

Regulatory Policy Group
Civil Aviation Authority
CAA House
45-59 Kingsway
London
WC2B 6TE

SENT BY E-MAIL

2 July 2013

Dear Sir/Madam,

Economic Regulation at Gatwick from April 2014: Initial Proposals

This letter sets out the views of the States of Guernsey (“the States”) in response to the Civil Aviation Authority (“CAA”) consultation regarding initial proposals on economic regulation at Gatwick from April 2014. The States’ response is made on behalf of air transport users travelling between Gatwick and Guernsey; as the owner of the airline Aurigny; and as a British Island economically dependent on its connections to London.

The UK is Guernsey’s biggest trading partner; however Guernsey makes a significant contribution to the UK’s economy. Guernsey students study in the UK; Guernsey patients receive medical treatment in the UK; thousands of tourists travel in both directions. Gatwick Airport is the fulcrum of these relationships. The Islands are entirely dependent on air links for efficient connections and Gatwick is the most important destination for nearly one million passengers travelling through Guernsey and Jersey each year due to its unique position resulting from its links to London and role as a hub airport. For these reasons it is in our view important to balance the need for Gatwick Airport to increase its income with the need to ensure passenger choice through the maintenance of regional air connections which are vital for economic and social well-being.

We believe it is therefore important that the CAA factors the achievement of such a balance into its work on economic regulation and pricing policy at Gatwick Airport and in so doing considers the following issues:

- **As a small island community, Guernsey depends on commercially provided regional air services to Gatwick** for a significant amount of its economic, cultural and social well-being. Importantly this includes support for public service delivery in areas such as health and education. Guernsey passengers not only use the Gatwick route for access to the capital city but also for onward connections to other areas of the UK and around the world. Last year for example, 344,417 passengers flew between Guernsey and Gatwick and the total UK passenger movements for 2012 were 667,789, making Gatwick responsible for 51.8% of Guernsey/UK air travel last year.

- **The maintenance and development of air links between Guernsey and Gatwick is to the economic advantage of both Guernsey and the UK.** The link between Guernsey and Gatwick enables significant business and capital flow between Guernsey and the City of London, which benefits the wider UK economy. In Q3 2012 the UK banks had net financing of approximately \$70.6 billion from Guernsey. The finance industry also generates significant professional fees for UK lawyers, accountants, fund managers, compliance and advisors.
- **The air link between Guernsey and Gatwick plays a crucial role in continuing to facilitate economic links between Guernsey and the UK.** Of the total carryings to Gatwick in 2012, 41% were visitors. In turn, 33% of those were business visitors and 59% were residents, of which 22% were going to Gatwick on business. These business travellers represent a combination of finance and non-finance business. Guernsey and the UK are continually building on its economic relationship into non-finance areas such as renewable energy, the creative industries, intellectual property and the digital economy. Gatwick is an essential link to develop these industries as well as to continue to reinforce the significant finance sector link between Guernsey and the City of London.
- **There is an ongoing risk for jurisdictions/regions such as Guernsey** that the essential short-haul flights will not get the priority that they need in order to survive, and the dominance of long-haul airlines at Gatwick will continue to expand to saturation point.

Should the CAA have any queries regarding this submission, we would ask you to contact Wayne Hassall, Director of Economic Development at Guernsey's Department of Commerce & Employment on 01481 233527 or at wayne.hassall@commerce.gov.gg.

We are grateful for your attention.

Yours faithfully



Deputy Kevin Stewart
Minister for Commerce & Employment



Deputy Paul Luxon
Minister for Public Services