

2.3 Deputy G.P. Southern of the Minister for Economic Development regarding progress made at Jersey Airport to resolve cash flow issues and to achieve staff savings:

[Aside] Will the Minister inform Members what progress has been made at Jersey Airport to convert States funding into a loan scheme to resolve cash flow issues and to achieve the £1.65 million savings in staff?

Senator P.F.C. Ozouf (The Minister for Economic Development):

Can I ask my Assistant Minister Deputy Mclean to be rapporteur for this item as he has official responsibility for the harbours and airports?

The Deputy Bailiff:

Very well. Deputy?

Deputy A.J.H. Maclean of St. Helier (Assistant Minister for Economic Development - rapporteur):

I am pleased to report that there has been progress regarding the matter of converting States belowground funding into a loan. The intention is that the loan will fund capital works for the replacement and refurbishment of essential infrastructure. The airport is proposing that the funding of the £2.84 million per annum previously agreed by the States for belowground works is used to meet the annual payment on a loan. This loan would allow the airport to meet its other significant capital commitments without the trading fund falling into deficit. Constructive discussions are currently ongoing with the Treasury as to the mechanism and basis upon which such a loan could be established. The airport believes that it is essential that the loan is established during this financial year as it is already front-funding the belowground works, such as the recently completed north apron. The Treasury is aware of the urgency of the matter.

Deputy G.P. Southern:

Would the Assistant Minister kindly answer the second half of the question: what about staffing cuts?

Deputy A.J.H. Maclean:

The loan would be for essential capital expenditure only and would not be used for revenue issues. The future direction strategy that I announced last November lays the framework for broad and necessary changes at the airport to make it more efficient and financially viable. Part of that strategy considers staff savings. As previously stated, any staff savings will be achieved within the States human resources policies and, as described in the strategy, be undertaken solely by a voluntary basis.

2.3.1 Deputy G.C.L. Baudains of St. Clement:

I wonder if the Assistant Minister would some time in the near future make available to Members this loan strategy so we are aware of what the Island might be looking forwards to in the future.

Deputy A.J.H. Maclean:

The loan was agreed - the belowground works were agreed - by the States in 2002 under P.198/2002. I think that was fairly clear. In terms of the strategy of the airport, the airport currently has 2 loans outstanding: one for the departures hall and one for the alpha taxiway. The intention is that the interest on the agreed belowground works would be used to support the loan purely for essential capital infrastructure works. But the final details I am more than happy to make available in due course for the Deputy.

2.3.2 Deputy P.V.F. Le Claire:

I am a bit reluctant to ask because the Minister previously was quite right; I have not grasped what the issues are. I have not grasped the issue on this either, I am afraid. Could I ask who is funding the loans and where the loans are being sought from for funding? Are they being sought from within the States themselves? I have not grasped this and I do not know whether or not we are looking outside into the private sector.

Deputy A.J.H. Maclean:

As I was saying a moment ago, the States agreed in 2002 to provide the airport with £2.84 million per year. This agreement is renewable annually. It is attached to the 3-year capital programme and the intention is rather than to add the £2.84 million per year, it is more sensible to capitalise into a loan. There is approximately £50-60 million of essential infrastructure work needed at the airport. A loan is a far more competitive and sensible way in which to fund such works. The funding itself would be sought from the most competitive source.

2.3.3 Deputy P.V.F. Le Claire:

Would surely not the most competitive source be the States' own funds themselves, as we can offer a zero-rated loan payable back from perhaps a strategic reserve? I am sure we do not want to end up in the same position that the Opera House finds itself in: having to service an extremely expensive loan.

Deputy A.J.H. Maclean:

That is part of the ongoing discussions as to where the most competitive place to get the loan from is, and of course the Treasury Minister will have a great deal to say, I am sure, on the matter. We want it to be the most competitive obviously for the airport and for the States as a whole.

2.3.4 Deputy G.P. Southern:

Will the Assistant Minister inform Members whether such a major decision will come back to the floor of the States before being carried out? Secondly, when will he report to the States on what areas of staffing at the airport are being considered for any cuts?

Deputy A.J.H. Maclean:

As far as the funding is concerned, the funding has already been agreed as belowground works. If this is transferred into a loan, there is no need, as far as I am aware, to come back to the States in order to seek further assurances. It is a matter that has already been discussed. I am advised by the airport management that specific consideration of staff savings is under active review as I speak and that draft recommendations will be available during the third quarter of this year.

2.3.5 Deputy G.P. Southern:

A supplementary, if I may, Sir. Is the Assistant Minister saying that all decisions have been made previously and that there is no need to bring this matter to the House? Surely there is about to be a change in that the £2.84 million which has been agreed will be now used to fund a substantial loan. Is that not the case, and should that not come back to this House?

Deputy A.J.H. Maclean:

I have to say that I am slightly disappointed with Deputy Southern. Very recently we had cause to engage with the Economic Affairs Scrutiny Panel. We arranged for Vector to come over to the Island at great expense. We had the Chief Executive of Economic Development. We had the Airport Director and the Finance Director. We gave a presentation to the Economic Affairs Scrutiny Panel with regard to all these matters, and sadly Deputy Southern was unavailable to be at that particular presentation. Many of these matters were discussed and covered and I really feel that if he had been available we could have covered it at that particular point and certainly his Scrutiny Panel Members are well aware of the position as it stands.

2.3.6 Deputy G.P. Southern:

If I may; it is a final supplementary. Nonetheless, the Assistant Minister has not answered my questions and the fact is that the notes that I have from that meeting are vague and these are follow-up questions to clarify what was stated at that meeting. Just to ask the question: will this major change in funding come back to this House?

Deputy A.J.H. Maclean:

The agreed £2.84 million for belowground works has already been agreed. It is annually renewable and I think that probably answers the Deputy's question.