

**REPLY BY PRESIDENT OF THE STATES' TRADING SUPERVISORY BOARD
TO A QUESTION PURSUANT TO RULE 14 OF THE
RULES OF PROCEDURE BY DEPUTY DAWN TINDALL**

Question 1

Has the shareholder guidance given to Aurigny on the operation of flights changed from the guidance given before lockdown?

Answer

Yes

Question 2

If so how has it changed?

Answer

At their meeting in March, the States considered a policy letter from the Policy & Resources Committee on the initial economic and financial response to the pandemic. This included projections for Aurigny's cash requirements for the remainder of 2020.

Those projections were underpinned by a number of assumptions, including that any flying that was undertaken by Aurigny for the remainder of the year would cover their marginal direct operating costs, including: variable aircraft maintenance costs; fuel; airport charges; and, air navigation charges.

As such, the guidance to Aurigny since the pandemic is that its flying programme should, as a minimum, recover those marginal costs. In the event that they do not so, then the airline's projected cash requirements from the States will increase.

Question 3

Would the arrangement of flights to take students back to the UK without guarantee of any passengers on the return flights be able to be undertaken under such shareholder guidance?

Answer

Current demand for passengers travelling to and from the Island on the sole Southampton service is substantially less than the 72 seats available in each direction and, at this relatively early point, Aurigny has not yet seen a material uptake in demand following the Island's progression into Phase 5b. So, it is not unreasonable to assume that there would be very little demand for flights for an ad hoc flight from destinations such as Manchester or Leeds.

This would not preclude the operation of a flight to Manchester or Leeds for students, but Aurigny would need to be satisfied that the fares receipts from the students travelling to the UK were sufficient to cover the combined marginal costs of both the outbound and return sectors.

Question 4

If not, will STSB consider giving direction to Aurigny to operate such flights that ensure Guernsey students can get back to Manchester and Leeds airports for the new term to ensure their education is not interrupted any further?

Answer

The STSB will not give explicit direction to Aurigny to operate such flights.

In saying that, Aurigny is seeking feedback from students about the potential demand for flights to Manchester and Leeds. It has been awaiting the publication of A-Level results before closing that research, bearing in mind that those results could determine where students will be studying.

Aurigny will be reviewing the results of this survey work in the days ahead before announcing within the next week or so whether or not there is sufficient demand to justify operation of extra flights.

Date of Receipt of the Question: 17th August 2020
Date of Reply: 18th August 2020
