectively?*

## **Answer**

The Department is not responsible for the statements made in 2010 by the Company, but given the reasons set out above, it does not believe that either it or the States were misled by Aurigny. However, since the election in 2012, the Department has been working closely with Aurigny to ensure that these issues are considered and evaluated in an objective and holistic manner. The Department anticipates being in a position to submit a report to the States on the future arrangements for Aurigny later this year and hopes that this will include the results of any business case for the replacement of the Trislander fleet.

**Date of Receipt of the Question:** 5<sup>th</sup> June 2013

**Date of Reply:** 19<sup>th</sup> June 2013