

3.4 The Deputy of St. John of the Minister for Economic Development regarding the duty free shop at Jersey Airport

Would the Minister advise whether Alpha, the company that runs the duty free shop in the airport departure hall, is a Jersey company and therefore liable to paying income tax on Island and inform Members when the lease to Alpha was signed and how long it has to run?

Senator A.J.H. Maclean (The Minister for Economic Development):

The company operating the duty free and food and beverage activities at Jersey airport is a Jersey registered company trading under the name of Alpha Airports Group (Jersey) Limited and is subject to local tax on profits made on the Island. The lease was made on 21st November 2005 which extended the lease until 31st December 2017 with the approval of the then Harbours and Airport Committee. I further inform Members that Alpha was acquired by Autogrill in 2008. This resulted in specialist organisations within the Autogrill group being able to operate specific elements of the retail offering at the airport.

3.4.1 The Deputy of St. John:

Did the lease go out to tender and, if not, why not? Could the Minister give us the annual rental and do we get a share of the profits?

Senator A.J.H. Maclean:

The extension to the lease, which I assume is what the Deputy is referring to in November 2005, did not go out to tender. That was a decision that was made by the then Airport Director and the then Harbours and Airport Committee. The rationale behind it, I understand, was that there was significant potential investment which has since materialised in the facilities of the airport and that was the justification that they felt was reasonable at that time. Perhaps the Deputy could confirm the second part of his question.

3.4.2 The Deputy of St. John:

Do we get a share of the profits?

Senator A.J.H. Maclean:

Yes, is the short answer. The arrangement is quite simply, as profits increase and more sales ensue, the airport does better and it gets a percentage. The percentages do vary depending on the different business and different product ranges but yes is the answer to his question.

3.4.3 Deputy R.G. Le Hérissier:

Referring to the contract signed by the then Committee and President, would the now current Minister inform the House whether or not there are break points in the contract and what performance levels are required of the operator?

Senator A.J.H. Maclean:

I am not familiar with break points in the existing lease arrangement as it is at the moment, although I should say there has been a significant change. It was an area that the J.C.R.A. (Jersey Competition Regulatory Authority) were particularly interested in. They were concerned that there was one operator effectively dispelling or discharging its activities at the airport. It was not overly satisfactory. We now have effectively 3 different organisations under the Autogrill group. We have HMSHost

that does the catering, we have the World Duty Free and then we have WH Smith and certainly that meets the requirement at the moment of the J.C.R.A. However, there is an undertaking that, when the current lease expires in 2017, it will of course be going out to competitive tender.

3.4.4 Senator B.E. Shenton:

My wife and I were away on Saturday and had a cup of stewed coffee that was undrinkable. Given that Autogrill or Alpha, or whatever you want to call them, has sole rights at the airport for drink and food, can he tell us how that fits in with the J.C.R.A. recommendations that also come under his department?

Senator A.J.H. Maclean:

As I was explaining just a few seconds ago, the J.C.R.A. took a great deal of interest in the retail arrangements at the airport and it is not a sole arrangement because you have World Duty Free who can also dispense food and a limited amount of other sustenance and it certainly meets the requirements of the J.C.R.A. They have confirmed that to us.

3.4.5 Deputy D.J. De Sousa:

Can the Minister inform the House what level of regulation for employment within these outlets are as to 5 years or unqualified?

Senator A.J.H. Maclean:

That would be a matter for the individual companies. I am sure they meet the necessary regulations. These are independent companies that employ their own staff and meet, I am sure, the necessary employment criteria within the Island.

3.4.6 Deputy D.J. De Sousa:

I am sorry. The Minister has not really answered my question. The Government give a regulation on what employees can be employed by companies. I am asking what level of qualified or unqualified employment is allowed in these outlets?

Senator A.J.H. Maclean:

I am sorry. I misinterpreted the Deputy's question. I do not have the figure in front of me of the exact breakdown but I am more than happy to supply the Deputy with the breakdown for the individual companies on the local and non-qualified and so on.

3.4.7 The Deputy of St. John:

Given the increase in the departure hall trading area, are the new stakeholders under individual leases or under a lease within Alpha and, if under a lease within Alpha, how is this covered under the extension in 2005?

Senator A.J.H. Maclean:

One of the arrangements reached under the new structure and, indeed, investment and redevelopment, is that other retailers were given the opportunity under a tender arrangement to tender for retail opportunities at the airport. I am pleased to say that 2 local companies - Jersey Pottery and La Mare - have already taken up those opportunities. They operate in a similar way but independently to the existing arrangements. It is based on turnover but they do operate independently themselves.