

**WRITTEN QUESTION TO THE MINISTER FOR ECONOMIC DEVELOPMENT
BY THE CONNÉTABLE OF ST. JOHN
ANSWER TO BE TABLED ON TUESDAY 20th NOVEMBER 2012**

Question

Further to the announcement about the construction of a new 55,000 sq. ft. hangar at the Jersey Airport, would the Ministers explain –

- (a) why it has been decided to build the hangar and who will be meeting the cost of construction, Hanger8 or the States?
- (b) whether the site was offered to Aviation Beauport and, if not why not?
- (c) whether Hanger8 will be paying income tax in Jersey and, if not, what the real benefit to Jersey is?
- (d) how many companies tendered for this hangar and whether the department carried out due diligence searches on all the companies who tendered? Would the Minister give details of all tenders and financial appraisals and, if not, why not?
- (e) whether there is a risk that another operator at Jersey Airport will cause the demise of Aviation Beauport?

Answer

To address the specific questions:

- a) The fixed based operation (FBO) to be developed by Hangar8 provides a new product, an expansion of services and significant growth in this market. Jersey Airport has been approached by a number of operators interested in establishing a FBO and the renewed interest by operators in recent times together with the information supplied by these parties has demonstrated that there is growth potential. Construction costs for the new hangar will be met by Hangar8 and not through Jersey Airport's trading fund.
- b) I can confirm that the existing operator had the opportunity to tender. However, the company was not shortlisted in the process as two other operators provided more compelling proposals.
- c) Hangar8 will become a Jersey registered company and therefore, pay relevant tax and associated payments to the Treasury and Parish authorities. The company plans to recruit local staff and train them in handling and maintenance operations. Jersey Airport will also benefit from increased annual rents for the hangar, as well as landing fees income from growth in this market. It further provides Jersey with another product in the sector, which makes the Island a more attractive place for corporate aviation. As illustrated in our recent Report & Proposition for Incorporation, it is imperative that the Ports identify and

implement commercial projects that diversify its revenue streams and grow the business if it is to meet continuing costs and capital requirements. This is a positive example of the Ports doing just this.

- d) In late 2010, Jersey Airport undertook a formal Expressions of Interest and tender process, resulting in five applications. From this tender process two companies were shortlisted and identified for further negotiation. As part of the tender process and negotiations, the shortlisted operators provided comprehensive financial statements, in line with States of Jersey financial directions and procurement guidelines. All negotiations remain commercially confidential and not for public disclosure. However, I can confirm that Hangar8 were chosen as the preferred operator as they had the most competitive offering, including projections for aircraft movements and growth, their overall business development model as well as the likely rental income for Jersey Airport. Other key factors include:
- It is FTSE listed company, for which financial records are published;
 - It already has a number of bases around Europe, Africa and the Middle East with its main base at Oxford Airport;
 - It currently owns or operates a fleet of over 30 aircraft and has 13% in the UK charter and corporate jet market.
- This process was overseen by the Ports of Jersey Shadow Board, who have also endorsed the recommendations to proceed with Hangar8.
- e) We have been very clear from the beginning of the process that we were not looking to simply bring competition into the market rather we are looking for significant market growth. Both the short-listed companies demonstrated their ability to grow the market in Jersey, with Hangar8 providing the best overall proposition. The new FBO operates in different market sectors. Jersey Airport is of the belief that by creating a new facility it will allow the airport, the existing operator and Hangar8 to explore new commercial opportunities and improve the level of facilities we can offer the private jet market.