

AIR TRANSPORT LICENSING (GUERNSEY) LAW, 1995 POLICY STATEMENT

Approved by the States of Guernsey on 27 November 2013

This policy statement is the Guernsey Transport Board's published policy in relation to the licensing of Guernsey's air transport services as prepared by the Board and approved by the States of Deliberation as from time to time amended or replaced (with or without modification) by Resolution of the States. This policy statement replaces that set out on p. 405 *et seq* of Billet d'État III of 2004.

1. Services between Guernsey and another point in the British Isles, where the aircraft is carrying passengers or cargo for hire or reward, will be subject to a Guernsey air transport licence being granted – in addition to the appropriate licence(s) or permission(s) required from the United Kingdom's Civil Aviation Authority (hereinafter "CAA"). However, some aircraft or classes of aircraft may be exempt from the need to obtain such a licence (e.g. emergency flights, technical stops, and air taxis (the latter is defined in the Regulations made in 2001)). For absolute clarity, the British Isles (in this context) comprises the United Kingdom, the Isle of Man, and the Channel Islands.

2. Under these arrangements, the CAA's licensing procedures will be accepted for determining the financial fitness and technical capabilities of individual airlines, and for determining when an airline is engaged in anti-competitive behaviour. Applicants will be required to provide evidence of meeting the minimum insurance cover requirements, as stipulated from time to time by the CAA. Holders of air transport licences are required to provide such evidence annually to the Guernsey Airport Director.

3. When applications for a licence are considered, in accordance with the requirements of Insular legislation, a view will be taken as to the extent to which what is proposed will, or will not, be in the best interests of the users of the Island's air transport services and thereby also the best interests of the Island.

4. Every air transport licence application is considered on its own merits.

5. Certain benefits, particularly with regard to cost and consumer choice, can result from appropriate competition between different destinations and/or carriers. Competition could, therefore, be inter-route or intra-route.

6. Competition, however, is not the sole determining factor and the potential benefits of lower costs and more consumer choice will need to be balanced against the requirement for regulation to safeguard the interests of the users of the air transport services and, where appropriate, Island residents.

7. Consideration will be given to the likely short-term and long-term advantages and disadvantages that would result from the provision of the proposed services.

8. The interests of the users of passenger air transport services may be summarised as follows:-

- (i) for locally-based leisure and business travellers, the requirement is for sufficient capacity on a daily year-round basis to provide for on demand travel at reasonable cost on services linking the Island with a number of centres of population in the British Isles, and in particular with airports able to provide interlining links with European, Intercontinental and United Kingdom domestic air services. In this respect direct air links with London hub airports, particularly London Gatwick, are considered to be of paramount importance;
- (ii) for tourists to Guernsey, the need is for sufficient capacity at the lowest possible fare on direct services from multiple points of origin within the British Isles. The available air transport services should, wherever possible, allow tourists to make the choice between their own independent travel arrangements or packages offered by tour operators or agents; and
- (iii) for users of the Gatwick route, as detailed in paragraph 18.

9. The interests of the users of cargo air transport services may be summarised as follows:- the requirement is for sufficient capacity on a daily year-round basis to provide for on-demand transport of cargo at reasonable cost on services linking the Island with a number of points in the British Isles, and in particular with airports able to provide interlining links with European, Intercontinental and United Kingdom domestic air services.

10. Subject to paragraph 18, the best interests of users, particularly in regard to cost and consumer choice, are generally enabled by active competition between air transport operators. Where such competition is intra-route, it should be able to stimulate the route in question. However, it should not discourage active, long-term development of that route. Where such competition is inter-route, it should be able to generate lower fares on those routes and would offer consumers a choice of route. Each route should be provided with a suitable standard of service, by the airline(s) operating on it, to satisfy all main categories of user throughout the year. The services provided should also have continuity over a period of time.

11. There is particular concern to ensure that scheduled air services are maintained at a sufficient level, throughout the year, to ensure the economic and social sustainability of the Island. Air transport links with the United Kingdom are particularly important in this regard. Additionally, scheduled services are important for health/medical, educational and business requirements. Charter air services, or other short-term operations, could be detrimental to the provision of scheduled air services on any particular route and that year-round scheduled services are generally of paramount importance.

Scheduled Air Services

12. The main aims, in respect of scheduled air services, are to:-

- (i) maintain year-round scheduled services of sufficient capacity to cater for all user categories;
- (ii) secure the provision of sufficient capacity throughout the year to cater for the needs of the tourism industry;

- (iii) secure the lowest fare structure consistent with viable operations;
- (iv) obtain continuity of service from year to year, with the airline or airlines operating on a route being in a position to develop the service for the benefit of all categories of user;
- (v) facilitate point-to-point travel and interlining opportunities;
- (vi) secure the highest possible standard of service;
- (vii) maintain and protect the Island's air links with London, with

particular reference to hub airports and, in respect of the Gatwick route, in accordance with paragraph 18.

13. Certain applications could have a potential impact on the incumbent operator. There may be occasions when more than one airline applies to operate the same route. In considering such applications, particular reference will be made to :-

- (i) the number and nature of aircraft in an airline's fleet, with particular concern for the back up arrangements that could apply to the route;
- (ii) the ability of an airline to replace the capacity provided by an incumbent operator, should the introduction of further competition lead to the withdrawal of the latter from the route, in part or in whole;
- (iii) an airline's performance on other routes (e.g. punctuality, customer service);
- (iv) evidence of an ability to maintain continuity of service from year to year (i.e. the ability to withstand difficult trading conditions that might occur);
- (v) an ability to expand operations through a successful marketing campaign and to cope with the traffic growth generated thereby; and
- (vi) the fare structure and level.

Charter Air Services

14. Charter services can be beneficial, particularly for the tourism industry. The interests of the tourism industry and tour operators can be served by continuity of those services from year to year.

15. For routes that do not have a year-round scheduled service, charter licence applications will normally be granted.

16. Year-round scheduled services are important. Summer-only, or other short-term, services on any particular route could adversely impact or totally eliminate regular year-round services on that route or nearby routes.

17. The extent to which charter flights or other short-term operations would impact on scheduled services will be considered. Charter flights can impact on scheduled services –

(i) by reducing the profitability of the scheduled services to such an extent that the latter becomes reduced in scope, particularly during less-profitable or off-season months;

(ii) by discouraging the development of air services provided by the scheduled operator(s) on the route.

London Gatwick

18. In light of the importance of the Gatwick route to the island, and the volatility of services thereon, when considering any new application to operate on the route, the Board must have regard to the following matters:

(i) the investment by the incumbent operator(s) on the route,

(ii) the level of service and reliability of the incumbent operator(s) on the route, and

(iii) the likely effect on the incumbent operator(s) of granting such application,

where an incumbent operator offers a good level of service and is likely to be prejudiced by the granting of such application, the presumption will be that such application will be refused to safeguard the existing service on this lifeline route.