



Guernsey Airport

A DIVISION OF THE PUBLIC SERVICES DEPARTMENT



ANNUAL REPORT

2014

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1). Executive Summary

2014 continued the theme of change that Guernsey Airport has had to become accustomed to over the past few years.

While 2014 saw the practical completion of our pavements project during July, the nature of change experienced over the year related not to construction, but to the operation of aircraft and dramatic changes in airline schedules over the year.



Significant events of the year included:

- Flybe withdrawing its five daily rotations to and from London Gatwick in March 2014. In that same month a codeshare arrangement between Blue Islands and Aurigny was finalised, and that saw the Trislander fleet removed from the Jersey – Guernsey route network to be replaced with larger ATR42 aircraft.
- By autumn, Flybe had scaled back its Southampton operation to just one rotation per day (from four at the start of 2014) and this began to impact on Southampton passenger movements over the last quarter of the year, which up until that point had seen substantial growth.
- As Flybe withdrew from London Gatwick, Aurigny secured a lease on an Embraer 190 aircraft to immediately take up most of the loss of capacity on the reduction of the London Gatwick slots, before its own new Embraer aircraft arrived in July.
- Blue Islands invested in an ATR72 for Southampton to effectively take up some of the loss of capacity to the south east region. Connectivity to the south east was further boosted with the introduction of a new direct London City route in September 2014.
- Given all of this change to well-established routes, overall passenger numbers throughout the year remained remarkably consistent, aside from a significant reduction in inter-island passenger movements. Aircraft movements did decrease over the year with fewer fuller large aircraft operating in 2014 than in 2013. Total aircraft movements for the year 2014 were 13% lower than in 2013 (6,300 less).
- Total passenger movements for the year at Guernsey Airport were 863,379 (+0.4% on 2013), although all of this increase was attributable to UK air routes.
- Guernsey Airport was subject to two CAA (Civil Aviation Authority) inspections (covering Air Traffic and Engineering) and one UK Department for Transport security audit in the year. No significant issues were raised.
- Fiscally, 2014 continued to present its challenges with large unbudgeted costs relating primarily to PFOS (largely in respect of legal costs associated with an ongoing claim).
- The substantial investment made by the States of Guernsey in the airport infrastructure which saw its completion in 2014 provided for the immediate needs of the airport for the

foreseeable future. The timing of this investment turned out to be more critical than any of us could have expected as the fleet changes necessitated through the withdrawal of Flybe from the London Gatwick route at the end of March 2014 would simply not have been achievable any earlier and indeed not at all, had the works on the runway and the aprons not been completed.

We look forward to 2015 with all its challenges. Priority will continue to be placed on growing our non-aeronautical revenues as we move forward, and through more positive engagement with our key customers we will endeavour to find ways of helping them to help us in growing our revenues and bettering the service to our customers each year.

I am grateful for the co-operation and support of all of the staff at Guernsey and Alderney Airports for their help and assistance in 2014; they are a dedicated and highly professional team who love aviation and these islands.

We are looking forward to the end of this period of consolidation and while challenges will continue to be faced and met, we remain grateful for the support of the States of Guernsey in investing in our infrastructure to help us deliver a continued first rate, safe and expeditious service for the Bailiwick.

COLIN J LE RAY

AIRPORT DIRECTOR, PUBLIC SERVICES DEPARTMENT

2). Introduction

Our purpose is to provide the Airport infrastructure together with technical and administrative services to an acceptable standard. We must ensure that policies, facilities and services at the Airport are commensurate with the requirements of the island in respect of Air Transport Services, General Aviation and standards set by National and International Aviation Authorities.



MISSION STATEMENT

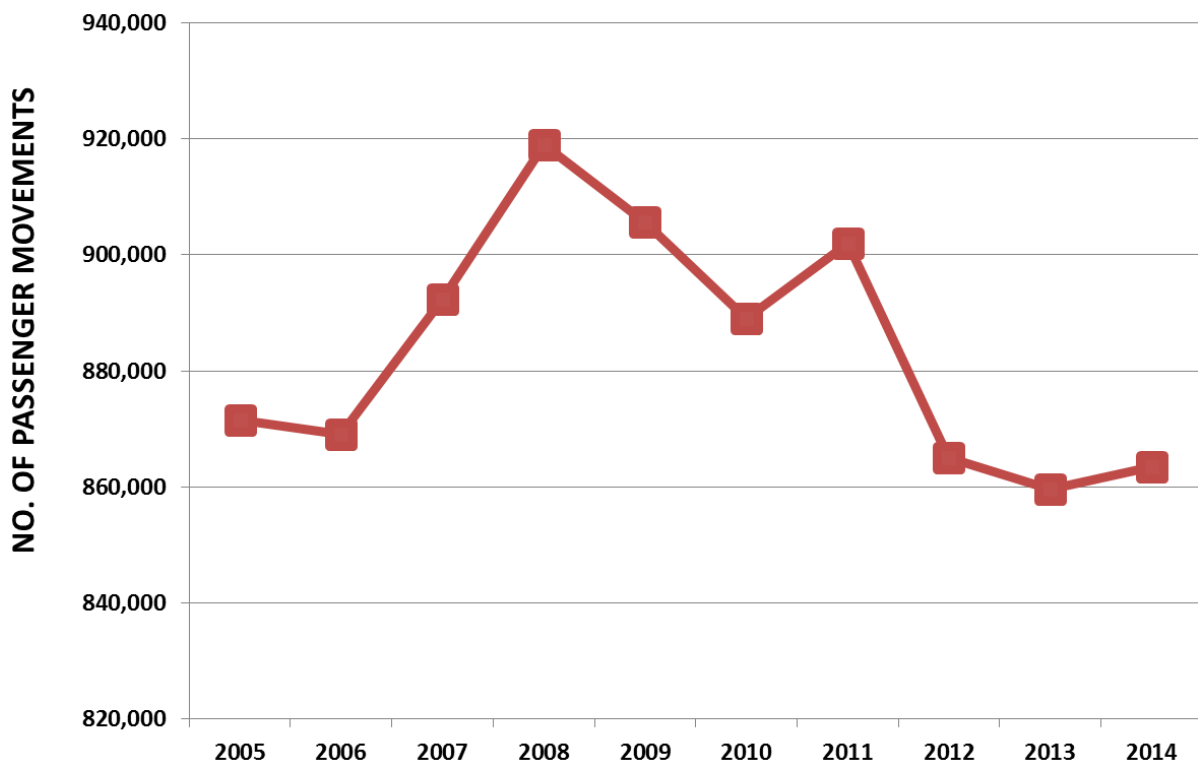
Our **mission statement** reflects this purpose:

‘To provide the Airport infrastructure together with technical & administrative services to an acceptable standard to enable the safe & expeditious movement of commercial & private aircraft, passengers & cargo to, from & at the Airport on the most cost effective basis & to ensure that the operation of the Airport produces an annual post depreciation return on income of not less than 5%.’

3). Review of 2014

GUERNSEY PASSENGER & AIRCRAFT STATISTICS

Guernsey passenger movements for the 12 months ending December 2014 were 863,379, which is 0.4% more than 2013 (see graph below). The longer-term trend line for passenger movements shows that the number of passenger travelling may have finally reversed the low point - even more impressive when considering the route changes imposed by the airlines over this period.



This improvement in 2014 is entirely down to UK passenger movements, which were nearly 15,000 higher than last year (up 2%). Regrettably, poorer trends on inter-island and European travel over the year diluted the UK increase by two-thirds over the year, only giving us an additional 4,000 passengers when compared to 2013.

Looking at specific routes over the last year, UK routes recorded a relatively healthy increase (14,781 more passengers) over 2013. Within the UK routes, the three top performing routes were Southampton, Birmingham and the new London City route. Between them, these three routes saw a growth of nearly 52,000 additional passengers when compared to last year. Gatwick, East Midlands and Manchester saw the greatest decline in passenger numbers over the year, between them losing 36,200 passengers.

It is likely that the changes in schedule over the year leading to less capacity on London Gatwick have led to significant moves onto other routes. Some of that movement may have been priced, however, importantly the overall number of UK movements did not decline; indeed it increased by 2% in a year of major change.

Other changes in schedule over the year had a less positive outcome. Jersey passenger movements decreased by 6% over 2013, while Alderney Airport movements increased by nearly 1%. International routes saw a 26% decline over 2013 albeit on relatively low levels.

Total international carryings (8,702 passengers) now represent less than half the size of our average 'smaller' UK routes (such as Stansted, Bristol or Birmingham).

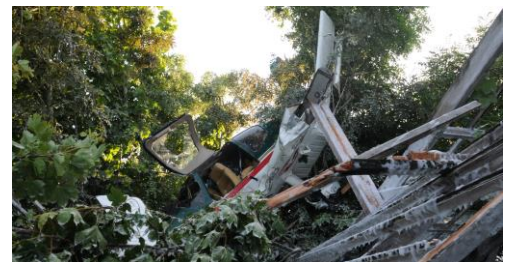
Looking at airline performance over the year, Flybe's market share reduced to 20% (down from 35% in 2013) largely as a result of its withdrawing from Gatwick and scaling back its Southampton schedule. Aurigny realised 56% market share last year (up from 52% in 2013) while Blue Islands realised 23% market share (11% in 2013).

Aircraft movements over the year 2014 were 13% lower than in 2013 as a result of schedule changes, which generally realised fewer, larger aircraft operating on London Gatwick, Southampton and Jersey air routes.

Further analysis of the aircraft statistics shows within the total 43,255 aircraft movements over the year, the number of public transport aircraft declined by 20%, with increased private aircraft movements over the year. In 2014, public transport aircraft accounted for 68% of the total (74% in 2013), with privately owned aircraft accounting for 32% of the total (26% in 2013).

MAJOR INCIDENTS

A total of 346 safety occurrence reports were filed in 2014, compared to 427 in 2013 and 383 in 2012. The slight decrease in reports over the last year was expected as the pavements project works concluded, but the overall level of such reports is not of concern.



Guernsey Airport continues to encourage a positive reporting culture, as a means of proactively encouraging our staff and third-parties to identify opportunities for improving what we do and how we do it.

There was one aircraft accident reported in 2014 (G-POPI – 17th June 2014) and 18 less significant airport accidents. 11 of these were injuries to staff (our own or third party staff), all but one being minor (i.e. non reportable to the Health & Safety Executive). There were 13 confirmed bird strikes over the year.

PAVEMENTS PROJECT UPDATE

While practical completion on the main Pavements Project was secured on 16 July 2014, work continued through most of the first half of the year to secure defect rectification and finishing off, largely on groundworks completion and compound re-instatement.



Lagan's permanent presence on the island was withdrawn from July 2014, although visits since by repair crews have continued. This included re-instatement of the north, south and accommodation compounds after wet weather conditions in the early part of the year made conditions for subsoil harrowing and topsoil replacement unsuitable.

Hydroseeding undertaken in September/October 2013 did not generate good grass growth and the following investigation resulted in substantial re-work, particularly around the western end of the runway, to be undertaken by Lagan at their own cost.

Post-implementation noise surveys around the boundary of the airport were completed in two periods of monitoring, undertaken in February 2014 (prior to an overall reduction in Trislander movements) and again in March 2014 (after a reduction in Trislander movements and post-jet introduction on London Gatwick). This survey work was required as part of the Environmental Impact Assessment closure process. The findings determined there was very little difference between the noise levels recorded in 2014 when compared to 2009 before any work commenced on site. Interestingly, in many instances the 2014 survey results realised lower readings than those identified in the 2009 pre-works survey.

The drains to intercept surface water flows that were affecting neighbouring land and buildings during the winter of 2013 were completed in May 2014, but a short duration storm on 23rd May created a recurrence of this flooding. This was identified as being due to overtopping of one of the attenuation tanks, and this again will need to be rectified by Lagan at its cost.

Mediation with a neighbour of the southern compound took place in August 2014 but was unsuccessful. That matter has since been determined by the Courts.

Fjori was commissioned to undertake a project Post Implementation Review, and its Stage1 report was delivered to the Public Accounts Committee in 2015 while its Stage 2 report is anticipated to be finalised in the autumn. The project team were delighted with the report and the generally positive independent review of the project.

RADAR REPLACEMENT PROJECT UPDATE

The new radar was finally commissioned in 2014 following satisfactory evidence of flight checks being received.

A Post Implementation review of that project is being commissioned and will be undertaken soon. The radar performs well and has no significant defects left to rectify.

MANAGEMENT & GENERAL HIGHLIGHTS

HR Issues

Challenges around manning levels within ATC (Air Traffic Control) became critical over the summer, with some unexpected resignations and medical discharges.



With temporary cover being put in over the summer and the support of existing staff in flexible working, the shortages were covered without disruption to flying hours. By year end, the problems had been largely resolved, with the final new staff being appointed and starting in post from January 2015.

Changes in our senior management team occurred toward year end with the departure of our Operations Manager who had greatly assisted the Pavements Project. His role was taken by the former Fire Service Manager, with one of the existing Station Officers being promoted to the vacant Fire Service Manager position.

Firefighters agreed a pay settlement for 2014 of +1.5% in November, backdated to 1st January 2014. This was in-line with other PSE awards. Established staff were awarded +0.5% with effect from 1 May 2014, as the second part of a two-year pay deal.

A review of outsourcing certain ATC functions was concluded in June 2014 when a decision was made to retain the service in-house through continued employment of our own air traffic controllers.

Other Matters

A Public Consultation on Noise Abatement Procedures was commenced during the early part of the year and formally concluded on 2 May 2014. The output from this review was considered by the Public Services Department and this triggered the introduction of a series of changes to the existing Noise Abatement Procedures from June 2014. Despite this work, complaints are still being received from a limited number of residents of western parishes.

The Alderney Airport Runway Improvements Outline Business Case was subject to its first Gateway Review on 18 February 2014 and was cleared to progress onto the next stage. The Project Board met for the first time on 17 February 2014. Works in Alderney over the spring and summer of 2014, specifically on grass runways, led to much improved operations on the cross wind grass runways and they remained largely in service throughout the winter months of 2014, unlike in previous years where waterlogging had closed the runways for several months.

Aurigny's new E195 jet (*overleaf*) arrived in Guernsey on 27th June 2014 and commenced its services on 3 July.



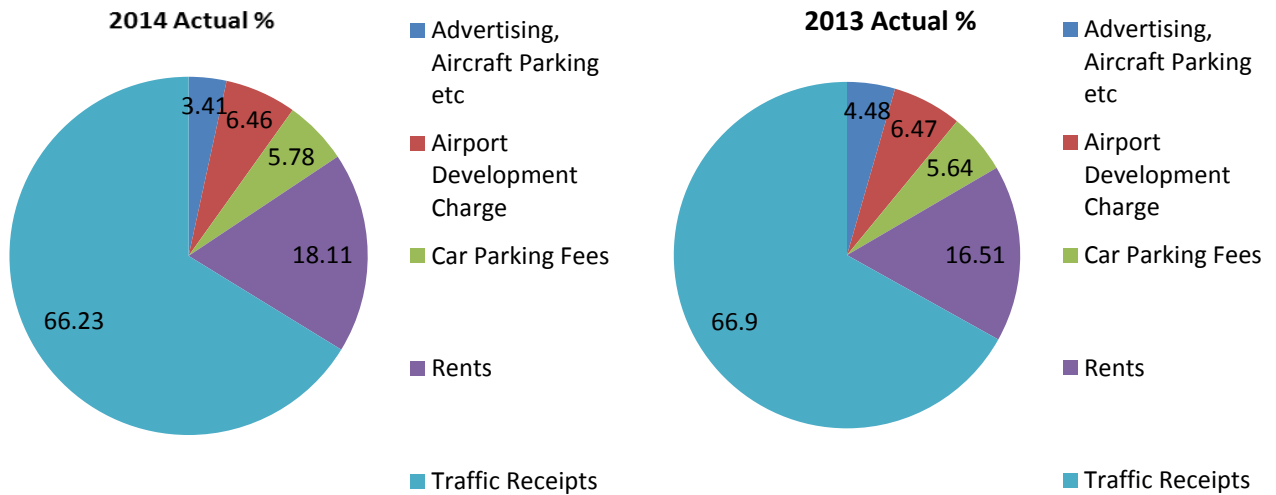
Two new fire appliances at Alderney Airport were delivered in late September 2014 (see below) and were positively received by the Alderney community and by our Alderney-based firefighters.



4). Appendices

Appendix 1 – Financial Details

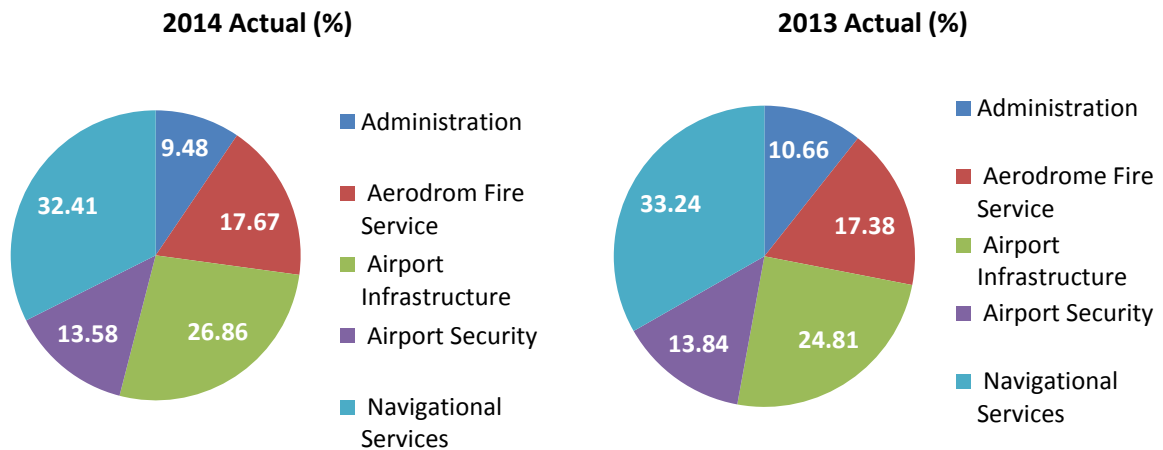
Guernsey Airport Income



The budget for operating income for 2014 was £11.7m. Actual operating income for the Airport for 2014 was slightly above budget at £11.8m, an increase of 0.8% from 2013 actuals, due mainly to RPI increases in annual charges. However, it should be noted that there was a 0.44% increase in passenger movements for Guernsey Airport compared to the previous year.

The income area that has reduced is advertising & sundries, and within this heading the primary reductions relate to advertising revenues which suffered in 2014 compared to previous years. Various initiatives by the existing agency charged with advertising are being introduced to protect and improve this income stream.

Guernsey Airport Expenditure



The airport had budgeted to spend £12.4m in 2014 and had been forecast to make a deficit of £0.7m. The Airport actually incurred costs of £12.9m, lower than the £13.1m in 2013 but still resulting in an operating deficit after depreciation of £1.1m.

This deficit after depreciation is largely accounted for by ongoing expenditure relating to dealing with the aftermath of residual firefighting foam residues (expenditure of £960k for 2014) against a planned budget of £100k due to challenges in predicting budget spend on legal fees and contracted-out work, both of which are largely outside of our control.

A breakdown of 2014 actual expenditure compared to 2013 is show above.

Fuller details of our accounts and a breakdown are available in the Accounts Billet D’Etat, which is published online at www.gov.gg/billets. See Billet XV of 2015, which is due for debate on 29 July 2015.

Appendix 2 – Organisation Structure



Appendix 3 – Acknowledgements & Contact Details

As always, I am indebted to the hard work and dedication of our staff, many of whom have to put up with working in high-pressure situations during anti-social hours. This commitment from our staff ensures that we are able to meet our objectives and provide a reliable and effective service to both islanders and visitors.

Contact Us

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