BILLET D'ÉTAT

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STATES BOARD OF ADMINISTRATION

GUERNSEY AIRPORT –
REDEVELOPMENT OF TERMINAL BUILDING

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BILLET D'ÉTAT

TO THE MEMBERS OF THE STATES OF THE ISLAND OF GUERNSEY

I have the honour to inform you that a Meeting of the States of Deliberation will be held at the **ROYAL COURT HOUSE, on WEDNESDAY,** the **29th November, 2000,** at 10 a.m.

STATES BOARD OF ADMINISTRATION

GUERNSEY AIRPORT – REDEVELOPMENT OF TERMINAL BUILDING

The President,
States of Guernsey,
Royal Court House,
St. Peter Port,
Guernsey.

23rd October, 2000.

Sir

GUERNSEY AIRPORT – REDEVELOPMENT OF TERMINAL BUILDING

Introduction

The terminal building at Guernsey Airport opened in 1939 and has been subject to various extensions and improvements over the years in order to meet the demands of the increasing number of passengers travelling to and from the Island by air. The most recent extension was undertaken in 1993 when the total number of passengers using the Airport was approximately 730,000 per annum. During 1998 passenger figures exceeded 890,000 and, whilst they fell between 1998 and 1999, are still significantly higher than when the terminal building was last improved. In fact, Guernsey Airport handles over 70% of all travellers to and from the Island.

It is also necessary to bear in mind that because of the introduction of larger aircraft over the past few years, the terminal building is now required to cope with greater numbers of passengers at any one time, and pressure on its facilities is therefore increasing. These pressures affect not only the travelling public, but also staff employed by various companies at the Airport, including baggage handlers, reservations staff, check in agents, etc. Facilities and staff accommodation at Guernsey Airport are currently of a poor standard, something that the Board believes should be rectified. Some of the cost of providing improved facilities will be offset by the increased rental income which will result.

The Board is confident that the Airport will remain a vital part of the Island's transport infrastructure, in respect of both business and leisure travel, and that demands on the terminal building will continue to grow. Even at the present time, the Airport is stretched to its limits to cope with busy Saturdays during the summer season or major delays when there is much congestion in the building which is simply not large enough to cope with the demands now placed upon it.

When the Board made its approach to the States in 1992 in respect of the most recent alterations to the terminal building, reference was made to a report prepared by British Airport Services Ltd. which included proposals for a new terminal building. However, the Board concluded that although it would have preferred to put forward proposals for a new terminal building, such a major project could not be supported at that time or in the foreseeable future. Consequently, the Board instead agreed to pursue a number of low cost improvements to the building in the form of an extension. The extension was never intended as a permanent solution to the increasing pressures placed on the Airport's facilities, and the Board has been aware for some time that major redevelopment of Guernsey Airport is necessary if it is to meet the demands of air travellers in the 21st century. Both the Arrivals Halls and the Departure Lounge are now too small to cope with passenger volumes resulting from larger aircraft using Guernsey Airport to the point that they have become uncomfortable for users at peak passenger movement times.

In December 1996 the Board agreed in principle that the terminal building should be extended and/or refurbished to meet both the needs of present traffic levels and those expected in the foreseeable future. Consequently, in January 1997 an advertisement was placed in the Guernsey Evening Press advising that the Board was soon to seek tenders for a feasibility study for the design and planning of the next phase of the extension/refurbishment of the Airport terminal building.

Feasibility Studies

The advertisement resulted in responses from eleven organisations, all of which were invited to submit tenders to undertake the feasibility study. Each organisation duly submitted a tender for consideration after the closing date of 30 April 1997. With the agreement of the Advisory and Finance Committee's Capital Works Sub-committee the Board invited the following three companies to prepare a feasibility study:

Kensington Taylor
Manser Associates
Murray Ward & Partners

The terms of reference for the feasibility study were as follows:

Advice was required in respect of:

1. The design for an extension to the east of the existing building on the site of the former States hangar.

2. The refurbishment of the existing building.

3. The integration of the existing building and any extension with priority being given to the following facilities:

    a) Arriving passengers and their baggage
    b) Departing passengers, including a Duty Free sales facility
    c) Check in area, including security facility for 100% hold baggage screening on international flights
    d) Office and related accommodation for airlines and handling organisations, including airline executive lounges
    e) Accommodation for Customs and Police
    f) Catering
    g) Public viewing area

4. Provision of offices for lease for commercial purposes.

5. Provision of retail sales outlets.

6. Apron stands – layout and/or need for expansion.

7. Landside access for pedestrians and vehicles including private and public transport vehicles (bus services, coaches and taxis).

8. Provision of covered areas for the picking up/setting down of passengers.

9. The need to meet forecast future demands of airlines in respect of aircraft types.

In addition, the Board sought advice on the following:

a) The estimated cost of the proposed development.
b) The extent to which private funding might be available/obtained.
c) The terms and conditions which may be required to encourage private funding.

On 10 February 1998 the three companies concerned each made a presentation to the Board. Representatives of the Tourist Board, Board of Industry and States Department of Architecture were also present. After consideration of the submissions, the Board selected Kensington Taylor as its preferred consultant for the planning of the future development of Guernsey Airport.

Initial Development Proposals

The proposals put forward by Kensington Taylor exceeded the Board's initial ideas for the upgrading of the Airport. However, after a thorough examination of the proposals and detailed discussions with the consultants the Board decided that total redevelopment was necessary if the Airport was to prove adequate to serve the needs of air travellers for a reasonable period into the future.

Kensington Taylor's initial proposals involved the demolition of the existing terminal building and the construction of a new one in virtually the same location. During the construction of the new building a temporary structure was to be erected to the east of the existing terminal.

Financial and Project Management

The Board agreed that the redevelopment of the Airport required the services of an experienced project manager and, to this end, at its meeting held on 7 July 1998 it agreed to appoint British Airports Authority (BAA) to provide advice on financial issues and project implementation with a view to taking over the management of the project in due course. A copy of BAA's report in this respect dated November 1998 is attached as Appendix 1. Whilst it had been the Board's initial intention to use BAA as project manager, in June 1999, in order to ensure that the overall project management and control was vested in one organisation, the Board appointed British Aerospace in this capacity.

Revised Proposals

As explained above, it had been intended originally that the new terminal building should be constructed on virtually the same site as the existing one. The original feasibility study had indicated that a 10 metre move southwards was required in order to comply with the safety criteria set out in the Civil Aviation Authority's (CAA's) publication CAP 168 for the Licensing of Aerodromes. In particular the Board was required to ensure that airspace along and to the sides of the runway was free of any obstacles which might provide a hazard to landing aircraft. The airspace to be protected extends out to 500 feet on either side of the runway centreline at ground level and then outward and upward at a gradient of 1:7 or 14.3 degrees. This sloping line is known as the "transitional surface" and must not be penetrated by any building or structure, including any part of a parked aircraft.

When the results of the Board's investigations into future aircraft types likely to use Guernsey Airport was assessed by British Aerospace, it became apparent that if BAe 146 and Boeing 737 aircraft were to comply with CAP 168 requirements whilst parked in any position to the north (ie the runway side) of the terminal, there would be no alternative but to relocate the northern line of the building 45m to the south. Thus the Board had no option but to agree the relocation of the new terminal.

After considering a number of plans, on 22 August 2000 the Board approved final plans showing the terminal building moved to the south and west, with full provision for the parking of all light aircraft. This is the Board's preferred option for the redevelopment of the Airport and is attached as Appendix 2. Copies of the plans have been lodged at the Greffe and will also be on display in the lobby of the Royal Court building for the information of States Members. The drawings incorporate lines indicating the height restrictions imposed by CAP 168.

Proposed Terminal Building

There are a number of significant advantages to the proposed new location of the terminal building. First, it will be possible to park larger aircraft right across the northern apron, at the same time as providing fully flexible utilisation of the building. The resiting of the terminal building also means that the existing terminal can continue to be used whilst work is in progress on the new one. In this way there will be minimal disruption to passengers and staff alike. As the proposed new position allows for all construction work to be carried out landside any risks associated with safety and security will be greatly reduced. By siting the terminal building approximately 5 metres to the west as well as 45 metres to the south it will prove possible to extend the terminal by 5 metres to the west and/or east at any future time if necessary, each of which would allow a further increase of approximately 5% in floor area. In addition, if even greater expansion was required it would be possible, at an estimated cost of £500,000 at today's prices, to move the electricity sub-station which would allow for a further 10% expansion of the Terminal building.

Kensington Taylor has proposed extensive landscaping of the car parking area, and the Board believes that this will result in a very pleasant entrance to the new terminal. Specific areas have been provided for taxis and coaches, and drop-off areas for members of the public have also been incorporated. The public car park can accommodate 346 vehicles, compared with the 275 it currently holds.

In considering the car parking issue the Board debated whether or not to incorporate a two-tier car park into its proposals as this would have reduced the space needed for surface car parking and would therefore have made additional land available for the parking of private aircraft. However, this option would have cost approximately £1.2m and the Board did not believe such expenditure was justified, particularly as it has identified additional areas which can be used for the parking of light aircraft. Although the Board has decided not to pursue this possibility at present it could be reconsidered in the future should the need arise.

The new terminal will be on 2 levels, and its floor area will be 26% bigger than that of the existing building with far better utilisation of space. On the ground floor there will be a single Arrivals area, complete with baggage carousels, for all arriving passengers. There will also be an improved Departure Area, incorporating two passenger security screening points, one of which will be designed to facilitate the fast track processing of inter-Island passengers. It is the Board's intention that an enclosed and ventilated smoking area should be provided, subject to any constraints which may be imposed by current or future legislation.

There will be a total of 14 check-in desks, all situated on the ground floor. The ground floor will also house business class lounges, to which access will be possible from the Departure Lounge. There will also be catering facilities available on the ground floor, both in the Departure Lounge and in the public areas, as well as on the first floor.

Kensington Taylor and British Aerospace have carried out detailed consultation with all Airport users and such consultation will be ongoing throughout the detailed design stage of the project. Additional seating will be provided in all public areas and, whilst the exact configuration is yet to be decided, it is anticipated that the number of seats in the building will increase by approximately 50%. Space has also been earmarked for the provision of a duty free facility, as the limited facility currently available has been very successful, and the Board will recoup some of the development costs through the sale of duty free goods.

Commercial Aircraft Parking

There are currently 13 aircraft stands at Guernsey Airport, 3 of which are located adjacent to the Airport Technical Block on the west side of the apron. These 3 stands are not used regularly for passenger flights because access to the terminal building can be obtained only by crossing a live taxiway, which raises safety problems. Of the remaining 10 stands, one is allocated to Aurigny and another is used by a day-stop cargo aircraft, which leaves only 8 stands fully available for regular use. Diagrammatic representations of existing commercial stands are shown at Appendix 3, and representations of the proposed commercial stands are shown at Appendix 4.

The Board's preferred scheme provides for six stands to be located to the north of the Terminal comprising four stands capable of accommodating aircraft up to the size of the Boeing 737 and two for aircraft up to the size of the BAe 146. All aircraft using these stands will be parked at right angles to the terminal, and will use their own power to park. Push back will be used to move aircraft off stand. In addition to these six stands, three more will be created by the removal of 50% of the existing cargo sheds to the east of the existing terminal. This will result in nine fully useable stands, plus three to the west of the new terminal building which will be used by Aurigny Trislanders. There will also be at least two other stands which could be made available if necessary. These revised proposals fully comply with all current CAA aerodrome safety requirements and are as recommended by the Board's consultants. The Board is advised that the number of stands which will be provided is fully adequate for present and future forecast requirements but in the most unlikely event of there being a requirement at some time in the future for additional stands they could be achieved by demolishing the remaining 50% of the existing cargo sheds and providing new cargo sheds to the south of the present buildings or by the acquisition of neighbouring property.

Departing and arriving passengers will have the added benefit of being able to walk to and from the aircraft under a covered walkway without crossing any aircraft taxiways. It will be possible for vehicles to pass behind aircraft, rather than between them and the terminal building as at present, thereby improving operational safety.

Private Aircraft Parking

The Board and its consultants, British Aerospace, have worked closely together to ensure that private aircraft can continue to be accommodated after the redevelopment of the terminal building. At present, parking arrangements for private aircraft are such that locally based and visiting private aircraft up to a maximum permissible take-off weight of 4 metric tonnes would normally be expected to use either the south or west grass parking area. Heavy private aircraft or corporate aircraft, and particularly jet powered aircraft (irrespective of weight), would usually have to use the west apron stands and, for long stay aircraft or those being handled by Aiglle Ltd, a section of the east apron.

The west side of the west apron is also used in the winter months for the majority of visiting and locally based private aircraft parking, irrespective of weight, during any period when the prevailing ground conditions make use of the grass parking areas impractical. Corporate aircraft making brief visits to the Airport to set down or pick up passengers, subject to the availability of commercial stands, are permitted to park adjacent to the terminal building.

Under self-manoeuvring conditions the west grass park can accommodate up to 40 aircraft, whilst the south grass park can accommodate up to 35. However, when special events occur, such as the Annual International Air Rally, parking is supervised and physical assistance given to manoeuvre aircraft into a more concentrated parking pattern which at least doubles the density of parking spaces available. During winter conditions the existing west apron stands normally satisfy demand for parking of all categories of visiting and corporate aircraft when the grass surfaces are not available.

The current and future arrangements for the parking of private aircraft are summarised in the following table:

Area	**Existing Capacity**		**Proposed Capacity**	
	Self-parking	Assisted Parking	Self Parking	Assisted Parking
South Grass	35	70	20	30
West Grass	40	80	40	80
TOTALS (a)	**75**	**150**	**60**	**110**

In addition to the above, the following areas will also be available for private aircraft parking:

Area	Proposed Capacity	
	Self Parking	Assisted Parking
1. South West Grass	5	10
2. South West Grass Hangar	5	5
3. East of East Apron	13	29
4. West of Aero Club	10	20
Sub totals (b)	33	64
TOTALS (a) + (b)	**93**	**174**

Full use of the existing grass parking areas occurs infrequently, for example during the Guernsey Aero Club annual air rally and during organised "fly-ins", which take place on a maximum of three to five occasions per year. If all the above areas were made available for the parking of private aircraft, there would potentially be room to park a total of 93 aircraft on a self-manoeuvring basis or 174 on an assisted parking basis. A further 30 aircraft could be accommodated, subject to planning permission being granted for the construction of a new private hangar on land to the west of the Guernsey Aero Club building. In addition to the previously stated figures, there are approximately 55 private aircraft accommodated in hangars at Guernsey Airport.

The Board is aware of the potential that the Island has for the development of E-commerce related business and acknowledges that this may lead to an increase in the number of corporate aircraft visiting the airport in the future. It is not possible to quantify what effect the growth of such traffic might have on airport facilities, particularly in respect of space for aircraft parking. However, if this should occur, the Board will consult with the IDC and other interested parties to identify suitable areas for such use as the need arises.

The Board continues to attract the use of Guernsey Airport by light aircraft by offering on average a 40% promotional discount and free parking for 5 days thus enhancing Guernsey tourism and industry but to the detriment of Guernsey Airport income.

Project Funding

Estimated costs of the redevelopment are as follows:

	£
Construction costs	13,498,700
Fees (including expenses)	1,913,524
Site investigations	25,000

Provision for Clerk of Works (2 years local)	60,000
Risk contingency (10% of construction)	1,349,870
TOTAL	**16,847,094**

The construction cost includes several items which were not part of the original brief but, following consultation with various parties, both the Board and its consultants believe that certain additions to the original specification are required. The items in question are as follows:-

		£
Geogrid SS40 tensile to West Grass Area		60,000
Extended pier to eastern stands from terminal		280,000
New car park payment and control system		36,000
Demolition of half existing cargo accommodation and replace footprint left with Pavement Quality Concrete (PQC)*		156,000
	TOTAL	**532,000**

* NB This option has been costed based on the provision of the PQC area only.

Under arrangements established by States Resolution of 20 September 1961, all capital expenditure at the Ports (comprising Guernsey Airport, St Peter Port Harbour and St Sampson's Harbour) is to be provided by loans from Ports reserves, commonly referred to as the Ports Holding Account. The terms under which loans are facilitated are set out by the Advisory and Finance Committee. Essentially such loans are provided over a term generally commensurate with the life of the asset being acquired/enhanced, with annual resultant loan-charges accruing on the operating revenue account of the relevant Port, comprising elements for both interest and principal repayment.

The Board proposes to borrow capital from its Ports Holding Account, which funds will then be repaid to the Ports Holding Account with interest added in accordance with the Advisory and Finance Committee's directive referred to above.

It is the firm intention of the Board to investigate and propose ways in which the Airport's existing income stream can be further developed and maximised so as to fully incorporate the aforementioned additional loan-charge liability placed upon it, such that the long-term financial operating viability of the Airport is first strengthened and then preserved. For instance, the Board is aware of the existence of a substantial quantity of Airport land which it considers may be suitable for E-commerce development in the near future thereby providing a significant and sustainable additional income stream.

Particularly, the Board would wish to provide assurance that any such proposals affecting passenger and traffic throughput charges will be formulated on an equitable and balanced basis, after taking into account independent and professional advice (for instance, the attached BAA Report), whilst continuing to incorporate the "user-pays" principle of cost recovery.

Funding Repayment Provisions

Over the years the Board has managed to maintain low cost landing fees at Guernsey Airport. The table below shows that Guernsey Airport charges compare favourably with those levied at airports with which Guernsey has links. Figures in the table are based on the assumption that the aircraft in question has a weight of 20 metric tonnes and is carrying 35 passengers.

AIRPORT	PASSENGER FEES	SECURITY PASSENGER FEES	LANDING/RUNWAY FEE/PASSENGER	AIRPORT PASSENGER DUTY (APD)	TOTAL AVERAGE FEE/PASSENGER
Guernsey	2.95	1.25	7.83	N/A	12.03
Guernsey Proposed	*2.95*	*1.25*	*7.83*	*2 x 2.00*	*16.03*
Jersey	7.45	1.41	7.50	N/A	16.36
Stansted	4.10	*	2.28 (off peak)	10.00	16.38
			3.14 (peak)		17.24
Gatwick	4.10	*	2.28 (off peak)	10.00	16.38
			9.71 (peak)		23.81
Manchester	1.25	3.00	3.65	10.00	17.90
Birmingham	6.44	*	6.41	10.00	22.85
Luton	3.50	3.55	3.90	10.00	20.95
Bournemouth	3.18	4.24	7.88	10.00	25.30
East Midlands	4.96 (winter)	2.56	6.23	10.00	23.75
	5.48 (summer)	2.56	6.23	10.00	24.27
Exeter	4.00	4.05	8.57	10.00	26.62
Southampton	8.18	*	8.71	10.00	26.89
Teesside	8.40	*	7.48	10.00	25.88
Leeds	5.97	2.45	7.53	10.00	25.95
Bristol	6.30	2.75	8.06	10.00	27.11
Norwich	6.96	4.20	8.07	10.00	29.23

* Security fees included in passenger fee quoted.

Passenger Fees and Security Fees for Guernsey, Jersey, Teesside, Bournemouth and Southampton are charged on arrival. All other airports are charged on departure.

The Board wishes to retain the Airport's position as a low-cost destination thereby affecting ticket prices as little as possible. Consequently, in order to offset the cost of repaying the capital borrowed from the Ports Holding Account (with interest) the Board proposes a relatively small increase in passenger fees in the sum of £2.00 per single movement for passengers travelling to/from the UK and Europe and £0.80 per single movement for inter-Island passengers. It can be seen from the above table that if the Board's proposals were accepted a passenger purchasing an off-peak return fare to London Gatwick from Guernsey would pay a total of £32.41 in fees, £16.03 of which would be in respect of charges levied at Guernsey Airport. As inter-island fees and charges differ from those shown above, the total fees payable by a passenger purchasing a return ticket between Guernsey and Jersey would be £12.93, £5.43 of which would be attributable to Guernsey Airport, including the proposed surcharge of £0.80 per single movement. These figures are based on a Trislander aircraft carrying 15 passengers. The BAA report of November 1998 recommends that such increases should be phased in but the Board has rejected this advice on the grounds that any such phasing will not allow the cost of the loan to be recouped over the loan period. The income from this source plus anticipated additional income from the new terminal building is estimated to cover full repayment of the costs associated with the construction over a period of 20 years. The Board estimates that, if States approval is forthcoming, it will be possible to select a tenderer for the project in July 2001. On this basis, it proposes that the surcharge should come into effect on 1 January 2002.

Long Term Plans

In addressing the future development of Guernsey Airport, the Board has not limited its considerations to the terminal building. In March 2000 it appointed Halcrow Air Transport to carry out an evaluation of a possible extension to the runway at Guernsey Airport. The report concluded that there was no pressing need for the runway to be significantly extended at this time: *"The present runway is not a significant constraint on existing services. An initial analysis of aircraft performance indicates that, for likely aircraft types on existing or reasonably foreseeable routes, existing runway length would not be a significant constraint on payload carrying ability at ranges up to 700 nautical miles".* This supports the Board's own conclusions resulting from investigations carried out 18 months previously, at which time all the airlines serving the Island were consulted.

Nevertheless, the Board has asked Halcrow to carry out further detailed studies, including consultation with all airlines which serve Guernsey at present or which might wish to operate a route to the Island in future. The Board intends to submit a full report on the Guernsey Airport runway to the States during the first 6 months of 2001. Prior to referring the matter to the States, the Board will undertake full consultation with all interested parties, including the Advisory and Finance Committee, Guernsey Tourist Board, Board of Industry, Guernsey Transport Consultative Committee, G-Mex, GIBA and the Chamber of Commerce, all of which have an interest in the matter. In the light of the first Halcrow report the initial thoughts of the Board are to consider adding a starter strip to the runway thereby enabling larger aircraft to use the Airport. Starter strips of this type would cost between £0.8m and £4.5m at today's prices but any such proposals will be fully covered in the report on the matter which the Board intends to bring before the States. In any event, as a completely separate issue from the redevelopment of the terminal building, within the next 2-3 years the Board will be bringing proposals before the States for the necessary resurfacing of the airport runway, which is likely to cost up to about £3m, again at today's prices.

Consultation with Island Development Committee

The Board made an initial submission to the IDC on 24 November 1999 and has ensured that the Committee has been informed of subsequent amendments to its original proposals. The comments of the IDC on the scheme are detailed in a letter dated 11 April 2000, a copy of which is attached as Appendix 5. All of the points raised in this letter have subsequently been addressed by the design team and incorporated into the current plans. The Board and its consultants are continuing to liaise with the IDC over any outstanding minor details as necessary. Representatives of the IDC were at a presentation made by the Board on 8 September 2000 when full details of the Board's preferred scheme were made known and were very favourably received by those in attendance.

Subsequent to this presentation the Board formally submitted its revised proposals to the Island Development Committee, which responded in the following terms on 10 October 2000:

"*.... the Committee decided to raise no objection in principle to the latest, revised proposal in respect of the above development. The Committee welcomed the amendments that have been made to the scheme in accordance with advice contained in its previous letter of 11th April, 2000. However, it is recognised that further work will be required in finalising the proposal and requests that it is consulted further on all details of the development, including in relation to details of design, exterior materials and finishes, hard and soft landscaping, walls and other means of enclosure, signage and any other associated development such as in relation to the cargo buildings.*"

The Board will ensure that the Island Development Committee is consulted on these matters as requested.

Conclusion

It is clear that Guernsey Airport needs to undergo extensive upgrading if it is to be able to meet the needs of air travellers for the foreseeable future. The Airport is of vital importance to the Island as it serves as a lifeline for business and leisure travellers alike. The Board believes that simply refurbishing the terminal building is not sufficient, and, in conjunction with a team of architectural consultants, has formulated plans for a new terminal building which will provide an excellent gateway to the Island for many years to come.

Recommendations

The Board recommends the States:

i) to approve in principle the construction of a new terminal building at Guernsey Airport as described in this report and detailed in the attached plans;

ii) to direct the Board to seek tenders for the construction of a new Airport terminal building as detailed above;

iii) to direct the Board to report back to the States with details of the tenders received;

iv) to agree that, with effect from 1 January 2002 an airport surcharge of £2.00 per single movement for passengers travelling to or from the UK and Europe and £0.80 per single movement for inter-Island passengers should be levied, provided that the successful tenderer has been appointed before that date;

v) to direct the Board to report to the States within the next 6 months on the strategic options in respect of alterations to the runway at Guernsey Airport.

I have the honour to request that you will be good enough to lay this matter before the States with appropriate propositions.

I am, Sir,
Your obedient Servant,
R. C. BERRY,
President,
States Board of Administration.

BAA

APPENDIX 1

GUERNSEY AIRPORT

FINANCIAL AND PROJECT REVIEW

Report by BAA plc

November 1998

GUERNSEY AIRPORT

FINANCIAL AND PROJECT REVIEW

Contents

CHAPTER 1 - INTRODUCTION

1.1 BAA was commissioned by the States of Guernsey Board of Administration in a letter dated 8 July 1998 to undertake an initial review of the financial and project management of the redevelopment of Guernsey Airport. The commission was based on a proposal from BAA dated June 1998 which is attached as Appendix A to this report.

1.2 The initial review was to comprise four main tasks, as follows:

- Analysis of the current situation
- Conversion of airport accounts to 'commercial' accounts
- Creation of a 10 year financial plan
- Review of current development plans

1.3 In this report the first of these tasks is dealt with in Chapter 2 and the second in Chapter 3. Chapter 4 discusses the financial objectives and Chapter 5 compares Guernsey with other airports. Chapter 6 deals with the third main task and Chapter 7 draws conclusions from the other chapters relevant to the affordability of the proposed development. With these conclusions in mind, Chapter 8 discusses the redevelopment and Chapter 9 draws overall conclusions.

1.4 The BAA team visited the island on four occasions and had discussions principally with the Chief Executive of the Board of Administration and the Airport Director. Limited discussions were held with other individuals but there was not extensive consultation with all interested parties.

1.5 The BAA team was helped significantly by the openness and co-operation received. The views in this report were formulated after discussions in the island but represent an independent assessment of the situation.

CHAPTER 2 - THE CURRENT FINANCIAL POSITION

2.1 In summary form, our estimates of the 1998 States accounts for the Airport are as follows:

Income	**£000**
Airport dues	3732
Commercial	995
Total income	**4727**
Expenditure	
Operating expenses	3812
Recovery from Alderney	(99)
Total expenditure	**3713**
Surplus before loan charges	1014
Interest paid	280
Loans repaid	450
Net surplus	284

2.2 At present, the Airport is covering its costs, meeting all loan charges and earning a small surplus above this. This is an improvement from the position before 1996 when the Airport was making a small operating surplus and a small loss after loan charges. This has been achieved by a rigorous control of costs coupled with the modest increases in traffic that have occurred. Assuming no downturn in traffic, and before taking account of any major investment, it is likely that the Airport will continue to earn modest surpluses. The question to be answered is whether those will be sufficient to remunerate the investment in a new terminal building that is now being contemplated.

2.3 We have been fortunate in having to hand a review of the Ports Holding Account recently prepared by the Board's Finance Director. He concludes that if an investment of £9 million is added to the general level of investment seen in the past, and if this is funded by loans on the normal terms, so that the PHA is fully "repaired" in time, then an increase in airport dues of about £1 per passenger would be required (equivalent to £2 on the passenger load supplement which is levied on arriving passengers only). The report also demonstrates that the PHA would have the resources to fund the investment. It also considers the question as to whether the Account's resources could be used to fund the investment or part of it without requiring repayment of the loans. It comments that such a course of action would be contrary to the original logic of the account which is to ensure that the cost of capital is reflected in the trading accounts of the ports. It is also noted that a major harbour investment could be "around the corner" (and it is St Peter Port Harbour that has generated the surpluses in the PHA), and the PHA should be able to cope with such demands.

2.4 In the next chapter, we go on to re-state these questions in terms of commercial accounts. We should comment, however, that in terms of Government accounting, the above is a sound analysis. If the airport is to be seen as a stand-alone entity, then it must be able to meet its capital expenditure, taking one year with another, as well as its operating expenditure. From this standpoint, the relevance of the Ports Holding Account is that it enables the Board to handle year-to-year fluctuations in capital demands without direct recourse to the States, a buffer which would be the envy of many ports elsewhere.

2.5 We also wish to make it clear that comparisons between our analysis and the Finance Director's report should be treated with caution, as the remit was entirely different. In particular, the Finance Director's report concerned the Ports Holding Account as a whole and was not intended to address the issue of commercialisation. It is, of course, for the Board to make comparisons if it is felt appropriate, but nevertheless we feel bound to say that the degree of alignment of the main conclusions gives some comfort.

CHAPTER 3 - COMMERCIAL ACCOUNTS

3.1 The objective of commercial accounts is to provide a fair view of the performance of a business over a period and at a point in time. This differs from the fundamental objective of Government accounts, which is to record movements of cash between the various arms of Government.

3.2 In the case of Guernsey Airport the construction of commercial accounts entails:

- a profit and loss account which shows all income and costs
- a depreciation charge to reflect the use of capital within a year
- a balance sheet which shows a value for the assets in use at the end of the year, loans outstanding and, by deduction, the value of the business to its owners
- a statement of cash flows, though this is of lesser importance with a relatively straightforward business

3.3 Working from the States accounts summarised in Chapter 2, a commercial profit and loss account would be as follows:

	States Accounts	**Commercial Accounts**	**Notes**
Income	**£000**	**£000**	
Airport dues	3732	3732	
Security fee		400	
Commercial	995	995	
Recovery from Alderney		99	
Total income	**4727**	**5226**	
Expenditure			
Operating expenses	3812	3812	
Recovery from Alderney	(99)		
Security costs		400	
Board of Admin. costs		100	Estimate
Depreciation		1000	See below
Total expenditure	**3713**	**5312**	
Operating profit		(86)	
Surplus before loan charges	1014		
Interest paid	280	280	
Loans repaid	450		
Net surplus	284		
Profit before tax		(366)	
Tax		(73)	Notional, @ 20%
Profit after tax		(293)	

3.4 The depreciation charge is based on a very broad brush estimate of asset values. We have analysed all elements of capital expenditure from 1979 onwards, but in aggregate these amount to no more than a fifth of our estimate of the total asset values which we have pitched on the cautious low side. The major elements of capital in use are:

- land – which, valued on an alternative use basis – a mixture of agricultural and industrial – should be worth £5 million or more
- the basic infrastructure of the runway, taxiway, apron and roads – for which we have allowed £15 million
- the depreciated value of assets purchased since 1979 of some £5 million
- we have allowed £1 million for the original terminal building.

The calculation is then as follows:

	Replacement cost Gross	Depreciated	Annual depreciation charge	Average life (years)
Land	5.0	5.0		
Pre 1979 infrastructure	20.0	15.0	0.4	50
Original terminal	5.0	1.0	0.1	40
Post 1978 purchases	8.3	5.3	0.5	Buildings 25 Plant/machinery 15 Vehicles 10 Computers 7
Totals	38.3	26.3	1.0	

3.5 Compared with UK regional airports of a similar size, these asset values and the depreciation charge are modest, and therefore if anything give a somewhat rosy picture of the airport's financial performance. Even so, the position is not satisfactory and results in a figure of a loss before interest and tax of £86,000.

3.6 Thus, Guernsey airport is shown as making a loss rather than making a positive return on the capital invested. By implication, it would not be able to remunerate any major new investment. In the next chapter we turn to the question as to what a reasonable set of financial objectives should be.

CHAPTER 4 - FINANCIAL OBJECTIVES

4.1 Since the privatisation of airports in many countries, there has been much discussion of what a stand-alone company needs by way of a return on capital. The approach adopted by the UK regulators in respect of the BAA London airports and Manchester in summary is:

- to calculate a value of assets broadly related to depreciated replacement cost
- to allow a return on this of some 8-10% to reflect the cost of capital for investments carrying risks typical of airport projects

4.2 This would translate into the Guernsey situation as follows:

	£ millions	**£ millions**
Assets in use 1998	26.0	
Add £10 million terminal at mid life value	5.0	
Total assets	31.0	
Return on capital on £31 million at 8%		2.5
Depreciation: 1998 assets		1.0
Depreciation		0.4
Trading surplus required		3.9
Trading surplus forecast for 1998		0.9

This shows a shortfall, at £3 million, which is considerably greater than the extra £0.9 million calculated by the Board's Finance Director as being required to maintain the Ports Holding Account. It is worthwhile understanding why the differences arise.

4.3 First, the differences are not explained by the new terminal. Both sets of calculations point to an additional contribution from revenue of £0.8 million-£0.9 million p.a., as they use broadly similar lives and rates of return. The differences arise because of the low return on the existing assets. Several notions underlie the concept of a rate of return:

- the original investors should receive a return on their investment; the States are, of course, not receiving a dividend on their stake in the airport
- the customers should be paying a price which reflects the full cost of the facilities they use; clearly at Guernsey airport that is not the case
- there will be a range of assets which will require replacement over time, and the business needs to be in a position to be able to do that; in the case of Guernsey airport, there is an immediate need to replace the terminal, but arguably the remaining infrastructure will only need refurbishment and maintenance for a long time to come

4.4 As these considerations do not apply with immediate force to Guernsey airport, the States could adopt more moderate objectives. An example would be to set a medium-term target of a return on capital of say 5%. Alternatively, the Board could concentrate on loan servicing, and set a more stringent target for the terminal, for instance a term of 10 - 15 years for repayment instead of the conventional 20 or 25. In the next chapter, we will comment on these targets in terms of what is feasible, and reasonable given practice in the UK.

4.5 As the position of Jersey Airport has attracted attention, we should emphasise that the requirements there were different. The States of Jersey had made a capital grant which covered approximately half the cost of the new terminal, and, with other pressures on its Budget, it was decided that the airport should be self-financing – i.e. it would have no further recourse to loans. As the airport had a further major investment pending – in replacing a taxiway – this was a severe constraint. Nevertheless there are similarities in that the airport was not providing a proper return on the past investment, and indeed the underperformance of Guernsey Airport is relatively greater.

CHAPTER 5 - COMPARISON WITH OTHER AIRPORTS

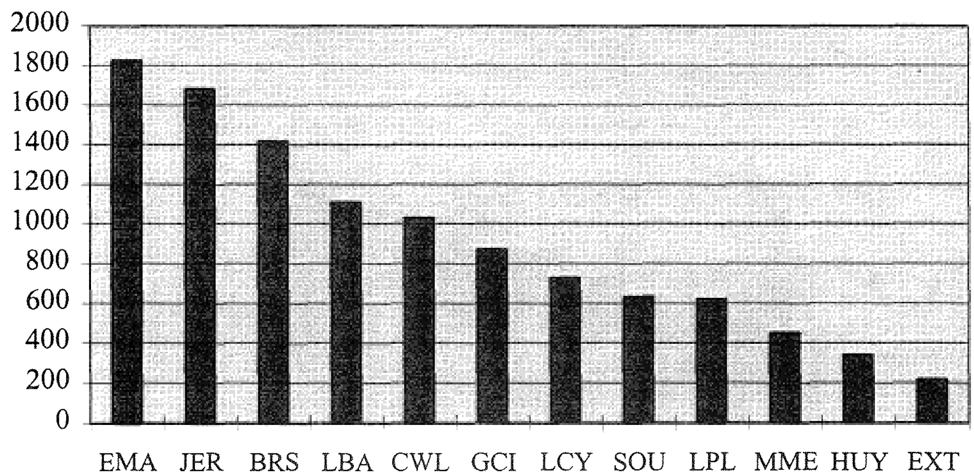
Introduction

5.1 In order to comment on the reasonableness of the financial objectives set out in Chapter 4, we have carried out a comparison of the financial performance of Guernsey Airport with that of Jersey and a number of UK airports of a similar size. No two airports are the same, of course, and the comparisons we make must be subject to debate. In particular, no other airport has the volume of very short distance traffic as Guernsey. In some of the comparisons we have allowed for this as best as we can by deducting the inter-island passenger numbers and the revenues directly derived from them. Detailed figures are provided in Appendix B and the comparisons are shown graphically in this chapter.

Overall Financial Performance

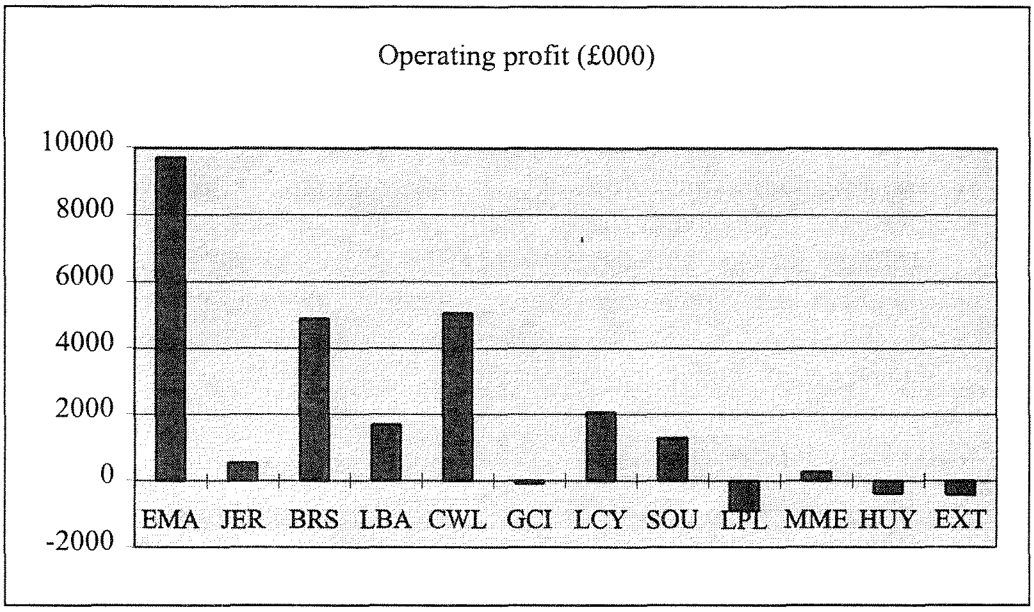
5.2 The airports used in the comparison range from those handling twice the number of passengers as Guernsey, to those handling a fraction, as shown in the chart below.

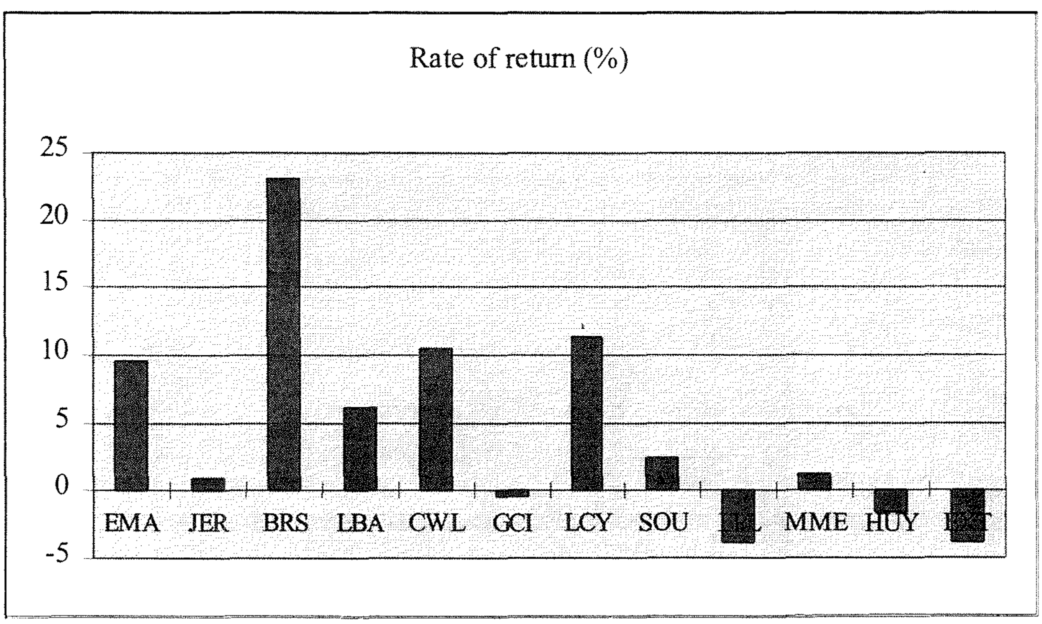
Passenger numbers (000)



EMA	East Midlands	LCY	London City
JER	Jersey	SOU	Southampton
BRS	Bristol	MME	Teeside
LBA	Leeds Bradford	HUY	Humberside
CWL	Cardiff	EXT	Exeter
GCI	Guernsey		

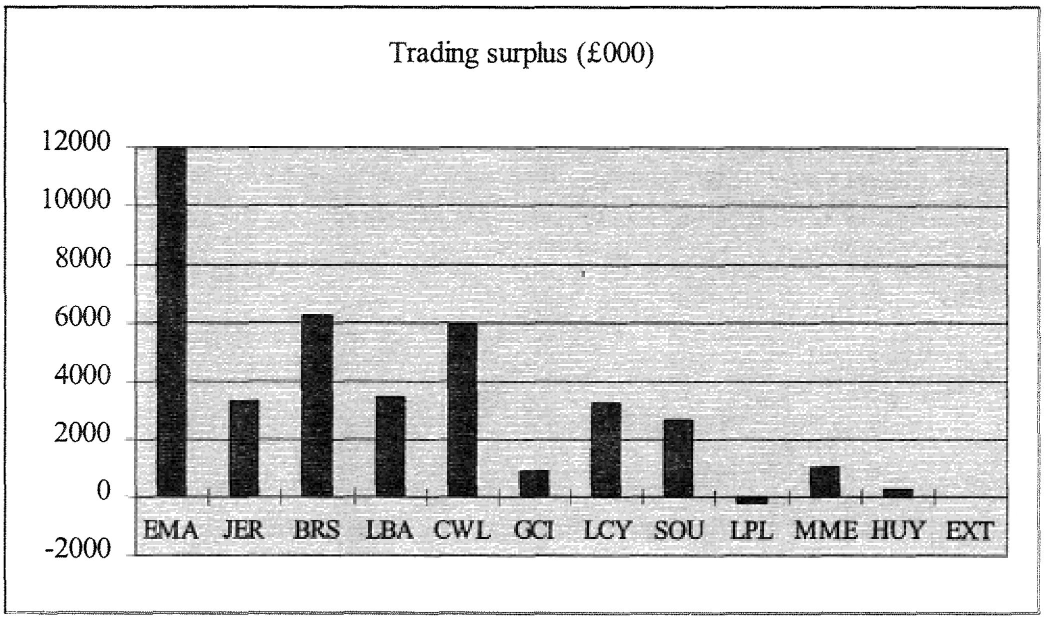
5.3 For UK airports, information on operating profit, net fixed assets and rate of return is taken from their individual published accounts. For Guernsey and Jersey adjustments were made to the published accounts as described in Chapter 3. Detailed figures are given in Appendix B, but the following charts show operating profit and rate of return.

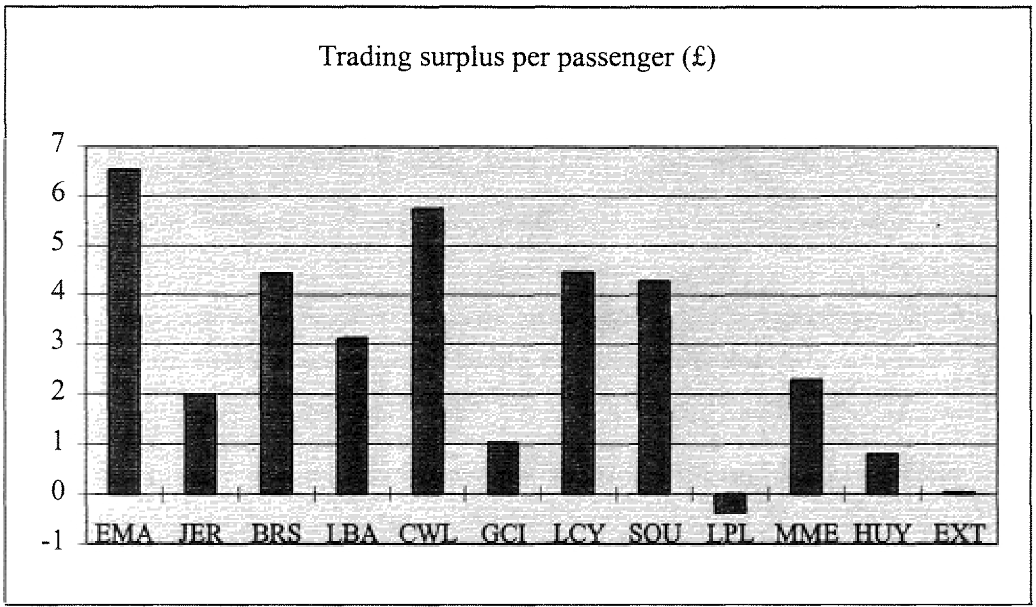




5.4 Generally, airports which are larger than Guernsey are profitable (Jersey being barely so) as are Southampton and London City which are smaller. However, smaller airports are making losses although some of these are handling many fewer passengers.

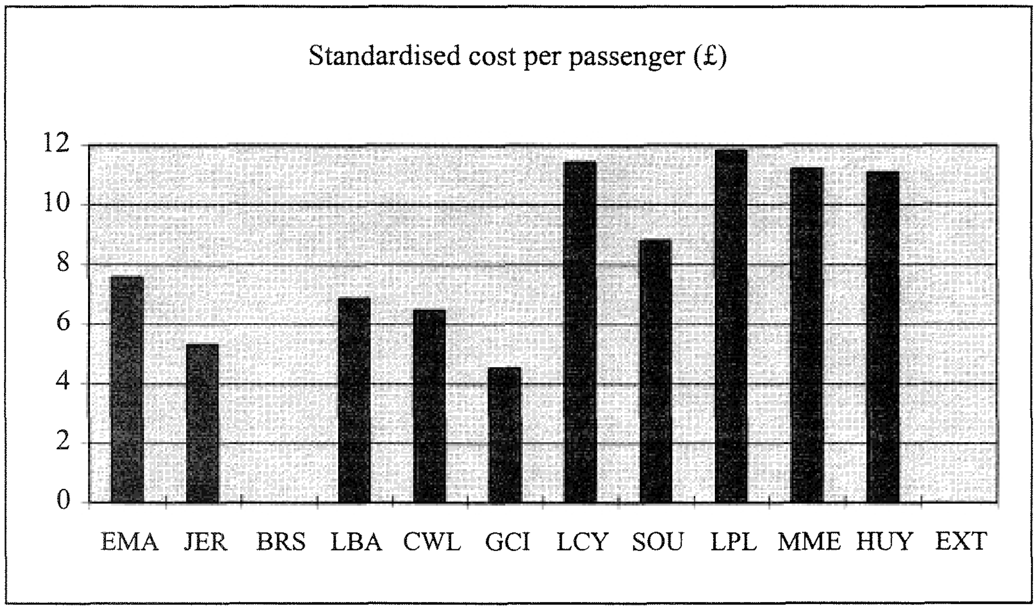
5.5 These measures are susceptible to accounting policies - particularly in the valuation of assets and on depreciation. A more valid comparison can be made by taking the trading surplus (before loan charges) for Guernsey and the equivalent for other airports. This is shown below in total and on a per passenger basis.





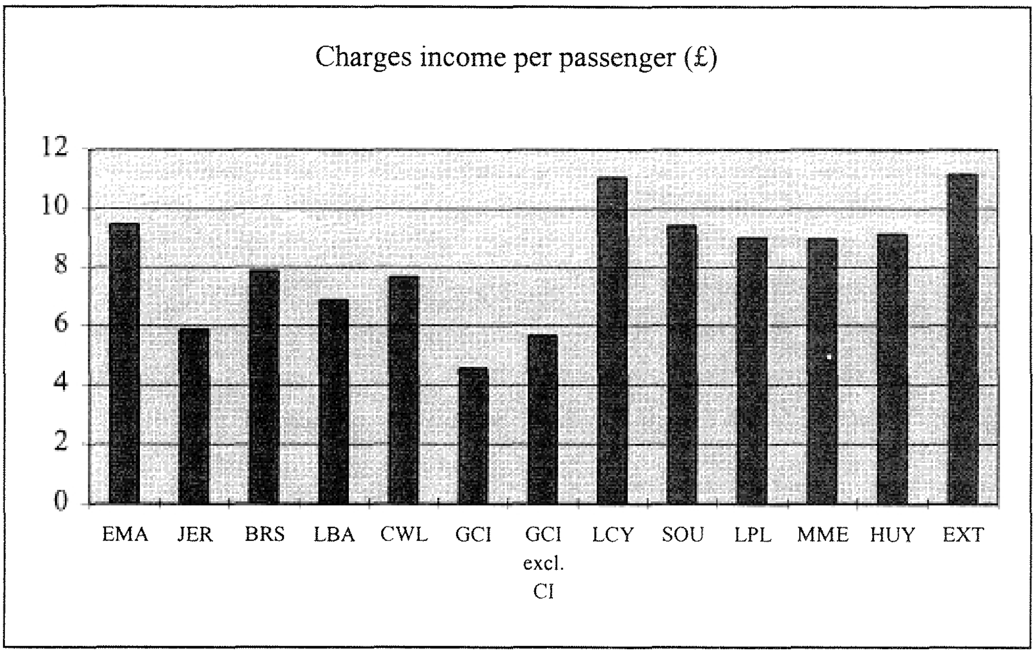
5.6 This shows that Guernsey is underperforming compared with airports of a similar size, although there are examples of lower trading surpluses per passenger.

5.7 The reasons for this performance can be illustrated by looking at the elements of the trading surplus. First it is clear that the explanation is not high cost at Guernsey. In the chart below, we have adjusted the costs at Guernsey to put them on as near a comparable footing as the costs before depreciation at the other airports. This entails adding in security costs, allowing £100,000 for the Board's central costs and deducting the recovery from Alderney. This does not make for an exact comparison, since UK airports commonly pay rates and for policing, and have more extensive commercial activities which bring costs. We have deducted the costs of apron services and fuelling businesses carried out by the airport where we know them, but there are probably some discrepancies that remain. We have not been able to produce comparable figures for Bristol or Exeter since we cannot deduct the cost of fuel purchased.



5.8 The explanation for the lower profitability of Guernsey therefore lies in considerably lower income per passenger. We have looked at this in two parts – income from airport charges and commercial income.

5.9 Airport charges at Guernsey are considerably lower than at UK regional airports, as is shown in the following chart. For comparability, we have added the security fee to Guernsey's charges and also calculated the yield for flights other than the inter-Island flights. The differential with UK airports of a similar size is very significant. To be comparable, Guernsey's charges could increase by more than a half, equivalent to over £6 on the passenger fee. The gap accounts for the bulk of the lower profitability of Guernsey Airport described above. (Jersey's rates are also comparatively low, and we have recommended to them that rates should be increased as the principal way of meeting their financial objectives.)

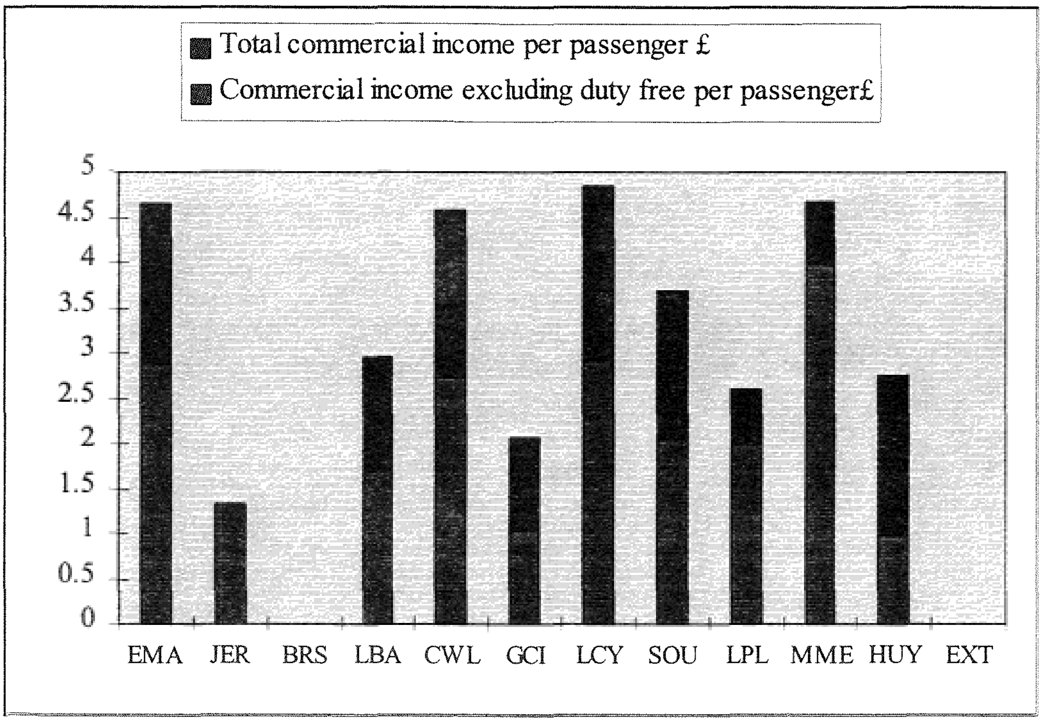


5.10 As a check, and as a further illustration of the difference in charges, we have made a simple comparison of charging rates for the commoner aircraft types and typical loads at Guernsey. This is shown below:

	Typical Airport Charges (£)					
	ATR 42 - 25 pax.			BAe 146-100 - 50 pax.		
	Domestic		**Int.**	**Domestic**		**Int.**
Guernsey (including security)		**318**			**701**	
Jersey		335			730	
Southampton		447			968	
Teeside	410		633	886		1099
Leeds Bradford	379		639	822		1108
Cardiff	374		661	872		1207
Bristol	406		669	881		1160

5.11 Whether Guernsey can reasonably raise its fees is open to debate and of course must reflect the island's priorities. It is a tourist destination whereas the international charges at the UK airports are aimed primarily at outbound tourists flying longer sectors. Nevertheless, these airports are conscious of their competitive situation, both against one another and against surface transport, and are keen to encourage traffic.

5.12 In Commercial Activities, UK airports also secure more income than Guernsey. In part, this must result from the availability of duty-free shops at UK airports. We have tried to correct for this in the chart below by deducting an estimated income from duty-free for those airports. We have employed an estimated income per passenger which is top of the range, so the resulting estimate of non-duty-free income per passenger is probably on the low side. Even so all the UK airports, except for one for which our estimate is probably too low, out-perform Guernsey airport. For this calculation we have not been able to produce figures for Bristol or Exeter.



CHAPTER 6 - FINANCIAL FORECASTS

6.1 We have prepared forecasts for a ten-year period employing the following principal assumptions:

- traffic growing by 2% p.a. until 1 million passengers p.a. is reached and then staying the same
- inflation of 3% p.a. and staff costs inflation of 5% p.a.
- traffic charging rates, commercial income and costs other than staff rising in line with inflation
- normal capital expenditure for the next five years as predicted by the Airport Director and continuing thereafter at £700,000 p.a. to reflect replacement of assets
- major investment in the terminal and associated works of £10 million, but no allowance for runway extensions
- new loans to be repaid over a 15 year period

6.2 When the new terminal is open, there should be a potential to develop more commercial income. This will come from the ability to present the existing line of goods in a more attractive way to the customers. There should also be potential to experiment with other products and services. It has to be recognised, however, that the potential from these sources will be limited by the modest passenger throughput.

6.3 The major exception would be if the States decided to permit duty free trading at the Airport on a permanent basis. Such a decision would of course entail an examination of the potential loss of tax revenues to the States.

6.4 In our forecasts, we have not explicitly allowed for any significant increase in commercial income to the Airport. To the extent that there is an improvement from the current product lines, this should be regarded as a bonus which might allow the States to temper some of the measures we propose below. If duty free becomes permanent, then the States would be entitled to look for a better commercial performance from the Airport. We discuss these issues in the section on financial objectives in the next chapter.

6.5 We have adopted as the key output of this forecast, the ability of the Airport to meet the loan requirements, at the critical date which will be just after the major development is completed. Our assessment is that net revenue from operations would have to increase by nearly £1 million p.a. over and above the amounts generated by the 'steady state' assumptions underlying the forecasts. This is equivalent to an increase of some 20% in airport charges - about £2 on the arriving passenger charge. We have incorporated such an increase spread over four years beginning with a 50 pence increase in 1999. This would enable the Airport to meet loan charges in all but a few years, and taking one year with another, earn a modest net surplus after loan charges. Even then the profits on a commercial basis would be modest, producing a return on net assets of only 2 -3% during the next decade.

6.6 We have also examined a more cautious scenario so as to judge the robustness of the financial picture. This scenario contains two important variations to the base case described:

- a traffic recession next year with passenger numbers dropping by 4% to 850,000 and staying constant thereafter

- another major capital expenditure demand of £10 million arising after the new terminal is completed, in the years 2003 - 2005. We are not specific about this, but an example could be runway extensions made necessary by changes in the fleets of the airlines serving Guernsey.

6.7 These demands could be met by continuing increases in traffic charges, which by the end of the period would amount to £6 per arriving passenger, plus inflation, spread over eight years. At this level, airport charges at Guernsey Airport would still be no higher than they are at regional airports in the UK.

6.8 A full set of the forecasts is provided at Appendix C but the principal results of these forecasts are summarised in the following table:

Item	**Steady state**	**With increase in airport charges**	**Cautious**
Passenger ceiling	1,000,000	1,000,000	850,000
Major capital expenditure	£10 million	£10 million	£20 million
Spread over years	2000 -2002	2000 - 2002	2000 - 2005
Increase in arriving passenger charge	nil	£2	£6
Spread over years		1999 - 2002	1999 - 2006
Surplus before loan charges	£000	£000	£000
1998	988	988	988
2003	1419	2476	2870
2008	1357	3232	4973
2013	1017	4176	6431
Net surplus after loan charges			
1998	300	300	300
2003	-1228	-171	84
2008	-1311	564	776
2013	-1285	1874	2918
Cumulative net surplus			
2003	-2280	1207	1094
2008	-8298	2593	2763
2013	-14826	9125	12797

CHAPTER 7 - FINANCIAL CONCLUSIONS

7.1 In this chapter, we draw together our main conclusions and recommendations for the financial policies to be adopted.

7.2 At present, Guernsey Airport is covering all its costs and loan charges with a small net surplus. However, this is well short of a proper commercial return on the capital invested. The level of trading is also insufficient to cover the cost of a new terminal building. A measure of shortfall can be presented in terms of the surplus before loan charges as follows:

- in 1998, the surplus will be close to £1 million
- to provide a commercial return on assets, including a new terminal, the surplus would need to rise to some £3.9 million p.a.
- to meet loan charges arising from financing the new terminal, the surplus would need to rise to some £2 million p.a.

7.3 The new terminal is most certainly 'affordable'. The increase in airport charges required to meet loan charges, although a significant percentage, would be relatively modest, amounting to some £2 on average on each return passenger journey. How this is applied can and should be discussed with the industry, but we note that it is the passenger charge which is lower at Guernsey than at UK airports. The desired increase might be achieved by increasing the arriving passenger charge by £2.60 on mainstream traffic and £1 on inter-island traffic. While the impact on the island's tourist and business trade cannot be ignored, an increase of this magnitude, phased over several years, should not have a significant detrimental effect. Guernsey's charges would still be well below what they are at comparable UK airports.

7.4 We therefore recommend that the Board should adopt as a policy for the medium term, subject to consultation with the Airport's business partners, a phased increase in airport charges to enable it to meet the loan charges arising from the new development, and that the first stage should be implemented next year. The issue of consultation is very important, as the Airport's business partners must be prepared to pay the increased charges and feel they have a say in what is being provided. In the next chapter we recommend how this should be achieved in the development process.

7.5 Beyond this initial recommendation, the States and the Board should give further consideration to the financial objectives of the Board. We have shown that:

- further improvements in financial performance are necessary to produce a commercial return

- those improvements would be necessary to cope with unforeseen demands - for instance another traffic recession and/or further major capital expenditure

- the improvements must be sought not so much in cost reductions as in increases in revenue

- substantial increases in airport charges, beyond what is necessary for the coverage of loan charges, would only bring Guernsey into line with its UK counterparts

- we should also note that UK airports, including those owned by local authorities, are generally seen as stand alone entities - paying for any services they receive from their parent authorities, including policing, and paying rates and income taxes like any other commercial enterprise

- we believe that duty free sales at the Airport would significantly improve the Airport's finances; they would also make use of one of Guernsey's near unique attractions after intra-EU duty free sales are abolished. There would undoubtedly be a loss of tax revenue to the States, and in those circumstances the States should seriously consider specifying more demanding financial objectives for the Airport.

7.6 Finally, we should note that while these recommendations may contain unpalatable elements, there is no immediate crisis. What we suggest is a series of measures to be implemented sequentially, with time to review policies as circumstances change.

CHAPTER 8 - REVIEW OF DEVELOPMENT

8.1 From the previous chapters, it is apparent that the financial situation is such that, if the States wants the airport to be redeveloped on a stand alone basis using commercial principles of accounting, then it will be necessary to increase both airport charges and commercial revenues. A redeveloped terminal provides a one-off opportunity to achieve such increases. The Airport's customers, be they airlines, business partners or air passengers, will be able to experience improved levels of comfort and service from the new facilities. Commercial opportunities can be exploited in a new environment. However, it is important that all these stakeholders are involved in the development process, so that they do no feel that they are forced into paying for something they have not had a hand in planning. It is often the case that the customers' needs are more straightforward than our interpretation of them and providing what the customer wants can lead to cost reductions.

8.2 This chapter reviews the development process in the light of our financial conclusions. A new terminal costing around £10 million would be possible if revenue is increased, but we believe that no-one would want to spend money unnecessarily, or embark on a project that overran both its programme and budget, and produced a terminal that was not what was wanted.

8.3 In addition to our site visits and discussions, we studied the Kensington Taylor 1997 Feasibility Study and met with them to discuss it, and we also had a copy of a report by Lovells dated 1 July 1998 on the alternative use of a temporary terminal.

8.4 The Kensington Taylor feasibility study is an excellent starting point for a consideration of the development issues. It sets out the background, the relevant policies and looks at options and recommends a solution. It does not attempt to cover funding issues other than by estimating costs and discussing the potential for some property development. It also suffers from the fact that it is written without the benefit of a brief, and this has been recognised by Kensington Taylor, who believe that the next main task is to complete such a brief.

8.5 Our view is to confirm that a brief is an essential step. The brief should start with stating the objectives of the development and should include a basic business case and it should be signed off with the main stakeholders. Indeed, we would recommend that at each stage, a document should be prepared which is signed off, to ensure that everyone 'buys in' to the proposals. Ideally this should be prepared in-house, but it is recognised that with limited resources available, a consultant is required. However, it is important to stress that the brief should indicate the need for the business solution required by the client and his customers, and not describe the solution itself.

8.6 We understand that the States was impressed with the concept put forward by Kensington Taylor and, in effect, has chosen this concept for development. We believe that much of the analysis is sound and is leading towards the right solution, but we urge that no further work is done on the design until the brief and business case are confirmed. Our work on the other three tasks in our proposal will help to confirm the business case.

8.7 We agree that the choice of an option which rebuilds the terminal on the site of the existing building is right. The existing building is time expired and experience has shown that redeveloping an existing building which has been the subject of much alteration over the years whilst trying to maintain an operation through it will not save money. This does however, imply that some activities have to be moved twice, away from the existing building and back to the new building. We also agree with the analysis of the apron layout which concludes that the use of angled nose in stands in the northern apron is appropriate, with the western apron retained for self manoeuvring and overflow stands. This leads to a more southerly airside face of the terminal, which in turn means a move of the landside face to the south. We also agree with the need for protection for pedestrians on both the airside and landside open areas.

8.8 We do not agree with the proposal to build a temporary terminal which would then be used for a non airport purpose once the new terminal is complete. Apart from the double move which this would necessitate, the proposed site of the temporary building has a strategic value to the airport because of its airside frontage and because of its location between the existing terminal and ancillary areas to the east. To allow this site to be occupied by a non airport activity for a 10-20 year period would restrict the airport's ability to respond to commercial opportunities or possibly operational requirements, as yet unknown. In any event, the Lovells report is doubtful about the potential demand for such accommodation and points out that car parking demand would add significantly to the land take.

8.9 Instead, we would suggest an option which builds the first stage of a new terminal immediately to the east of the existing terminal, into which the main passenger handling activities would move while the existing terminal is demolished. The second stage of the terminal would then be built on the site of the existing terminal. Some activities could be relocated to temporary hired buildings, such as Portakabins, and the Aurigny operation could be retained in its existing location in the southern leg of the existing terminal which could be retained until Stage 2 is complete. This concept would minimise the number of double moves that would have to take place. Sketch plans of the concept are attached at Appendix D. Two options are presented, the difference simply being whether arrivals or departures processes are dealt with on a temporary basis during stage 1.

8.10 The size of the building must be determined by reference to the brief. However, given that the forecast growth is limited and most views are that space does not need to be increased dramatically, the footprint of the building need not be very much larger than the existing. We recommend the provision of appropriate spaces to exploit any commercial potential, including the provision of catering at first floor level and the allocation of space both landside and airside for retailing.

8.11 Kensington Taylor offer alternatives of a curved or rectangular building of basically the same layout and floor area. We would recommend the rectangular building, because it will be inherently more flexible. We do not agree that the airside scale needs to be bigger than landisde. Aircraft stands will require a covered walkway in any event and the landside set down and pick up area would be best spread along a landside frontage. We appreciate the argument about creating a building with some presence, but most opinion seems to be that the passengers would want functionality, such as short, safe and dry walks, and flexibility in the future is important. We believe that a rectangular building including a part first floor would provide an appropriate scale for the entrance to and exit from the island.

8.12 We recommend that the next step should be the formulation of a brief that is then signed off by the stakeholders. In our proposal we suggested that the next stage would be to set up a project process, appropriate for the scale of the development. If the States wished BAA to continue advising on the project, we would wish to bring into our team the services of Mace Ltd. Mace are a framework contractor, which means that we have appointed them to undertake a series of contracts over a period of years. They understand the process we would recommend and have experience in developing projects using it.

CHAPTER 9 - SUMMARY AND CONCLUSIONS

9.1 BAA was commissioned by the States of Guernsey Board of Administration to undertake a financial and project review of the redevelopment of Guernsey Airport. This report presents the BAA team's analysis and recommendations.

9.2 The current financial position is that the Airport is covering its costs and loan charges with a small net surplus. If 'commercial' accounts are prepared, they show that the surplus would be a loss. Financial objectives similar to UK airports are suggested, and comparisons made with those airports. Guernsey Airport's operating profit and return are small and when measured as the more comparable trading surplus there is a clear underperformance. However, this is not due to high costs, but rather a low level of charges and commercial income.

9.3 Financial forecasts have been prepared from which it is clear that the current surplus would be insufficient to cover the cost of a new terminal building. However, the new terminal is affordable and it is recommended that a staged increase in airport charges, following consultations with the Airport's business partners, be adopted as a medium term policy.

9.4 We have reviewed the proposed development and the process by which it is being taken forward. We believe that it is important to ensure that there is a structured project process, with a significant degree of buy-in from stakeholders. We believe that of the options considered, it is right to continue on the basis of a new building more or less on the site of the existing terminal, with a new apron layout and better protection for pedestrians. We recommend that it be built in phases to avoid the need for a temporary building and that it be a rectangular building offering the greatest flexibility and passenger convenience.

9.5 Finally, BAA has been pleased to assist in this brief review. If further assistance is required for the project process, we would wish to bring in partners as we would for one of our own airports. In addition, BAA would be delighted to discuss any further relationships which the States or Board might wish to pursue.

Appendix A

Copy of proposal dated June 1998

BAA

BAA Group Rail Strategy
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Newall Road
Heathrow Airport
Hounslow
Middlesex
TW6 2QS

Tel: 0181 745 2762
Fax: 0181 745 1631

Richard Kirkpatrick
Chief Executive Officer
States of Guernsey Board of Administration
Sir Charles Frossard House
PO Box No. 43
La Charroterie
St Pater Port
Guernsey C.I.

30 June 1998

Dear Mr Kirkpatrick

GUERNSEY AIRPORT

Further to our meeting on 12 June 1998, I attach a proposal for BAA to advise the Board on the development of Guernsey Airport.

Please do not hesitate to call if you have any questions. I look forward to hearing from you.

Yours sincerely

Paul Le Blond

STATES OF GUERNSEY

BOARD OF ADMINISTRATION

PROPOSAL
TO UNDERTAKE A REVIEW OF THE FINANCIAL AND PROJECT MANAGEMENT OF THE DEVELOPMENT OF GUERNSEY AIRPORT

by

BAAplc

June 1998

GUERNSEY AIRPORT

FINANCIAL AND PROJECT REVIEW

Proposal by BAAplc

Contents

1 INTRODUCTION AND SUMMARY

The States of Guernsey Board of Administration wishes to undertake the development of Guernsey Airport and has asked BAA for advice on financial issues and project implementation. This document outlines a proposal to provide that advice.

Guernsey Airport and BAA share many customers, and with experience operating large and small airports in the UK and elsewhere, BAA is ideally place to provide practical advice. BAA consultants with extensive experience would be used.

The proposal suggests an initial review, to be completed within two months of appointment, of the Airport's financial position and the development proposals such that options for financing the development can be formulated. The proposal then suggests a project set up stage where BAA can advise on appropriate project management arrangements.

2 BAAplc

BAA plc is the world's leading airport operator. It operates the major international hubs of Heathrow and Gatwick and a range of regional and local airports in the UK comprising Stansted, Southampton, Aberdeen, Edinburgh and Glasgow. It also operates airport facilities in Indianapolis (USA), Pittsburgh (USA), Melbourne (Australia), Launceston (Australia) and Naples (Italy). The recent acquisition of DFI (now World Duty Free Americas) means that BAA has extensive duty free operations at airports, borders, ships, and in flight, throughout the world. The company therefore has experience of the full range of issues facing airports, small and large.

In addition, BAA has acted as adviser to airports in many countries on issues, including financial, corporate and organisational structures and development plans. Recent projects include:

- A corporate restructuring study for Malta International Airport, addressing issues such as who should perform services such as meteorology, air traffic control and security and the need to support the island's tourist industry.

- A strategic review for Turin Airport in the light of ownership and regulatory changes being considered by the Italian Government.

- A corporate organisation and financial study for the Norwegian Airports.

- A strategic service review for Jersey Airport, undertaken as one of a number of reviews of States organisations and in the circumstances of their recently completed major terminal development.

Staff involved in these studies would be used where appropriate. Individual BAA staff are amongst the world leaders in their own specialist areas and take a major role in developing European and world-wide policies and practices for airports. Areas of particular strength are:

- Security, where BAA has led in the development of hold baggage screening technology

- Economic regulation

- Financing of investment

- Traffic forecasting

- Management and organisational development

- Airfield design and project engineering

- Project and construction management, where BAA has created a project process which reduces cost, increases predictability, ensures consistency and value for money and provides programme certainty.

Guernsey Airport and BAA have a number of issues in common and have worked together previously, so BAA would be able to learn quickly about the current position and produce early results.

BAA has advised Guernsey Airport on issues such as master planning and traffic forecasts. A study in 1989 reviewed the then proposals for development.

BAA's airports are major business partners of Guernsey Airport. In 1997 passenger numbers from BAA's English airports to Guernsey were as follows:

Gatwick	235,400
Heathrow	119,000
Southampton	109,300
Stansted	28,300

BAA and Guernsey Airport share key customers, including British Airways and its franchisees, KLM UK, Jersey European Airways and Aurigny Airlines.

3 THE PROPOSAL

This proposal provides for an initial review of the current development proposal to be followed by an involvement in the project implemetation. The initial phase is fully costed and offered at a fixed price. The terms for subsequent involvement could be negotiated after the initial review.

Initial Review

The initial review would be completed within two months of commissioning. It would comprise the following activities:

Analysis of current financial situation: meetings would be held with the Airport's and States' financial officers, information gathered from the books and accounts, budgets and business plans examined.

Conversion of Airport Accounts to 'commercial' accounts: an approximation of how the Airport's finances would look if it were a stand-alone organisation, involving an estimation of assets and a calculation of depreciation, a reconciliation of payments for services currently provided at no cost and a presentation in the form of profit and loss accounts, balance sheet and cash flow.

Creation of a 10 year financial plan: discussions with Airport and States officials to determine the known development programme, estimations of traffic growth potential and revenue projections, including traffic charges, commercial income and operating costs.

Review of current development plans: depending on the outcome of the above activities, an analysis of the affordability of the current proposals and the examination of options, including increasing revenue, reducing costs, alternative development concepts and commercial opportunities.

In order to undertake the initial review, BAA staff would visit the island, meet with Airport Managers and States officials, examine documents and make site visits. Progress will be reported verbally and with draft documentation at points to be agreed. At the end of the initial review, a report will be delivered including all the financial analyses and options considered, with a recommendation for a way forward. The report can be delivered at a presentation, if required.

The initial review would be carried out mainly by the following two people:

Paul Le Blond would manage the project and undertake the review of the current development proposals and consideration of options. He was the project manager for the Jersey work and has extensive experience of master and facilities planning, organisational development and operational management.

John Phillips would undertake the financial analysis and business planning. He was also fully involved in the Jersey work and has previous experience of consultancy in Malta and Turin. He has recently retired from BAA where he was for many years the company's adviser on economic and financial matters.

Full cv's of Paul Le Blond and John Phillips are provided in the appendix.

Project Management and Implementation

If the outcome of the initial phase assists the Board of Administration in making a decision to proceed with the development project, BAA can advise on setting up of a project process appropriate for the scale of development.

In the UK, construction projects are implemented in a variety of ways and there is little consistency or standard practice. BAA's experience was that for many jobs, the organisation and process had to be established for each job, and the lessons learnt from previous jobs were applied only in a haphazard way. Competetive tendering is intended to produce the best price, but the tenderer only prices what is specified. It was common practice for contractors to seek to make profits after a low tender but claiming for extras.

BAA now has a project process which provides certainty and clarity. A leaflet describing the process is attached to this proposal. It involves an identification of the roles of each individual, clear briefs signed off by the client, opportunities for formal review and value management, early involvement of consultant s and contractors.

For this stage of the project, BAA will advise on an appropriate form of its project process for the terminal development at Guernsey Airport, and assist the Board of Administration in setting up the appropriate project team and arrangements. Once these arrangements are in place, the Board of Administration, as the client, would have full control of the project and would appoint professional advisers, consultants, project managers and contractors as and when required. BAA has a number of framework contracts in place and would be able to advise the Board of Administration in particular on an appropriate project manager. BAA could have a limited advisory role on a continuing basis if required.

No financial proposal is made in this document, as the time required will depend upon a more detailed evaluation of the project. However, for the purpose of illustration, it is envisaged that the preliminary part of this stage would involve between 60 and 100 man days.

4 PROPOSED TERMS

It is proposed that the initial stage of the work be undertaken on a fixed fee basis for the sum of £34,000, inclusive of all travel and expenses.

For this fee BAA will provide 30 man days of consultancy. Any additional work requested would be charged at £1000 per day plus expenses.

APPENDIX

CVs of Paul Le Blond and John Phillips

CURRICULUM VITAE:

PAUL LE BLOND
RAIL STRATEGY MANAGER, BAA plc

Born 25 June 1949

Academic Qualification:	Harrow County School for Boys 10 GCE 'O' levels 5 GCE 'A' levels Reading University BSc (1st Class Honours) in Geography with Mathematics Leeds University MSc Transportation Engineering
Professional Qualifications:	Fellow of the Chartered Institute of Transport.

Employment

1995 - present	**Rail Strategy Manager, BAA plc** Responsible for the development of a rail strategy for the group's airports and for the concept stages of additional rail links projects. Associated with the Heathrow Express project team and operating company, this role has been to create a strategy for the development of rail services to Heathrow to follow the initial Heathrow Express service to Paddington.
1995 - 1993	**General Manager Development, BAA plc** Responsible for developing and implementing a project process system throughout BAA's £1 million a day project programme.
1991 - 1993	**Head of Planning Communications, BAA plc** Responsible for the effective communication of information relating to the planning phase of major strategic projects, including Heathrow Terminal 5.
1988 - 1991	**Project Manager, Heathrow Express, BAA plc** Responsible for the planning, design and implementation of the rail link project, including negotiating a join venture with British Rail, preparation and submission of a Parliamentary bill and appointment of designers.

1985 - 1988	**General Manager, Terminal 2 Heathrow Airport, British Airports Authority (until 1987) then BAA plc** Responsible for all the activities within the terminal, handling 7 million passengers a year, with 460 staff, annual income of £25 million, expenditure of £12 million and capital investment of £4 million.
1984 - 1985	**System Planning Manager, British Airports Authority**
1980 - 1984	**Inquiry Team Manager, British Airports Authority**
1977 - 1980	**Assistant Facilities Planning Manager, British Airports Authority**
1976 - 1977	**Assistant Redevelopment Manager, Terminal 2, Heathrow Airport, British Airports Authority.**
1974 - 1976	**Assistant Property Manager, Cargo Terminal, Heathrow Airport, British Airports Authority.**
1973 - 1974	**Planning Officer, British Airports Authority.**
1970 - 1973	**Graduate Trainee, British Airports Authority.**

September 1997

CURRICULUM VITAE:

C. JOHN PHILLIPS
PRINCIPAL AIRPORT ECONOMICS

Born: 3 November 1942

Academic Qualifications:	M.A. (Oxon) in Philosophy, Politics and Economics.
Languages:	Welsh, English, French (fluent); Spanish (reading), Germany (elementary)

Employment:

April 1997 - Present	**Consultant in Airport Economics** Assignments in airport privatisation and the market for ground handling services.
1993 - 1997	**Head of Industry Affairs, BAA plc** Responsible for BAA's international governmental affairs, particularly EU matters. Representing BAA's policies in international industry associations, the European Commission, European Parliament, European Civil Aviation Conference, the International Civil Aviation Organisation and other international bodies.
1988 - 1993	**Head of Airport Strategy, BAA plc** Following privatisation, developed BAA's long-term investment strategy and policies relating to EU matters such as frontier controls, slot allocation and duty-free sales. Developed Heathrow Express project through its feasibility study stage, and carried out review of the roles of Glasgow and Prestwick airports.
1986 - 1988	**Corporate Treasurer, BAA plc** A key role created oversee the transition from a Government-owned corporation to one owned by private shareholders. Advised on the corporate and financial structure of the new company. Advised and negotiated major new financing to replace Government financing. devised on the form of regulation to be applied to BAA and co-ordinated BAA activities in the preparation from privatisation.

1975 - 1986	**Chief Economist, British Airports Authority** Responsible for developing a charging structure for BAA's airports, including analytical studies, discussions with airline representatives, Government officials and academic economists. Performing financial and economic appraisals of the capital expenditure programme and presenting the case to Government. Ad hoc economic studies on policy matters for the Board.
1970 - 1975	**Planning Manager, Economics, British Airport Authority** Traffic analyses and forecasts for airport facilities, primarily as input to developing the capital expenditure programme. Various market research studies on ground traffic and other aspects of airport operations.
1966 - 1970	**Consultant, Economic Consultants Limited** Regional and transport planning studies for urban development projects in the UK, Canada and France.
1964 - 1966	**Research Executive, Economist Intelligence Unit Limited, London** Market research projects primarily of UK industrial markets

Special Responsibilities
Airports Council International (ACI) and ICAO
Represented BAA on several trade bodies including ACI and its predecessors. Served as Chairman of the International Economic Committee of AOCI (now renamed ACIL-North America) as well as various working groups and task forces of the European association. Has represented the UK at several meeting of ICAO and ECAC.

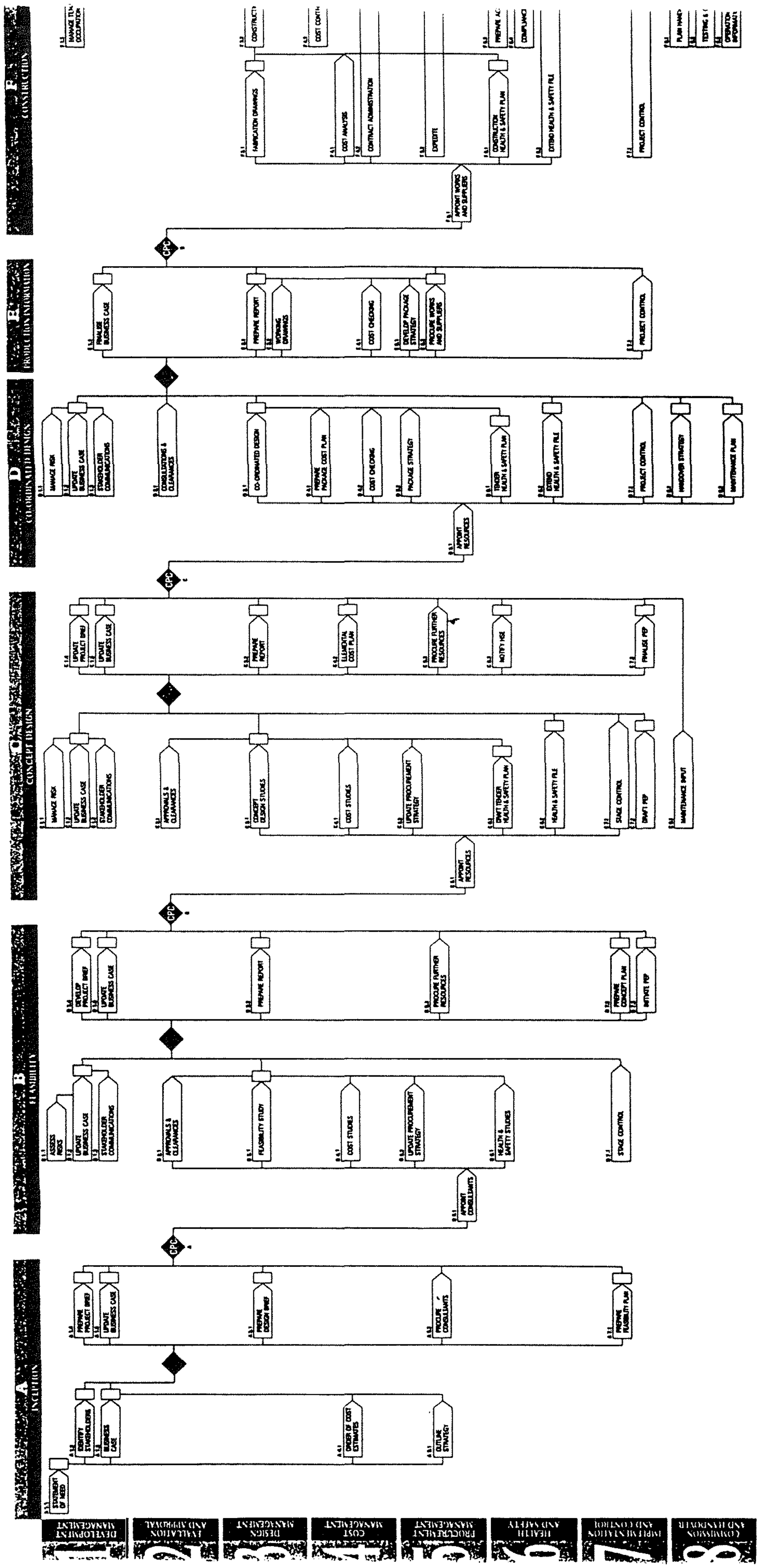
Speeches and Publications
Numerous papers delivered to Conferences and Seminars in Europe and North America. Edits a new quarterly publication International Airport Review.

Advisory Work
Recently advised the Maltese authorities on the organisation and financing of Civil Aviation infrastructure in Malta.

Advised Turin Airport on its strategy in the light of institutional change and possible privatisation.

Participates in training work by ACI for airports in developing countries. Chaired a workshop in March 1997 for Central European airports to prepare for the extension of the European Single Market in Aviation

September 1997



Appendix B

Airport Comparisons

Passenger Numbers, Operating Profit, Net Fixed Assets and Rate of Return

Airport	Year to end	Passenger numbers (000)	Operating profit (£000)	Net fixed assets (£m)	Rate of return (%)
East Midlands	Dec-96	1823	9713	101	9.6
Jersey	Dec-97	1681	536	53	1
Bristol	Mar-97	1418	4883	21	23
Leeds Bradford	Mar-97	1107	1688	27	6.1
Cardiff	Mar-97	1027	5051	48	10.4
Guernsey	**Dec-97**	**871**	**-84**	**21**	**-0.4**
London City	Dec-96	728	2066	18	11.3
Southampton	Mar-98	631	1283	51	2.5
Liverpool	Mar-97	622	-894	24	-3.8
Teesside	Mar-97	451	270	22	1.2
Humberside	Mar-98	339	-381	23	-1.6
Exeter	Mar-97	214	-426	10	-3.8

Trading Surplus

Airport	Year to end	Passenger numbers (000)	Trading surplus (£000)	Trading surplus per passenger (£)
East Midlands	Dec-96	1823	11902	6.53
Jersey	Dec-97	1681	3336	1.98
Bristol	Mar-97	1418	6276	4.43
Leeds Bradford	Mar-97	1107	3455	3.12
Cardiff	Mar-97	1027	5909	5.75
Guernsey	**Dec-97**	**871**	**916**	**1.03**
London City	Dec-96	728	3250	4.46
Southampton	Mar-98	631	2697	4.27
Liverpool	Mar-97	622	-238	-0.38
Teesside	Mar-97	451	1034	2.29
Humberside	Mar-98	339	271	0.8
Exeter	Mar-97	214	8	0.04

Standardised Cost

Airport	Passenger numbers (000)	Standardised cost (£000)	Standardised cost per passenger (£)
East Midlands	1823	13793	7.57
Jersey	1681	8945	5.32
Bristol	1418		
Leeds Bradford	1107	7617	6.88
Cardiff	1027	6650	6.48
Guernsey	**871**	**3939**	**4.52**
London City	728	8319	11.43
Southampton	631	5561	8.81
Liverpool	622	7361	11.83
Teesside	451	5052	11.20
Humberside	339	3758	11.09
Exeter	214		

Charges and Commercial Income

Airport	Pass. nos. (000)	Charges income (£000)	Charges income per pass. (£)	Total comm. income (£000)	Comm. Income excluding duty free (£000)	Comm. income excluding duty free per pass. (£)	Total comm. income per passenger (£)
East Midlands	1823	17245	9.46	8450		2.43	2.21
Jersey	1681	9865	5.87	2233		1.33	
Bristol	1418	11156	7.87				
Leeds Bradford	1107	7609	6.87	3463		1.56	1.57
Cardiff	1027	7853	7.65	4706		2.27	2.31
Guernsey	**871**	**3960**	**4.55**	**895**		**1.03**	**1.03**
Guernsey excluding inter Island traffic	**609**	**3446**	**5.66**				
London City	728	8043	11.05	3526		2.42	2.42
Southampton	631	5938	9.41	2320		2.05	1.63
Liverpool	622	5593	8.99	1530		1.84	0.62
Teesside	451	4035	8.95	2051		3.82	0.73
Humberside	339	3098	9.14	931		0.53	2.22
Exeter	214	2387	11.15				

Appendix C

Financial Forecasts

1 The tables that follow provide the detailed forecasts which are described in Chapter 6 of the main report, and summarised in the table in paragraph 6.8. There are three scenarios:

Steady State reflecting a modest increase in demand, and the continuation of existing policies, and an investment in the new terminal and associated facilities of £10 million.

With an Increase in Airport Charges reflecting the recommended increase in airport charges to meet the cost of the new terminal; the other assumptions are the same as for the *steady state* scenario.

Cautious assumptions with traffic dropping to 850,000 passengers p.a., and a further major investment following in 2003-2005; this is accompanied by more increases in airport charges to meet the additional obligations coupled with the lower revenue.

2 All the forecasts are shown after inflation at 3 % p.a. (with 5% p.a. for labour costs). This is designed to be consistent with interest rates on loans of 8%, but it does mean that the individual figures for costs and revenues in the later years will appear very high. A few other comments need to be made on the way inflation is dealt with:

- the proposed increase in airport charges of £2 per passenger, is applied as four instalments of 50p. The 1999 instalment of is subjected to inflation from 2000 onwards, the 2000 instalment from 2001 onwards. In 1998 prices, the total increase is a shade under £2.
- the cost of capital projects is inflated from 1998
- depreciation is calculated on the inflated costs of assets – to approximate to a replacement cost approach

3 New loans are repaid as equal instalments, which is more demanding in the early years than the States' current practice of the annuity basis with equal payments of principal and equity combined over the life of the loan.

4 For each scenario, there are two sheets of tables, with the calculations grouped as follows:

- the main assumptions in terms of passengers, inflation etc; these inputs can readily be amended
- the costs and revenues derived from these assumptions, together with the main commercial indicators of profitability
- a cash flow section starting with the loan charges in respect of capital projects undertaken by the end of 1998; there is a small discrepancy with loan charges expected for the current year which we have been unable to resolve at the time of preparing this report, but this is not significant for the conclusions
- new capital projects from 1999 onwards, with the major developments shown separately; the; these are subjected to the more demanding repayment terms
- the figure for net cash flow, after loan charges is perhaps the most significant result under the current practice; taking one year with another this should be positive
- the final sections shows the calculation of assets from which the return on assets is calculated

APPENDIX C: FINANCIAL FORECASTS

Steady State Scenario: Page 1

£000	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
	Ceiling																
Pax growth - basic	*1000*	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
000 passengers p.a.	871	888	906	924	943	962	981	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000
Inflation		3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
Pax growth - used			2%	2%	2%	2%	2%	2%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Staff cost/employee	27.8	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Staff nos.	100	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Interest rate on borrowings		8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%
Tax (notional)		20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
Airport Charges	3960	4160	4371	4592	4824	5069	5325	5592	5759	5932	6110	6293	6482	6677	6877	7083	7296
Other Income	895	940	988	1038	1090	1146	1204	1264	1302	1341	1381	1422	1465	1509	1554	1601	1649
Total Income	**4855**	**5101**	**5359**	**5630**	**5915**	**6214**	**6529**	**6855**	**7061**	**7273**	**7491**	**7716**	**7947**	**8186**	**8431**	**8684**	**8945**
Staff Costs	2779	2918	3064	3217	3378	3547	3724	3910	4106	4311	4527	4753	4991	5240	5502	5777	6066
Other Costs	1160	1195	1231	1268	1306	1345	1385	1427	1469	1514	1559	1606	1654	1703	1755	1807	1861
Total Costs	**3939**	**4113**	**4294**	**4485**	**4683**	**4892**	**5109**	**5337**	**5575**	**5825**	**6086**	**6359**	**6645**	**6944**	**7257**	**7585**	**7928**
Surplus	916	988	1064	1145	1231	1323	1419	1518	1486	1448	1405	1357	1303	1242	1174	1100	1017
Depreciation		1000	1080	1286	1519	1686	1769	1855	1945	2039	2137	2239	2344	2455	2569	2689	2813
Profit before Interest and Tax		-12	-16	-141	-288	-363	-349	-337	-460	-591	-731	-881	-1042	-1213	-1395	-1589	-1796
Net fixed assets		25500	25835	28207	32233	35524	36768	36865	36902	36872	36771	36594	36335	35988	35547	35006	34357
Return on net fixed assets		0.0%	-0.1%	-0.5%	-0.9%	-1.0%	-1.0%	-0.9%	-1.2%	-1.6%	-2.0%	-2.4%	-2.9%	-3.4%	-3.9%	-4.5%	-5.2%
Interest		364	492	680	998	1236	1290	1242	1193	1137	1090	1038	982	928	884	836	783
Profit before tax		-376	-508	-820	-1285	-1599	-1639	-1579	-1652	-1728	-1821	-1920	-2024	-2141	-2279	-2425	-2579
Taxation		-75	-102	-164	-257	-320	-328	-316	-330	-346	-364	-384	-405	-428	-456	-485	-516
Profit after tax		-301	-406	-656	-1028	-1279	-1311	-1263	-1322	-1382	-1457	-1536	-1619	-1713	-1823	-1940	-2063

Steady State Scenario: Page 2

£000	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Cash Flow																	
Trading Surplus		988	1064	1145	1231	1323	1419	1518	1486	1448	1405	1357	1303	1242	1174	1100	1017
Current Commitments- Princ		325	363	370	402	423	459	454	492	395	411	444	368	207	224	243	0
Current Commitments- Int		364	442	409	378	343	307	268	229	186	154	122	86	56	39	20	0
Net surplus		300	259	366	452	557	653	797	765	867	840	792	848	979	911	837	1017
New capital-normal		0	713	593	442	694	700	700	700	700	700	700	700	700	700	700	700
Major developments			500	3500	4000	2000	0	0	0	0	0	0	0	0	0	0	0
Total new capital		0	1213	4093	4442	2694	700	700	700	700	700	700	700	700	700	700	700
After inflation		0	1249	4342	4854	3032	811	836	861	887	913	941	969	998	1028	1059	1091
Cumulative new loans		0	1249	5592	10446	13478	14289	15125	15986	16873	17786	18727	19696	20694	21722	22781	23871
New Repayments - pri	*15 yr term*			83	373	696	899	953	1008	1066	1125	1186	1248	1313	1380	1448	1519
Cumulative Repayments			0	83	456	1152	2051	3004	4012	5078	6202	7388	8637	9950	11329	12777	14296
Loans outstanding at year end		0	1249	5508	9989	12325	12238	12121	11974	11795	11584	11339	11059	10744	10392	10003	9575
New financing -interest		0	50	270	620	893	983	974	964	951	935	917	896	872	845	816	783
Net cash flow		300	209	12	-541	-1032	-1228	-1130	-1207	-1150	-1220	-1311	-1296	-1206	-1314	-1427	-1285
Cumulative Cash Flow		300	509	521	-20	-1052	-2280	-3410	-4618	-5767	-6987	-8298	-9594	-10800	-12114	-13541	-14826
Fixed Assets & Depreciation.																	
Starting assets - Jan 1st		26000	25000	24720	24401	24040	23636	23185	22687	22138	21535	20876	20159	19379	18535	17622	16638
Revalued		26000	25750	25462	25133	24761	24345	23881	23368	22802	22181	21503	20764	19961	19091	18151	17138
Depreciation in year		1000	1030	1061	1093	1126	1159	1194	1230	1267	1305	1344	1384	1426	1469	1513	1558
Avge net assets for year		25500	25235	24931	24586	24198	23765	23284	22753	22168	21529	20831	20071	19248	18357	17395	16359
GBV New Investments	*Life*		1249	5629	10652	14004	15235	16528	17885	19308	20801	22365	24005	25724	27523	29408	31381
Depreciation for year	*25 years*		50	225	426	560	609	661	715	772	832	895	960	1029	1101	1176	1255
Dep Cumulative (revalued)			50	277	711	1292	1941	2660	3455	4331	5293	6347	7497	8751	10114	11594	13197
NBV New investments			1199	5352	9941	12711	13295	13868	14430	14977	15508	16019	16508	16973	17409	17814	18183
Avge net assets for year			600	3276	7647	11326	13003	13581	14149	14703	15242	15763	16264	16740	17191	17611	17998
Total net assets for year		25500	25835	28207	32233	35524	36768	36865	36902	36872	36771	36594	36335	35988	35547	35006	34357

APPENDIX C: FINANCIAL FORECASTS (Continued)

With increased Airport Charges; Page 1

£000	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
	Ceiling																
Pax growth - basic	*1000*	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
	871	888	906	924	943	962	981	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000
Inflation		3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
Pax growth - used			2%	2%	2%	2%	2%	2%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Staff cost/employee	27.8	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Staff nos.	100	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Interest rate on borrowings		8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%
Tax (notional)		20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
Extra charges (£ per arr pax)			0.50	0.50	0.50	0.50											
Airport Charges	3960	4160	4597	5061	5553	6074	6382	6705	7044	7400	7775	8168	8581	9016	9472	9951	10455
Other Income	895	940	988	1038	1090	1146	1204	1264	1302	1341	1381	1422	1465	1509	1554	1601	1649
Total Income	**4855**	**5101**	**5585**	**6099**	**6643**	**7220**	**7585**	**7968**	**8346**	**8741**	**9156**	**9591**	**10046**	**10525**	**11026**	**11552**	**12104**
Staff Costs	2779	2918	3064	3217	3378	3547	3724	3910	4106	4311	4527	4753	4991	5240	5502	5777	6066
Other Costs	1160	1195	1231	1268	1306	1345	1385	1427	1469	1514	1559	1606	1654	1703	1755	1807	1861
Total Costs	**3939**	**4113**	**4294**	**4485**	**4683**	**4892**	**5109**	**5337**	**5575**	**5825**	**6086**	**6359**	**6645**	**6944**	**7257**	**7585**	**7928**
Surplus	916	988	1291	1614	1960	2328	2476	2631	2770	2916	3070	3232	3402	3581	3769	3967	4176
Depreciation		1000	1080	1286	1519	1686	1769	1855	1945	2039	2137	2239	2344	2455	2569	2689	2813
Profit before Interest and Tax		-12	211	328	441	643	707	776	825	877	933	993	1057	1126	1200	1279	1363
Net fixed assets		25500	25835	28207	32233	35524	36768	36865	36902	36872	36771	36594	36335	35988	35547	35006	34357
Return on net fixed assets		0.0%	0.8%	1.2%	1.4%	1.8%	1.9%	2.1%	2.2%	2.4%	2.5%	2.7%	2.9%	3.1%	3.4%	3.7%	4.0%
Interest		364	492	680	998	1236	1290	1242	1193	1137	1090	1038	982	928	884	836	783
Profit before tax		-376	-281	-351	-557	-593	-582	-466	-368	-260	-156	-45	75	198	316	443	580
Taxation		-75	-56	-70	-111	-119	-116	-93	-74	-52	-31	-9	15	40	63	89	116
Profit after tax		-301	-225	-281	-445	-474	-466	-373	-294	-208	-125	-36	60	158	252	354	464

£000	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Cash Flow																	
Trading Surplus		988	1291	1614	1960	2328	2476	2631	2770	2916	3070	3232	3402	3581	3769	3967	4176
Current Commitments- Princ		325	363	370	402	423	459	454	492	395	411	444	368	207	224	243	0
Current Commitments- Int		364	442	409	378	343	307	268	229	186	154	122	86	56	39	20	0
Net surplus		300	486	835	1180	1563	1710	1910	2049	2335	2505	2666	2948	3318	3506	3704	4176
New capital-normal		0	713	593	442	694	700	700	700	700	700	700	700	700	700	700	700
Major developments			500	3500	4000	2000	0	0	0	0	0	0	0	0	0	0	0
Total new capital		0	1213	4093	4442	2694	700	700	700	700	700	700	700	700	700	700	700
After inflation		0	1249	4342	4854	3032	811	836	861	887	913	941	969	998	1028	1059	1091
Cumulative new loans		0	1249	5592	10446	13478	14289	15125	15986	16873	17786	18727	19696	20694	21722	22781	23871
New Repayments - pr	*15 yr term*			83	373	696	899	953	1008	1066	1125	1186	1248	1313	1380	1448	1519
Cumulative Repayments			0	83	456	1152	2051	3004	4012	5078	6202	7388	8637	9950	11329	12777	14296
Loans outstanding at year end		0	1249	5508	9989	12325	12238	12121	11974	11795	11584	11339	11059	10744	10392	10003	9575
New financing -interest		0	50	270	620	893	983	974	964	951	935	917	896	872	845	816	783
Net cash flow		300	436	481	187	-26	-171	-17	77	318	445	564	803	1133	1281	1441	1874
Cumulative Cash Flow		300	735	1217	1404	1378	1207	1189	1267	1585	2030	2593	3397	4529	5811	7251	9125
Fixed Assets & Depreciation.																	
Starting assets - Jan 1st		26000	25000	24720	24401	24040	23636	23185	22687	22138	21535	20876	20159	19379	18535	17622	16638
Revalued		26000	25750	25462	25133	24761	24345	23881	23368	22802	22181	21503	20764	19961	19091	18151	17138
Depreciation in year		1000	1030	1061	1093	1126	1159	1194	1230	1267	1305	1344	1384	1426	1469	1513	1558
Avge net assets for year		25500	25235	24931	24586	24198	23765	23284	22753	22168	21529	20831	20071	19248	18357	17395	16359
GBV New Investment	*Life*		1249	5629	10652	14004	15235	16528	17885	19308	20801	22365	24005	25724	27523	29408	31381
Depreciation for year	*25 years*		50	225	426	560	609	661	715	772	832	895	960	1029	1101	1176	1255
Dep Cumulative (revalued)			50	277	711	1292	1941	2660	3455	4331	5293	6347	7497	8751	10114	11594	13197
NBV New investments			1199	5352	9941	12711	13295	13868	14430	14977	15508	16019	16508	16973	17409	17814	18183
Avge net assets for year			600	3276	7647	11326	13003	13581	14149	14703	15242	15763	16264	16740	17191	17611	17998
Total net assets for year		25500	25835	28207	32233	35524	36768	36865	36902	36872	36771	36594	36335	35988	35547	35006	34357

APPENDIX C: FINANCIAL FORECASTS (Continued)

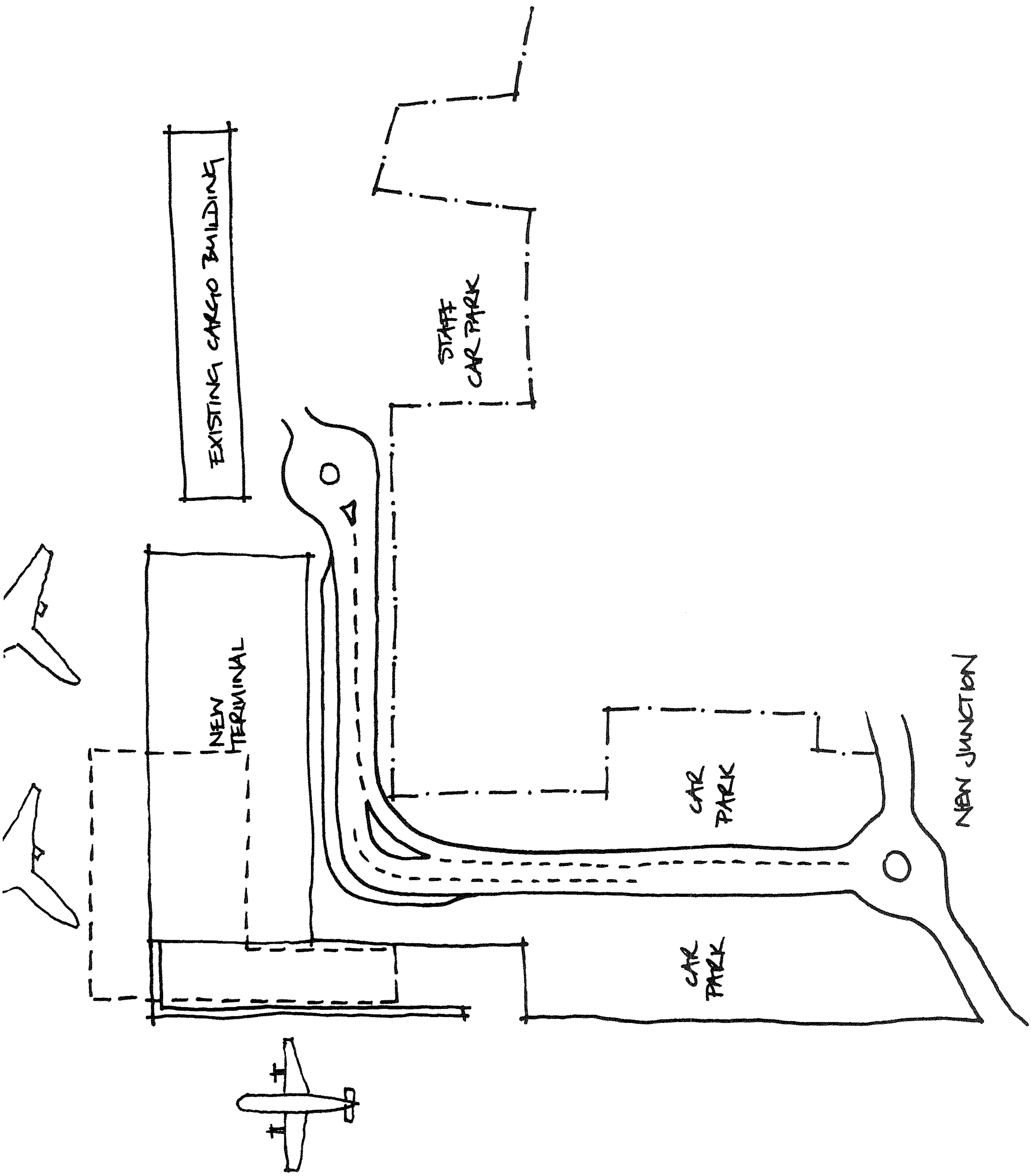
With cautious assumptions; Page 1

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
	Ceiling																
Pax growth - basic	*850*	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
000 passengers p.a.	871	888	850	850	850	850	850	850	850	850	850	850	850	850	850	850	850
Inflation		3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
Pax growth - used			-4%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Staff cost/employee	27.8	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Staff nos.	100	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Interest rate on borrowings		8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%
Tax (notional)		20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
Extra charges (£ per arr pax)			0.50	0.50	0.50	1.00	1.00	1.00	1.00	0.50							
Airport Charges	3960	4160	4583	5028	5495	6198	6936	7712	8528	9172	9636	10123	10635	11174	11739	12333	12957
Other Income	895	940	927	954	983	1013	1043	1074	1106	1140	1174	1209	1245	1283	1321	1361	1402
Total Income	**4855**	**5101**	**5510**	**5982**	**6478**	**7210**	**7979**	**8787**	**9634**	**10311**	**10809**	**11332**	**11881**	**12456**	**13060**	**13694**	**14359**
Staff Costs	2779	2918	3064	3217	3378	3547	3724	3910	4106	4311	4527	4753	4991	5240	5502	5777	6066
Other Costs	1160	1195	1231	1268	1306	1345	1385	1427	1469	1514	1559	1606	1654	1703	1755	1807	1861
Total Costs	**3939**	**4113**	**4294**	**4485**	**4683**	**4892**	**5109**	**5337**	**5575**	**5825**	**6086**	**6359**	**6645**	**6944**	**7257**	**7585**	**7928**
Surplus	916	988	1216	1498	1794	2319	2870	3450	4059	4487	4724	4973	5236	5513	5803	6109	6431
Depreciation		1000	1080	1286	1519	1686	1908	2190	2437	2546	2659	2776	2898	3025	3157	3294	3436
Profit before Interest and Tax		-12	136	212	275	633	962	1260	1621	1941	2065	2197	2338	2488	2646	2815	2995
Net fixed assets		25500	25835	28207	32233	35524	38437	42475	46499	48103	47825	47450	46971	46381	45673	44839	43871
Return on net fixed assets		0.0%	0.5%	0.7%	0.9%	1.8%	2.5%	3.0%	3.5%	4.0%	4.3%	4.6%	5.0%	5.4%	5.8%	6.3%	6.8%
Interest		364	492	680	998	1236	1429	1702	1960	1998	1887	1772	1652	1534	1427	1315	1198
Profit before tax		-376	-356	-468	-722	-603	-467	-442	-338	-58	178	425	686	953	1220	1500	1796
Taxation		-75	-71	-94	-144	-121	-93	-88	-68	-12	36	85	137	191	244	300	359
Profit after tax		-301	-285	-375	-578	-482	-373	-354	-271	-46	143	340	549	763	976	1200	1437

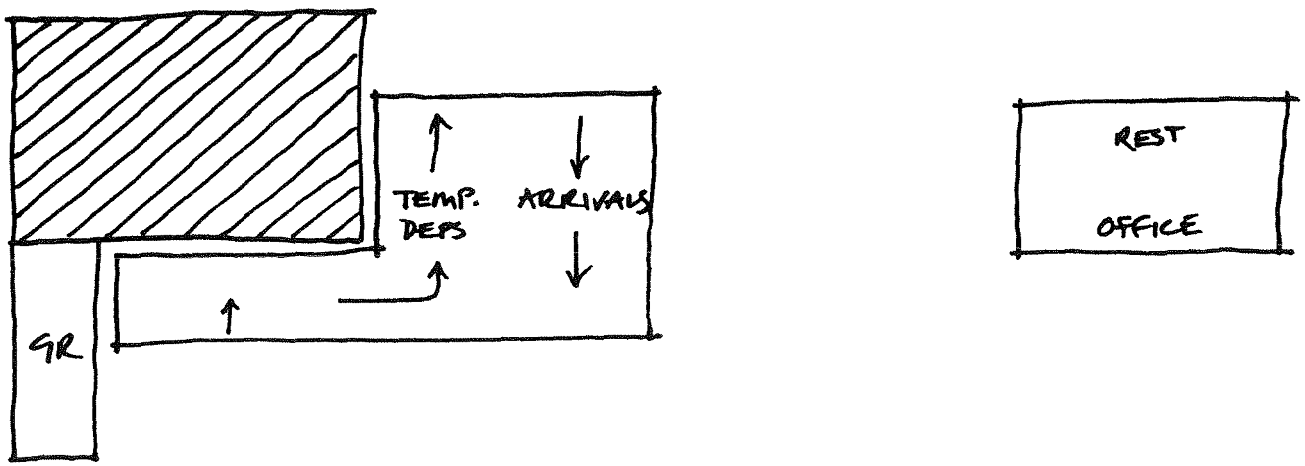
£000	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Cash Flow																	
Trading Surplus		988	1216	1498	1794	2319	2870	3450	4059	4487	4724	4973	5236	5513	5803	6109	6431
Current Commitments- Princ		325	363	370	402	423	459	454	492	395	411	444	368	207	224	243	0
Current Commitments- Int		364	442	409	378	343	307	268	229	186	154	122	86	56	39	20	0
Net surplus		300	410	718	1014	1553	2104	2728	3338	3905	4158	4408	4782	5250	5540	5846	6431
New capital-normal		0	713	593	442	694	700	700	700	700	700	700	700	700	700	700	700
Major developments			500	3500	4000	2000	3000	4000	3000	0	0	0	0	0	0	0	0
Total new capital		0	1213	4093	4442	2694	3700	4700	3700	700	700	700	700	700	700	700	700
After inflation		0	1249	4342	4854	3032	4289	5612	4551	887	913	941	969	998	1028	1059	1091
Cumulative new loans		0	1249	5592	10446	13478	17767	23379	27930	28816	29730	30670	31639	32637	33665	34724	35815
New Repayments - pr	*15 yr-term*		0	83	373	696	899	1184	1559	1862	1921	1982	2045	2109	2176	2244	2315
Cumulative Repayments			0	83	456	1152	2051	3235	4794	6656	8577	10559	12604	14713	16889	19133	21448
Loans outstanding at year end		0	1249	5508	9989	12325	15716	20144	23136	22160	21153	20111	19036	17924	16776	15591	14367
New financing -interest		0	50	270	620	893	1122	1434	1731	1812	1733	1651	1566	1478	1388	1295	1198
Net cash flow		300	360	365	22	-36	84	109	48	231	505	776	1171	1662	1976	2307	2918
Cumulative cash flow		300	660	1025	1046	1010	1094	1204	1251	1483	1988	2763	3934	5596	7573	9880	12797
Fixed Assets & Depreciation.																	
Starting assets - Jan 1st		26000	25000	24720	24401	24040	23636	23185	22687	22138	21535	20876	20159	19379	18535	17622	16638
Revalued		26000	25750	25462	25133	24761	24345	23881	23368	22802	22181	21503	20764	19961	19091	18151	17138
Depreciation in year		1000	1030	1061	1093	1126	1159	1194	1230	1267	1305	1344	1384	1426	1469	1513	1558
Avge net assets for year		25500	25235	24931	24586	24198	23765	23284	22753	22168	21529	20831	20071	19248	18357	17395	16359
GBV New Investment	*Life*		1249	5629	10652	14004	18713	24886	30184	31976	33848	35805	37848	39981	42209	44534	46960
Depreciation for year	*25 years*		50	225	426	560	749	995	1207	1279	1354	1432	1514	1599	1688	1781	1878
Dep Cumulative (revalued)			50	277	711	1292	2080	3138	4439	5851	7381	9034	10819	12743	14814	17040	19429
NBV New investments			1199	5352	9941	12711	16633	21749	25744	26124	26468	26770	27028	27238	27395	27494	27531
Avge net assets for year			600	3276	7647	11326	14672	19191	23747	25934	26296	26619	26899	27133	27316	27444	27513
Total net assets for year		25500	25835	28207	32233	35524	38437	42475	46499	48103	47825	47450	46971	46381	45673	44839	43871

Appendix D

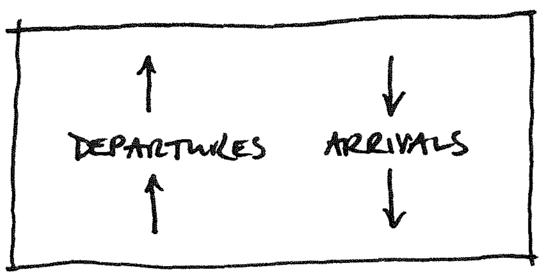
Sketch plans of new terminal


EXISTING CARGO BUILDING
STAFF CAR PARK
NEW TERMINAL
CAR PARK
CAR PARK
NEW JUNCTION

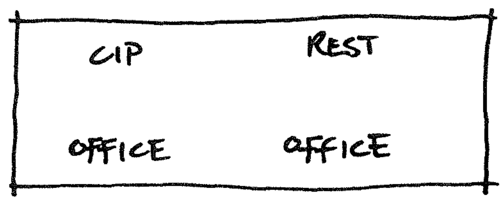
A
STAGE 1



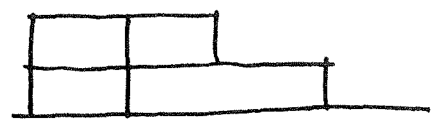
STAGE 2



GROUND FLOOR

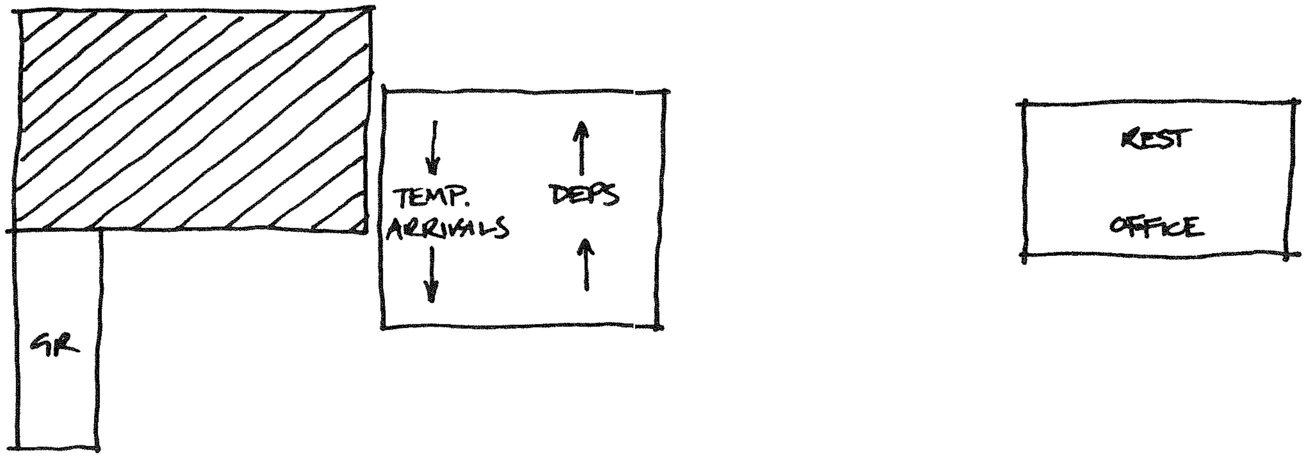


FIRST FLOOR

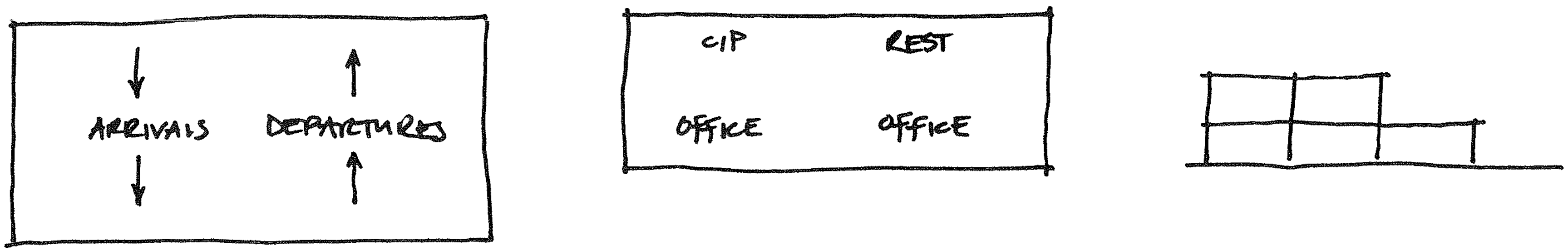


SECTION

STN B
STAGE 1



STAGE 2



GROUND FLOOR

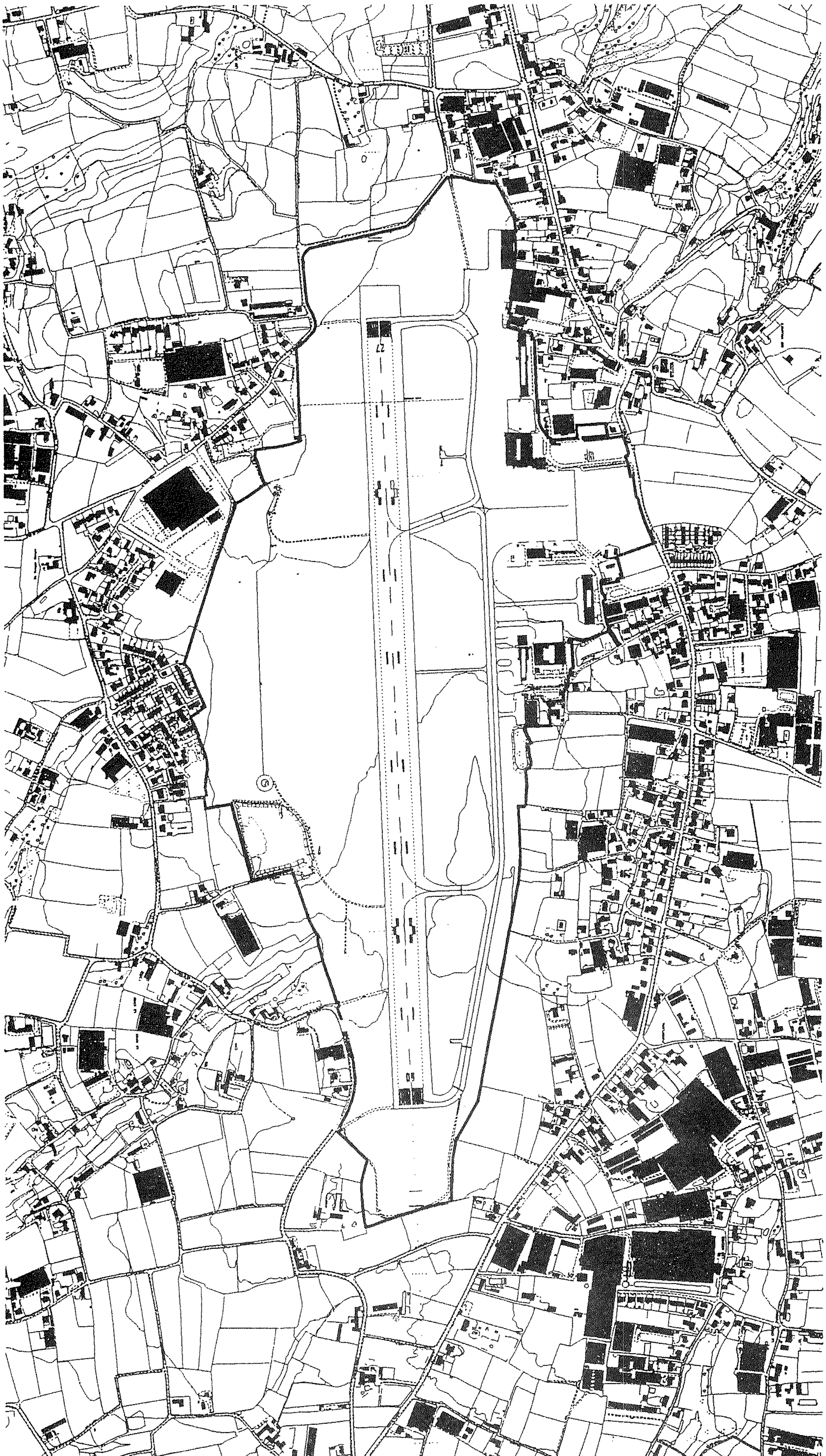
FIRST FLOOR

SECTION

APPENDIX 2

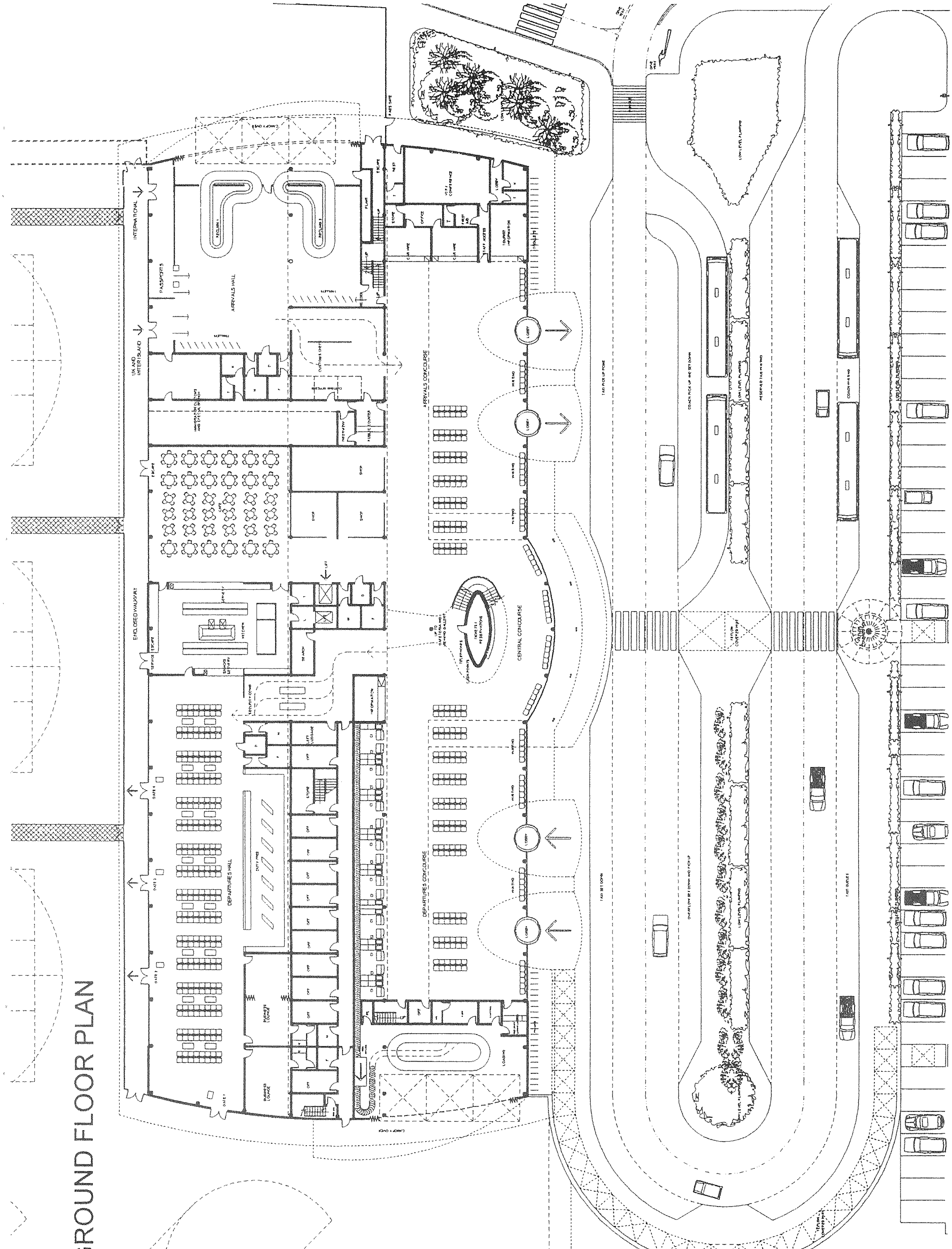
GUERNSEY AIRPORT

REDEVELOPMENT PLANS

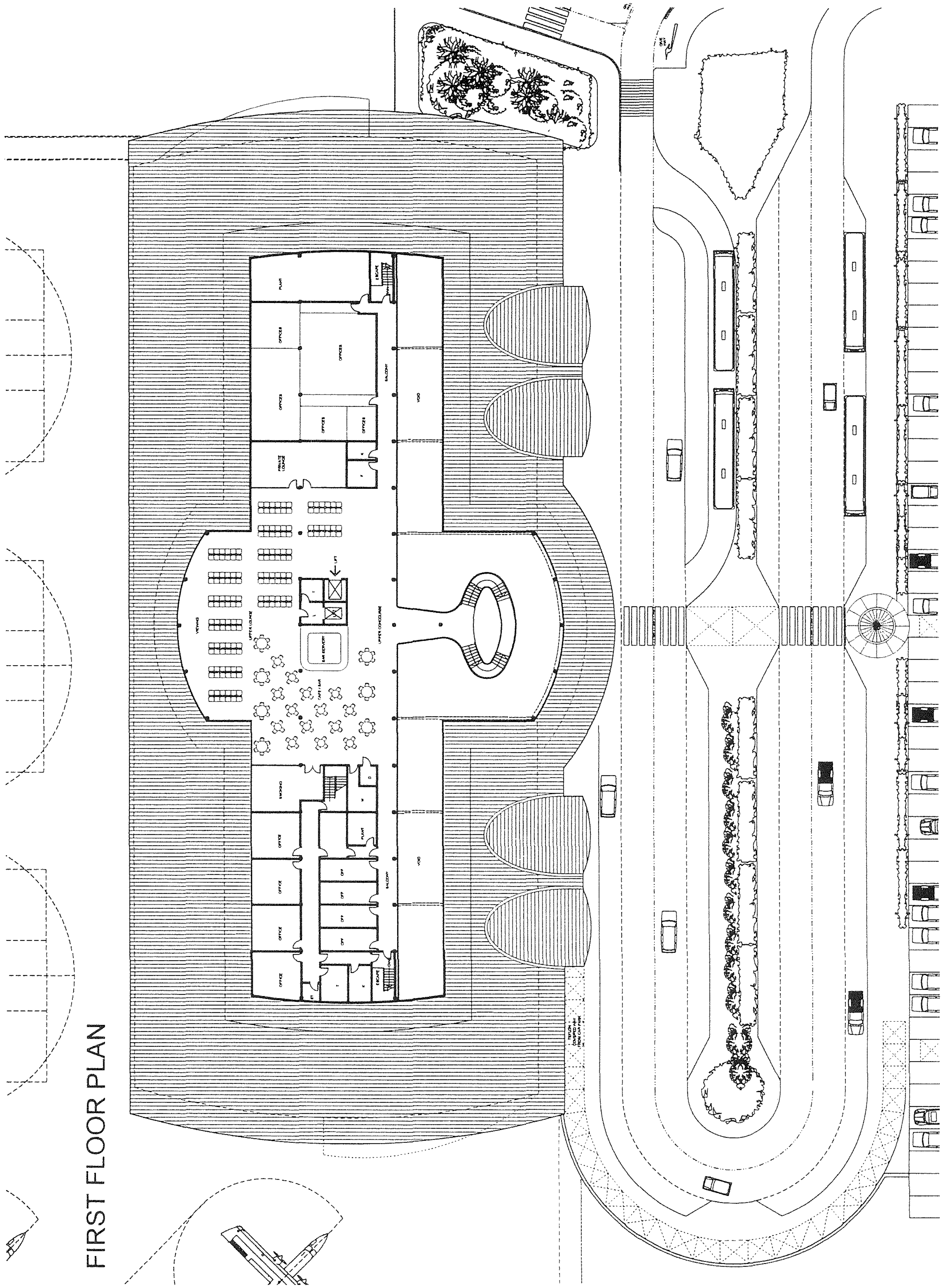


SITE PLAN

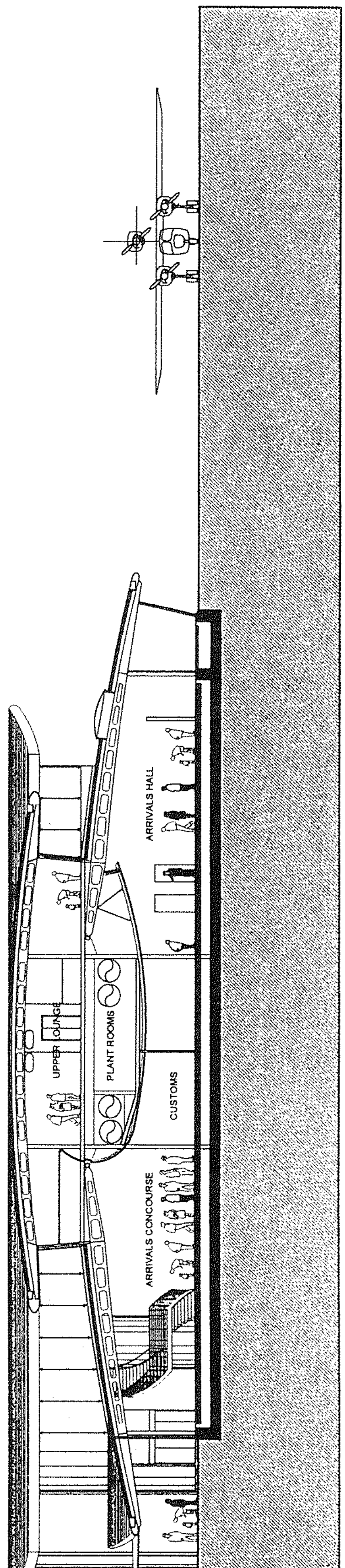

SITE PLAN
CARGO
FUTURE CARGO BUILDINGS
RUE DES AUBERTS
SHOWROOM
NEW TERMINAL
Antiquity
Pool
FOREST CHURCH
TRISLANDER
SHORT 3-60
SAAB 2000
BAE 146 (300)
AIRBUS A320-200
B 737 (800)
INTER ISLAND AIRCRAFT



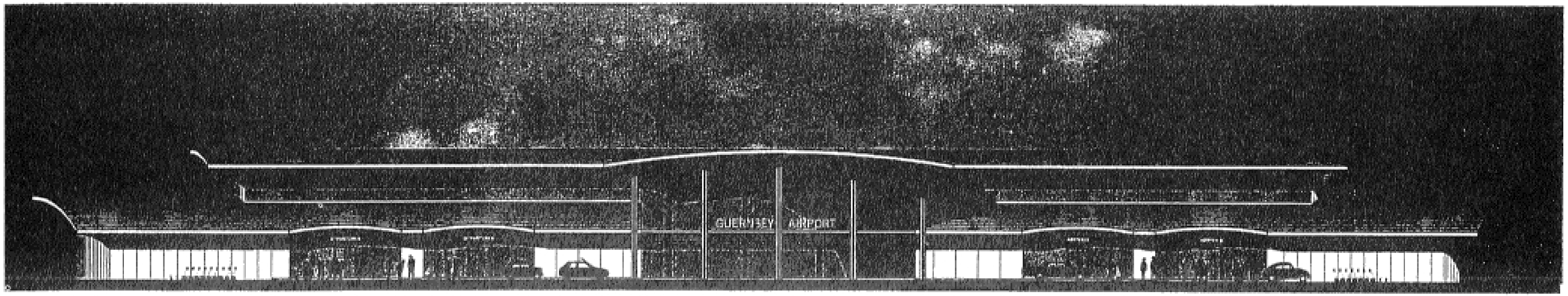
GROUND FLOOR PLAN



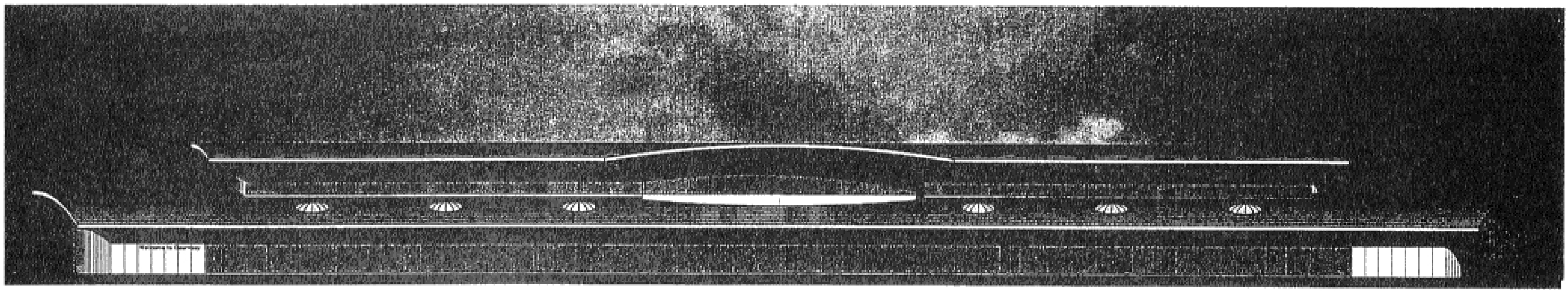
FIRST FLOOR PLAN



SECTION THROUGH BUILDING



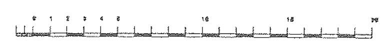
ENTRANCE ELEVATION



AIRSIDE ELEVATION

GUERNSEY TERMINAL

ELEVATIONS



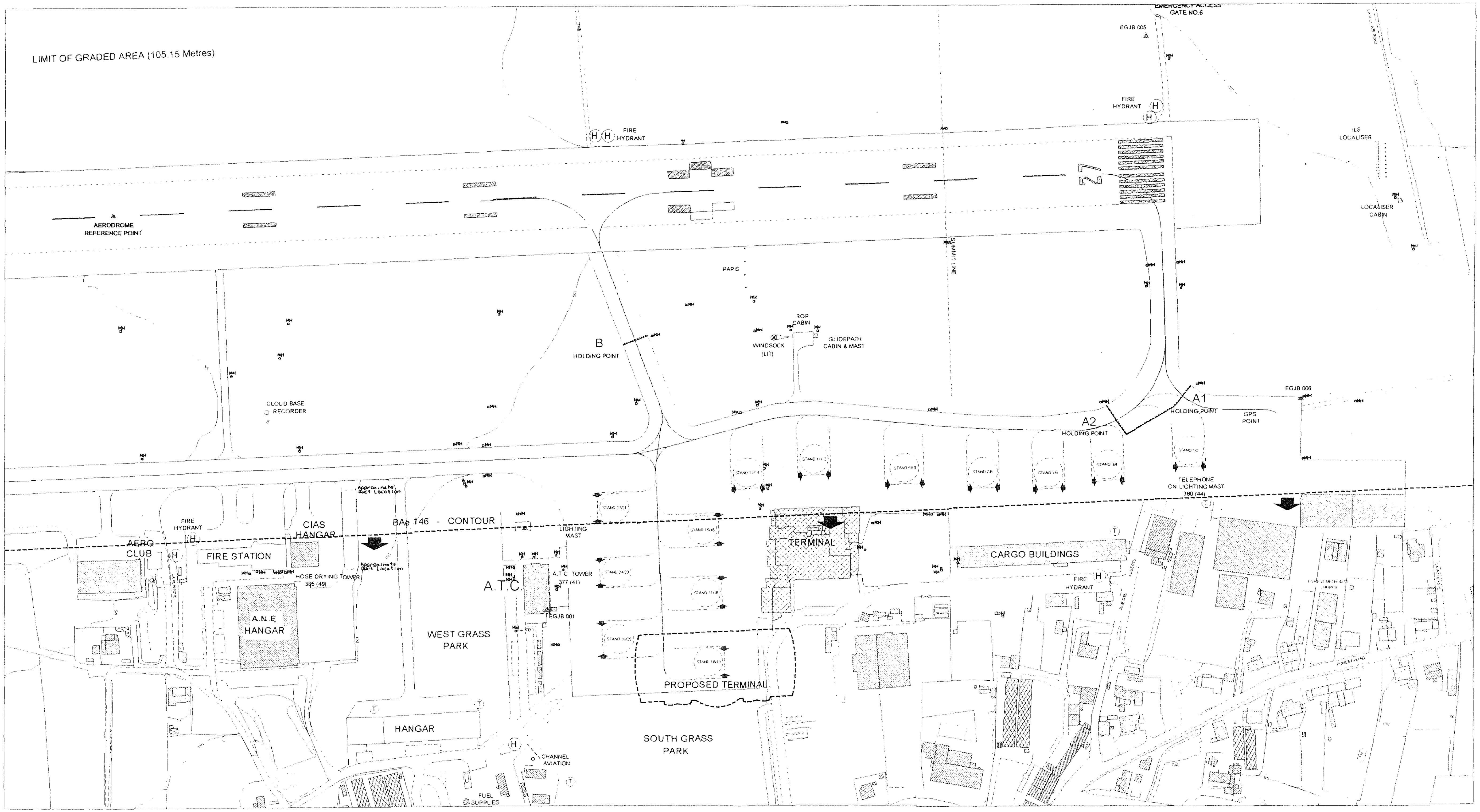
PLOT DATE: 17 OCT 2000 FILE NAME: c:\6783—guernsey_airport\cad\microstation\6783pl41.sht

27 VICTORIA PARK ROAD EXETER EX2 4NT
T 01392 420081 F 01392 422679
E - MAIL KT.Arch@btinternet.com

KENSINGTON
TAYLOR

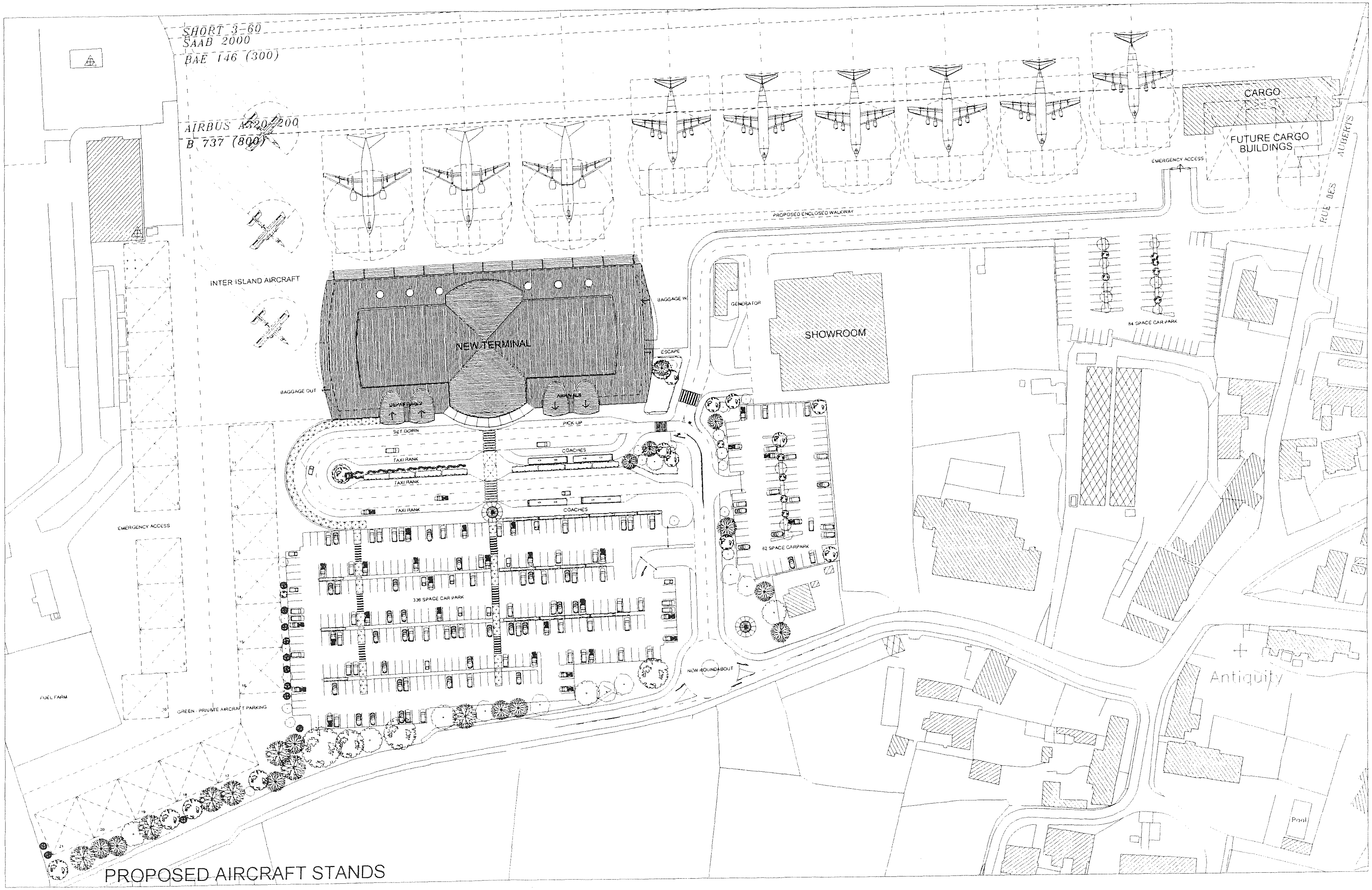
CHARTERED ARCHITECTS : CHARTERED DESIGNERS

APPENDIX 3



AIRCRAFT STANDS AS EXISTING

APPENDIX 4


SHORT 3-60
SAAB 2000
BAE 146 (300)
AIRBUS A320/200
B 737 (800)
CARGO
FUTURE CARGO BUILDINGS
EMERGENCY ACCESS
RUE DES AUBERTS
PROPOSED ENCLOSED WALKWAY
INTER ISLAND AIRCRAFT
NEW TERMINAL
BAGGAGE IN
BAGGAGE OUT
ESCAPE
GENERATOR
SHOWROOM
84 SPACE CAR PARK
SET DOWN
PICK UP
COACHES
TAXI RANK
EMERGENCY ACCESS
336 SPACE CAR PARK
82 SPACE CARPARK
NEW ROUNDABOUT
Antiquity
FUEL FARM
GREEN - PRIVATE AIRCRAFT PARKING
Pool
PROPOSED AIRCRAFT STANDS

APPENDIX 5

STATES OF GUERNSEY
ISLAND
DEVELOPMENT
COMMITTEE

Sir Charles Frossard House
P.O. Box 43 · La Charroterie
St. Peter Port · Guernsey
GY1 1FH · Channel Islands
Tel. (01481) 717000
Fax. (01481) 717099

Your ref: Air25

Our ref: H916

The President,
Board of Administration,
Sir Charles Frossard House,
La Charroterie,
St. Peter Port,
Guernsey,
GY1 1FH.

11th April 2000

Dear Conseiller Berry,

DEVELOPMENT BY STATES COMMITTEES
STATES RESOLUTIONS OF 1ST AUGUST, 1991 [BILLET D'ÉTAT XX, 1991]

Proposal to demolish existing terminal building, construct new terminal building in different location, relocate access road, including junction improvements and new access to terminal and provide additional car parking areas at The Airport, Les Landes, Forest, for the Board of Administration

I refer to your letter of 24th November, 1999 and subsequent correspondence regarding the above proposal, which was considered by the Committee at its meeting on 11th April, 2000. As you know, issues relating to the possible broader implications of the proposal have been subject of correspondence between the Island Development Committee and the Advisory and Finance Committee, and I enclose further copies of those letters for ease of reference.

I also enclose a copy of the consultation response dated 12th December, 1999 received from the Constables of the Forest. In that letter, the Constables comment that: "In the view of the Douzaine, the proposal is being processed very quickly and without the benefit of information relating to possible alternative plans, landscaping and the implications for the development of other parts of the airport. All of these could have a major impact on our Parish".

In my letters of 4th April, 2000 to the President of the Advisory and Finance Committee and yourself, however, I indicated that, following receipt of assurances from both the Advisory and Finance Committee and Board of Administration about the wider implications of the proposal, the Committee would confine itself, at this stage, to commenting formally on the planning issues relating to the proposed development of the terminal building and its immediate environs only.

In considering this proposal, the Committee has noted the assurances contained in your letter of 7th April, 2000 regarding the key areas of concern set out in my letter of 4th April, 2000 to the President of the Advisory and Finance Committee. The Committee has, in particular, noted your assurances that adequate allowance for private aircraft has been made and that private aircraft will not be displaced as a result of the proposed development. The Committee has also noted your assurance that the Board of Administration has been at great pains to ensure that the development is adequate to meet the present and future requirements of the various commercial passenger aeroplane operators.

Having carefully considered the submitted consultation, the Committee has resolved to raise no objection in principle to the proposal. However, the Committee would make the following comments and requests that it is formally consulted regarding various detailed aspects of the scheme, as follows, prior to development being commenced:-

Architectural design:

As you know, the proposal was considered by the Guernsey Panel of Architects at its meeting on 20th December, 1999. A copy of the notes of the meeting of the Panel, which have been circulated to and agreed by all of the Architects who were present for the discussion, is attached. The Committee has considered and endorses the Panel's views as expressed in those notes and would request that the various areas of concern and comment are considered in detail by the Board of Administration and its Architect in the further planning of the scheme.

In particular, the Committee would support the following suggestions of the Panel:-

- That the north, air-side, elevation of the building be improved by taking the double volume space right through the building to create a cruciform shape with glazing and possibly a balcony feature on its northern side.
- That further consideration be given to the arrangement of architectural space in the public areas to create imaginative and exciting space within those areas.
- That canopies to external walkways be carefully designed to integrate with the clean lines of the building and not appear as afterthoughts which would conflict with the overall design concept.
- That aspects relating to potential windflows over and around the building be investigated in detail as part of the overall design process.

During the course of the Panel meeting the Board's Architect, Mr. J. Taylor, indicated that these are areas which he himself considered warranted further design work. The Committee would, therefore, be grateful to receive an update on any progress which has been made as a result.

The Committee asks that these matters be taken into consideration and requests that it be formally consulted in respect of the detailed design of the building and any associated structures and regarding the external materials and finishes to be used in the development, including for paved and metalled areas, prior to the proposals being finalised.

Traffic:

The Committee has noted the points raised in the attached memorandum dated 5th January, 2000 from the Deputy Chief Executive, States Traffic Committee, to the Chief Planning Officer, Island Development Committee, and requests that these points be given further consideration by the Board of Administration and its technical advisers.

Having taken into account the conclusions of the submitted Transport Statement Report, the Committee is also of the view that the scale of the proposed roundabout at the entrance to the airport from Rue des Landes is excessive and considers that, as proposed, the roundabout would appear out of scale and character with its surroundings. The Committee requests that consideration be given to reducing the scale of the roundabout to minimum practical dimensions.

Landscaping:

The Committee considers that it is essential that a comprehensive and appropriate scheme of landscaping is formulated in relation to the proposal. In particular, substantial new planting will be required to form a dense screen on site boundaries. Substantial landscaping should also be provided within the site, for example along the roadways and within the car parking areas where skilful use of planting will be of vital importance to soften otherwise harsh, uncompromising development and create an attractive sense of place.

The Committee requests that full details of proposed hard and soft landscaping be submitted for its consideration along with the detailed proposals for the terminal building and associated development.

Walls and other means of enclosure:

The Committee requests that it be formally consulted regarding proposals to erect new walls, fencing or other means of enclosure at the site. The Committee has particular reservations regarding the acceptability of the proposed 1.5m high wall around the car park, which, it is considered, may appear unduly intrusive and inappropriate in visual terms.

Relocation of fuel farm:

It would appear from the site layout plan that the fuel farm to the south of the existing cargo buildings is to be relocated elsewhere. The Committee would wish to see full details of this aspect in due course and the Board of Industry Health and Safety Executive has also asked to be consulted on the proposal in order that it might make appropriate technical comments.

Cargo sheds:

It is understood that the proposals include demolition of a section of the existing cargo sheds and refurbishment of the remaining cargo shed buildings. The Committee requests that it be formally consulted regarding these proposals prior to their implementation, including in respect of any proposal to change the use of the remaining buildings.

Other aspects:

The proposed retail and office areas within the terminal building are considered acceptable in planning terms on the basis that they would be used for purposes ancillary and incidental to the principal use of the building as an airport terminal, and are not intended to be used for separate commercial purposes.

The Committee believes that detailed aspects relating to the protection of arriving and departing passengers and visitors from the elements, servicing and the general arrangement of accommodation within the building deserve further consideration particularly in the light of comments received from, amongst others, Guernsey Consumer Group and the Chamber of Commerce. It is understood that these bodies' comments have been sent direct to the Board of Administration.

The Committee also requests that it be formally consulted on any proposals for new or revised airport signage once these have been formulated.

I hope that these comments are of assistance and clarify the Committee's views on the proposed terminal development. The Committee looks forward to hearing further from you regarding the various matters set out above in due course.

Yours sincerely,

Deputy R. Le P. Ogier,
President

Enc.

[N.B. The States Advisory and Finance Committee supports the proposals.]

The States are asked to decide:—

Whether after consideration of the Report dated the 23rd October, 2000, of the States Board of Administration, they are of opinion:-

1. To approve in principle the construction of a new terminal building at Guernsey Airport as described in that Report and detailed in the plans attached to that Report
2. To direct the States Board of Administration to seek tenders for the construction of a new Airport terminal building as detailed above.
3. To direct the States Board of Administration to report back to the States with details of the tenders received.
4. That, with effect from the 1st January, 2002, an airport surcharge of £2.00 per single movement for passengers travelling to or from the UK and Europe and £0.80 per single movement for inter-Island passengers shall be levied, provided that the successful tenderer has been appointed before that date.
5. To direct the States Board of Administration to report to the States within the next six months on the strategic options in respect of alterations to the runway at Guernsey Airport.

DE V. G. CAREY
Bailiff and President of the States

The Royal Court House,
Guernsey.
The 10th November, 2000.