

AOPA

Aircraft Owners & Pilots Association CHANNEL ISLANDS REGION

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Dear Deputy Luce

Scrutiny Panel Aircraft Registry Review

Thank you for your letter dated 19 April 2012 in relation to the impending review by the Scrutiny Panel ("Panel") of the potential establishment of a Jersey or Channel Islands Aircraft Registry ("Registry").

AOPA CI Region ("AOPACI") welcomes the offer to share its observations as to the potential establishment of a Registry but is concerned as to the breadth and imprecise nature of the terms of reference as set out in your letter which appears to contemplate a Registry for both Private and Commercial (under an AOC) operation of Aircraft. AOPACI makes comment in relation to Private operations only and **presumes** that the opening of a Register to include operation Commercial aircraft is not intended.

Scope of AOPACI

The Panel ought to be aware of those persons and equipment that AOPACI considers itself to represent. AOPACI is a representative body of pilots and aircraft owners of privately operated aircraft (single engine and multi-engine propeller through jet engine). In relation to such representation it clearly has knowledge and awareness of issues that affect equally the private and commercial operator. AOPACI responds to the Panel's invitation on the above basis. The response is brief and relatively undetailed such that the Panel is encouraged more accurately to define and be aware of the number of issues affecting its review.

1. Clarification

As stated above it is unclear as to whether the potential establishment of an aircraft registry is for privately operated aircraft or commercially operated aircraft. AOPACI assumes the establishment is for a private operations aircraft registry only. Confirmation and any limitations as to the suggested limits of any registry (e.g. by reference to aircraft maximum weight) may help focus AOPACI's comments.

2. **Potential value to the Island's economy for current proposals to establish a Registry**

- (1) On the basis of the broad and unparticularised brief it is difficult, if not impossible, to assess any potential value to the Island's economy, either positive or negative.
- (2) The Panel will likely be aware that there are a number of private operation aircraft registries already established including: Isle of Man, Cayman Islands, Bermuda and Aruba. In addition there are a significant number of N-Registered (American registered) aircraft operated in Europe. The rationale behind registrations ranges from the need for anonymity/neutrality to pilot licencing (more practical standards for the obtaining of Instrument Ratings and medicals) and aircraft maintenance issues.
- (3) There are already a significant number of aircraft owned by Jersey/Guernsey companies attached to these various registers. In order to compete AOPACI is of the view that the Register will have to offer advantageous features which are at least as advantageous as other Registers and, more likely, more advantageous. In the absence of these considerations it is difficult to see why the Register would be preferred to existing and well established alternative registers with reputations for safety and ease of use. AOPACI would welcome the opportunity to be part of the discussion to assess these areas in greater detail.
- (4) As to the differences that might exist as between Jersey and Guernsey AOPACI suspects that the any choice will likely centre on ease of use / regulatory interference / GST and cost.
- (5) Whilst on its face it is easy to see that annual charges in relation to pilot validation and aircraft registration/certificates of airworthiness will bring in annual revenue this will clearly not be profitable for some years. Jersey must take a long term view. It has taken the IOM some 5 years to attract some 450 aircraft. AOPACI would not wish to see the costs of the Register being levied on its members through increases in airport fees/taxes or increased taxes generally in relation to the creation of a Register.

- (6) Moreover once one aircraft is registered on the Register it is then simply not a case of being able to wind up the Register if the number of aircraft does not reach a profitable tipping point within a certain number of years. What number of aircraft will be required for the Register to break even? Is it run to encourage increased revenue in the Finance Industry, if so how does this compete with alternative jurisdictions already offering a register?

3. **Safety Standards / Regulation**

- (1) In order to establish the Registry CI/Jersey will have to establish and maintain a regulatory body dealing with Pilot Licences / Airframe Certification / Airframe and Engine Maintenance and Inspection. The skill base within the islands to develop such a body will likely involve the importation of those skills from elsewhere prior to the first aircraft being registered. Jersey simply does not have a Maintenance organisation which deals with anything other than piston engine aircraft.
- (2) Whether the Registry is located in Jersey and/or Guernsey appears to us to be irrelevant when looking at the establishment of a Registry on its own merits. The major issue relates to VAT/GST (dealt with separately below).
- (3) In relation to the safety standards/regulation we presume that there would not be a consideration of the Register reinventing the wheel but that it would adopt either the American and/or European safety standards or a combination of both or allow the operator to elect. AOPACI would favour at least the choice to include the FAA regime.
- (4) The big issue relates to the risk of operations. Will the Register be happy to validate every crew licence from any ICAO validated country (or some only and which?) of whatever experience (or minimum qualifications and experience and what?) or will Jersey prefer to restrict validation to minimise risk? If so, what standard will that be and how will that compete with other registers? In relation to registration of previously owned and registered aircraft, which person or persons or body will authorise its registration on the Register and check through maintenance history and ensure compliance with appropriate directives and service bulletins. How will these be interpreted? If no more advantageous than other registries what other advantages does the Register offer? These issues will be crucial to the establishment of a successful Register.
- (5) If there is an accident caused by pilot error and/or aircraft/engine maintenance how will this be investigated, using which body? Is it anticipated that the Register will be a sub-register of the British Register or completely independent?

4. **Unique Selling Point**

- (1) Without more information and comparative data it is impossible identify a USP at the present. AOPACI is certainly able to assist with suggestions as to the creation of USP(s).
- (2) AOPACI members have had several enlightening experiences of airport ramp checks and investigations carried out by the French Customs authorities in relation to aircraft departing from Jersey and landing in the EU, and in particular in relation to *cabotage* issues. Some considered thought would have to be given to whether having an exclusive CI/Jersey Register will simply increase anti CI feeling in the EU making registration even less attractive and culturing a further political hot potato coming on the back of LCVR litigation. With appropriate consultation AOPACI believes some of these issues can be overcome.

5. **Location of the Registry**

Given the comments above AOPACI sees no purpose at present in commenting on this issue. A collaboration between Guernsey and Jersey is however welcomed and must point to a more cost effective way forward in relation to common issues affecting the CI.

6. **VAT / GST**

- (1) In relation to VAT/GST the advantage of aircraft being on the Isle of Man Register is that the VAT purse is common with the UK. Any payment and reclaim provides for free circulation of the aircraft in the EU and avoids *cabotage* issues.
- (2) That is not the case in relation to a Jersey/Guernsey company such that any aircraft under 8000kg on the Register, if imported to Jersey, would in addition, have to pay 5% GST. Whilst the operator using the aircraft for business would likely be able to reclaim the VAT and GST back the private user would pay twice.
- (3) Since 1 January 2012 a GST threshold of 8000kg for an aircraft, above which no GST is payable, has a significant deterrent effect on anyone importing aircraft into Jersey as this includes 'light' to bottom end 'mid-sized' jets which retail (used) up to US\$9 million. In the circumstances it is difficult to see why any potential owner, given the choices presently available, would wish to locate their aircraft on a Jersey Register paying up to £300,000 in GST for the privilege when they can use other Registries with no such payment. This issue requires to be dealt with before the establishment of a register.

7. **Strategic Partnerships and Cost**

- (1) In relation to strategic partnerships with already established Registries it is difficult to see why any established registry would want to share hard earned market share with Guernsey/Jersey.
- (2) With no further information available AOPACI repeats paragraphs 2.(5) and 2.(6) above.

In conclusion it appears to AOPACI that the terms of reference are at present in their infancy and whilst we have highlighted some of the issues (including some potentially tangible benefits) the terms of reference will have to be refined in order that we, and others, are able to provide a more focused analysis of the same.

Please do not hesitate to communicate with us further should you wish us to expand upon any points raised, in writing or personally. In my absence would you please kindly contact Simon J. Young ... who is fully aware of the issues raised in this letter.

Yours sincerely

CHARLES STRASSER