

5.3 Deputy A.J.H. Maclean of St. Helier (Assistant Minister for Economic Development) regarding the future strategy for Jersey Airport

Members will find on their desks a document titled: "Future Directions 2006-2011". This document represents a broad future strategy that will form the basis for the long-term sustainable future for Jersey Airport. It is the result of months of work by management and staff, in the form of the Future Directions Working Group, and external aviation consultants. It has been a fully inclusive and informed process, including the relevant unions. It has been a highly critical review, concentrating on what the airport does, how it does it, and, most importantly, justifying why. I have joined several discussions with the Future Directions Working Group, a group that was formed at the suggestion of the Airport Director, and drawn from representatives of each department of the organisation. These discussions have been invaluable in understanding staff concerns and identifying opportunities. This group has made an important contribution to this strategy document. The aviation world has been changing rapidly in recent years, driven by the explosive growth of low-cost airlines. It is clear that the airport, its operation, and, significantly, its strategic role within the broader Island economy, needs a radical overhaul. The business is heavily reliant on just one income source, which is a high-risk strategy in itself. Aeronautical charges account for 80 per cent of income, at a time when the airline industry is forcing competing airports to reduce charges to maintain and attract their business. The latest capital investment forecast for 2025 totals £101 million. Parts of this program, however, need to be accelerated for optimum safety and to meet changing compliance requirements. This will require a capital investment over the next 3 years of £58 million. With a forecast trading fund of £26 million by the end of 2006, loans will be required to finance most of this essential capital expenditure. Combined with these inescapable facts, the airport has a high operating cost in comparison to most other airports. We are not in a position to continue as we are. Independent financial analysis clearly indicates that if we do so, it would lead to the airport's insolvency by 2009. This is a harsh reality and the remedies will not be easy, especially for the very loyal and dedicated staff at the airport. The facts are: we need to reduce our operating expenses. This will involve reducing staff numbers. We need to increase passenger traffic by a minimum of one per cent per annum, which equates to 15,000 per annum in numerical terms. We need to rebalance our revenue streams by increasing commercial revenues while reducing market-sensitive aeronautical charges. We need to master plan the airport estate - the land surrounding the airport - to identify commercial development opportunities such as potentially lucrative hangarage. To put into clear perspective, we need to reduce costs by between £1.6 million and £2 million over the next 5 years. These are principally operational and staff cost efficiencies. I must stress that staff reductions will be achieved through a combination of natural wastage, voluntary redundancy, voluntary early redundancy, and redeployment. This will be a voluntary process that will follow standard States H.R. policy. But this strategy is not just about cost reduction, it is a co-ordinated package of measures. New revenue streams and revenue generation are as equally important as cost reductions, because fixed costs are finite. The vitally important area of revenue generation, in the context of Jersey Airport, is all about challenging traditional thinking and developing a pro-active, fully focussed, commercial mind-set. The current organisation has evolved over time, and has many characteristics typical of a public sector organisation with technical and operational focus. The organisation is structured by function and not by revenue or value generation. A new organisational structure is being introduced to address these issues and drive customer-focussed efficiency. The strategy includes modest, prudent but achievable passenger growth targets of one per cent per annum. This will be achieved by working in partnership with airlines, tourism, the Economic Development Department, and industry. The strategy represents a significant departure from the past, and will include a range of innovative incentives to airlines to encourage them to maintain existing routes and to introduce new ones. Incentives will be largely performance-related, rewarding airlines for the delivery of additional passengers over agreed minimum or benchmarked levels. New route

development incentives will be flexible and include reduced aeronautical charges, marketing support, payments for the delivery of inbound passengers that offer definable economic benefit to the visitor economy. This new and flexible approach is a radical change for Jersey Airport, and recognises that it is no longer operating in isolation but is an integral part of the Economic Development Department. Moreover, it has a vital role to play in the social and economic success of the Island. In addition to maintaining existing routes and new route development, especially into Europe, we will be actively developing commercial revenues. This will include a significantly enlarged airside retail offering. It is essential that part of this retail offering include arrivals duty free. One significant conclusion, however, that has come out of this review to date is that the airport is not fit to be considered, at this time, for incorporation. I have therefore stated to staff that incorporation is not on the agenda during this political cycle. This strategy statement provides the framework for the future direction of Jersey Airport. It will evolve, and is very much a work-in-progress document. There is a great deal more to be done to reach the implementation and delivery. It has been a challenging and difficult period for all staff at the airport. The prospect of change is never easy. But I have been very impressed by the way in which the majority have embraced this very necessary process; in particular, the professional and dedicated way that they go about their jobs. I am confident that Jersey Airport will have a strong and successful future as a fully integrated contributor to the future economic success of the Island. Thank you, Sir.

5.3.2 Deputy C.J. Scott Warren of St. Saviour:

While I welcome, in the Assistant Minister's speech, the proposed new route development incentives, does the Assistant Minister agree that, at present, we are worse off than at the end of the last century regarding air links that have been lost in the last 2 years to nearby destinations in France, and that this is completely at odds with this lack of provision with growing economic links with France?

Deputy A.J.H. Maclean:

Yes, I do; I fully agree with the Deputy. We are worse off in terms of our communication links and I think that is a reason why, in my presentation, I made a comment about flexibility. To date, incentives that have been offered by the airport, first of all, have not been flexible in any shape or form. They have been strictly limited. On that basis we have not been able to engage fully in the way in which we needed to do to secure and maintain the routes that we had at that particular time, or certainly in recent years. That is a policy change. We are now going to be engaging fully with our partners, the airlines. Also, the major and significant change since the advent of Ministerial government is the fact that the airport is now part of Economic Development. We are operating in a far more joined-up and co-ordinated fashion, and on that basis, a great deal more flexibility is available. So, I think, looking to the future, we should have a degree of optimism in terms of developing or sustaining our existing routes, and, indeed, developing new routes, especially targeted towards Europe, which we believe is a market that has a significant amount of potential.

5.3.3 Deputy K.C. Lewis:

The Assistant Minister says there will be a reduction in staff. These will principally be operational and staff cost efficiencies. How does the Assistant Minister view this, considering we have new security arrangements coming in? He also states that the airport has a high operating cost in comparison to most of its competitors. Could he outline most of these costs, please? Higher costs?

Deputy A.J.H. Maclean:

Yes, staff: security is clearly an issue and already there is included in the budget an additional £300,000 to take care of additional security restrictions that need to be implemented by the airport. It is an area, which is unfortunately likely to grow as we move into the future. Security is a significant issue. We have to make sure that we are fulfilling our obligations with regard to security, so that is a cost implication that we have to take on-board, and it will be increasing. As far as staff losses are concerned, we are looking at a saving - over a period of the 5 years - of something to the region of £1.6 million. That ties-in with the high operating costs that the Deputy asked about, and the high operating costs are largely staff-related. We have a number of areas where we are looking, and during the course of the evolution of this particular strategy document, we will be pinning down the savings that we will be implementing.

5.3.4 Deputy of St. John:

Does the Assistant Minister have the full support of the Planning Department to push forward aspects of his plans? Also, has the Experian Report on retailing been carefully considered in the department's deliberation for the providing of more income from retailing operations at the airport?

Deputy A.J.H. Maclean:

I would certainly hope, looking towards the Planning Minister who is nodding vigorously... **[Laughter]** but indeed, we do have his full support in the in-principle discussions that have occurred to date. Clearly, there is a great deal more work to be done. There is a master-planning project to be undertaken, but I think, moving sensibly forward, there is a tremendous amount of potential in that particular area. As far as the Experian Report on retailing, yes, that has been taken into consideration. There is a degree of work to be done yet on the retail side. I think it is clear, and Members will appreciate, that the airport at the moment has just one duty-free small offering on the airside, and a significant amount of retail on landside. This is completely and utterly at odds with airports around the U.K. and, indeed, around the world. The average dwell-time on the airside retail is 7 minutes at Jersey Airport. It is quite extraordinary that we manage to generate the amount of revenue we do from our duty-free with only 7 minutes average dwell-time. There is a great deal of work to be done. The barriers are due to be removed and brought back towards the information desk. This area that would be airside is a significant area and we are optimistic that it will, in fact, produce retail revenues in excess of £1 million, and that, indeed, arrivals duty-free, which we do not have at the moment, will add an additional £600,000 in revenue. Thank you.

5.3.5 Deputy G.P. Southern:

A three-fold question, if I may, starting with the simplest one. "I have therefore stated to staff that incorporation is not on the agenda during this political cycle": is he talking about strategic plan political cycle? Is he talking about 2 years to a new election? Secondly, I note that staff cost efficiencies are largely focussed upon and yet it seems to me from my impression, certainly over half term weekend, that we were working with massive queues on registration and on security, working with minimum teams as it was, these savings may be extremely difficult to achieve. There are massive delays, often with planes being delayed at the airport. Thirdly, I notice that you have been largely working through working groups; this has effectively taken the unions out of the loop and they do not feel as if they are included in the discussions and consultation. Will he assure Members that the unions will be included in the loop properly, and properly and formally consulted at every stage?

Deputy A.J.H. Maclean:

Yes, I will take those 3 questions. The political cycle: the easy question, as Deputy Southern put it. The political cycle that I was referring to was the current cycle of this political House, taking us up until the end of 2009. The question of incorporation will be looked at again after that period, which will be, I suspect, early 2009. He is absolutely right, question number 2, concerning staff costs in one respect; although there is a degree of confusion here. The delays that occur through security, we have had a tremendous increase in requirements for security. The level of security is severe at the moment. The level of checks which Members and members of the public will be well aware of, are very much more stringent now than they were. We are in a position where we have increased the budget by £300,000. When the redefining of the retail offering occurs, then the security gate will be moved back, the idea will be to increase one of the extra security gates, which will hopefully speed up the process a great deal. There is, obviously, a need for increased security in terms of numbers of personnel. That is a contract arrangement with G4S. It is nothing to do with the staff themselves. It is not a facility - security - that we operate in-house. As far as working groups are concerned: yes, a great deal of work has gone on with regard to the working groups. It is the first time, I would suspect, at the airport that staff have been fully involved in decisions that have been taken. It is a significant step forward. It is a fully inclusive process. I have been involved myself on a number of occasions, talking to staff about the strategy and what indeed is proposed. We have listened very closely to their concerns, quite rightly so. The heart of any organisation is the staff, and it is very important that their views are taken on board, and that has certainly happened. The composition of the working groups has, in fact, included representation from the unions. There are union members from different departments throughout the airport, so I am satisfied that that has been taken into consideration. The Deputy may not be aware that Nick Corbel, of the General Workers Union, has been consulted with regard to these proposals, and indeed, he was at a meeting that we had yesterday with the Forward Directions working group, and made a small contribution at that meeting. So, I can certainly assure Members that the unions have already been included, and will continue to be included in decisions as we move forward. Thank you.

Deputy G.P. Southern:

A point of clarification: the Assistant Minister mentioned the end of 2009. The election cycle ends in 2008, the Strategic Plan ends in 2011, not 2009. Will he clarify?

Deputy A.J.H. Maclean:

I would be delighted to clarify. I think the Deputy misheard what I said. I said: "2008 is when the elections are, and in fact it would be early 2009 before I suspect that the issue of incorporation may well be looked at again."

5.3.6 Deputy P.N. Troy of St. Brelade:

In the statement, the Assistant Minister referred to this as a "strategy document" in the second paragraph. He refers to it as a "document" in the first paragraph, titled: "Future Directions", but all it is, Sir, is a PowerPoint presentation with about 20 boxes on it. This is not a report on the airport, it is just a summary of a report, Sir, and I think it is not what States Members should be receiving. This is totally inadequate for our purposes. We need to see the background information from which all of these conclusions are drawn, Sir, and I would like to ask the Assistant Minister if that could be circulated to States Members?

Deputy A.J.H. Maclean:

In fact, Sir, this document, as I stated right at the beginning, is a broad strategy. It is a foundation and a base from which we are going to work forwards. It is, in fact, work-in-

progress, as I said during my presentation. There is indeed a great deal more work and consultation to occur, in terms of the implementation and delivery of the strategies. One of the input documents, that I suspect the Deputy might be referring to, is the one that was produced by the consultants, Vector, who the airport have been working with. They are aviation consultants. They are experts in this particular field. They have looked at a large area of the airport's functioning and operations and produced a report, accordingly. A précis of that particular document I would be more than happy to make available to Members, and, in fact, it is being made available to staff. Some of the staff have been working with it in any event, but it will be circulated more widely. The detailed document of the Vector report, I am afraid, is not available in its entirety because there are areas of it that contain commercial information, which is of a significantly sensitive nature, and I am sure that the Deputy and Members would appreciate that.

The Bailiff:

That, I am afraid, completes question time arising from statements.

Senator S. Syvret:

Could I, just as an observation, make the point that I am beginning to detect some elements of filibustering and time-wasting in the way some of the answers are given by Ministers and Assistant Ministers. I do think there is, perhaps, a need to require answers to be a little briefer and more focussed on the questions made. Otherwise, many valid questions put by Members do not get the opportunity to be heard.

The Bailiff:

Senator, that is a very fair point. Standing Orders require Ministers to answer each of the questions concisely and I express the hope that all Ministers will follow that injunction in future.