

Guernsey Airport Annual Report 2013



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Executive Summary

2013 represented a second consecutive year of remarkable change and adaptation for Guernsey Airport, its commercial partners, management and staff. Throughout this change period, passengers will have experienced little or no impact on their travel plans, which is a credit to all of those involved in operating the airport during this significant period of adjustment and accommodation.

Our core business strategic aim to provide safe and expeditious movements of cargo and passengers throughout the year of major development was nothing short of a remarkable, yet relatively unseen and unreported, achievement.

Passenger movements for the year at Guernsey Airport were 859,623 (-0.6% on 2012), within this number the most significant downturn in numbers related to interisland travel where Alderney and Jersey routes saw similar reductions in numbers and in European Travel as summer charters to and from Germany declined in 2013.

Major capital projects dominated our workloads in 2013, with the Pavements Project, Radar Replacement and tender processes associated with two new fire appliances at Alderney Airport taking up significant proportions of management time.

The Airport saw changes in its administration staffing levels, as the Hub opened with effect from January 2013, seeing 1.5FTE being seconded to the centre and the Finance Manager role was centralised between the Harbour and the Airport, with a Commercial Manager role being created on a similar basis. All of these actions, although not directly linked did create some challenges in the early part of 2013.

Guernsey Airport was subject to four CAA and three UK Department for Transport security audits in the year and no significant issues were raised. Actions from those audits are progressing well, particularly as the demands of the Pavements Project on the accountable managers began to reduce in 2013 and they were then able to dedicate more time to their core functions. The provision of a Management Support Executive Assistant in 2013 helped to deliver meaningful progress in freeing off our Management Support Executive to deliver actions against the audits.

Fiscally 2013 continued to present its challenges with large unbudgeted costs relating primarily to PFOS (both in terms of remedial treatment of groundwater and legal costs associated with an ongoing claim).

The substantial investment made by the States of Guernsey in the airport infrastructure provides 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 in 2014 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 2014 with all its challenges. There is no doubt that next year will include some change as airlines make their operations more sustainable, flying fewer, fuller aircraft both interisland and across to the UK. Commercial emphasis will be placed on growing our non-aeronautical revenues as we move forward and more positive engagement with our key customers will endeavour to find ways of helping them to help us in growing our revenues and bettering the service to our near 1m customers each year.

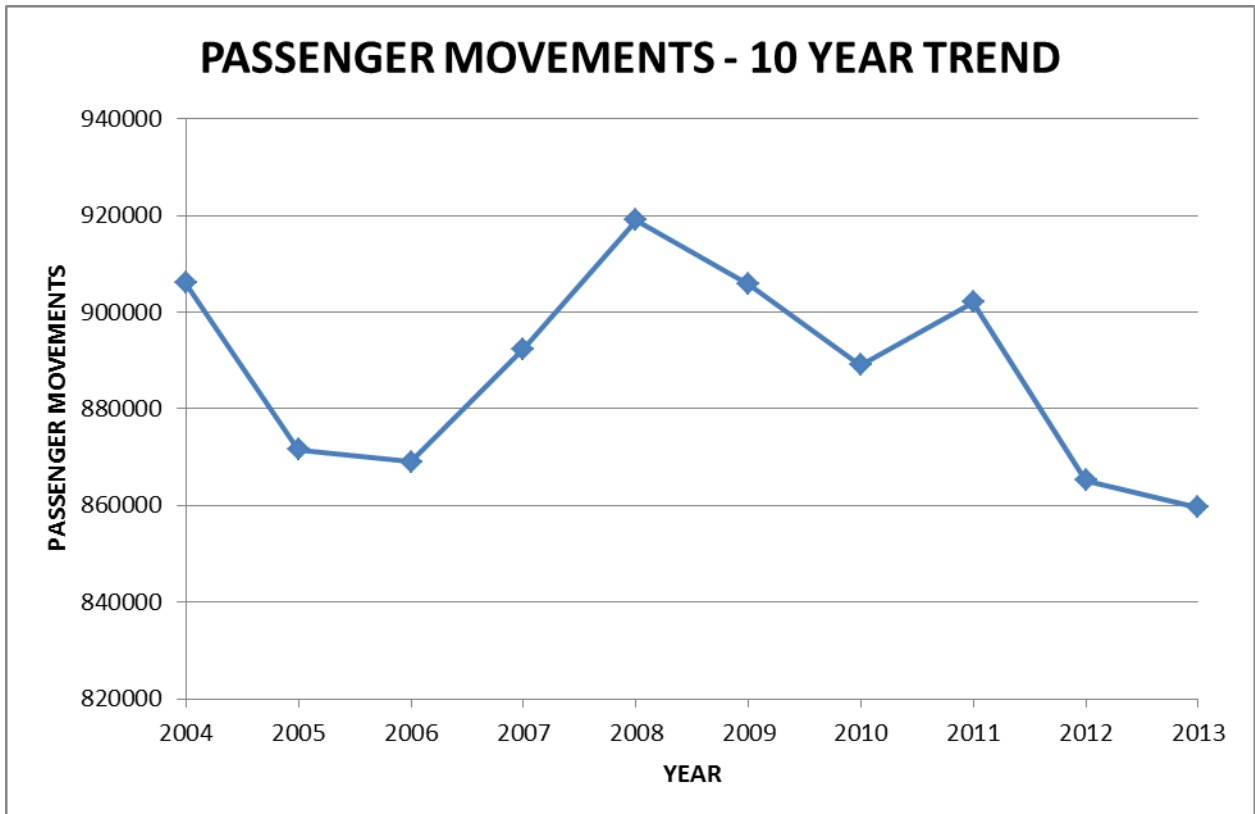
I am grateful for the co-operation and support of all of the staff at Guernsey and Alderney Airports for their help and assistance in 2013. All of them have faced and met challenges which were largely unprecedented in the Airport's 70+ year history and their support in taking on additional challenges and extra duties has been remarkable.

We are looking forward to a year of consolidation and whilst challenges will continue to be faced and met, we are 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.

C J Le Ray
Airport Director

Guernsey Passenger and Aircraft Statistics

Guernsey Passenger Movements for the 12 months ending December 2013 were 859,623 up 0.6% on 2012, however despite the marginal decline on 2012, the longer term trend line for passenger movements shows that the number of passenger travelling is at a low point



This decline is not unexpected particularly as the Islands economy tends to lag behind the recession which commenced in the UK in 2008. 2014 is showing some signs of a recovery however that recovery is unlikely to come quickly or without the potential for some partial funding of that recovery on the part of the Airport and/or others in providing an environment in which airlines can offer competitive airfares and stimulate growth.

Looking at specific routes over the last year, UK routes recorded a marginal increase over last year (763 more passengers) over 2012. Within the UK routes growth was realised on Gatwick, Manchester and Southampton routes, which all gained around 3,000 additional passengers over the year. Birmingham and Stansted lost a similar number, with less significant reductions on travel to the South West (Bristol and Exeter). So despite only a marginal move in the total, there were some more significant moves around routes, which will almost certainly be caused by flight schedule changes and/or pricing sensitivities.

Jersey passenger movements decreased by 2% over 2012, whilst Alderney Airport movements declined by 5%. International routes saw a 15% decline over 2012 albeit on relatively low levels. Total International carryings (13,900 passengers) is still lower than the smallest UK route operated (Stansted).

Looking at airline performance over the year, Flybe's market share was holding relatively static at 35% (down from 45% in 2007), Aurigny realised 52% market share last year (up from 45% in 2007) whilst Blue Islands realised 11% market share. Flybe reintroduced a jet on its London Gatwick route at the end of March 2013 (E175). That aircraft was removed from the route at the end of October 2013 and replaced with the Q400 aircraft.

Discussions with Easyjet occurred during the summer of 2013 when the airline sought to operate a Guernsey-Gatwick route. A considerable amount of time and effort was expended with the airline and a full site assessment was undertaken by Easyjet with a view to its commencing an operation in 2014. This was successfully passed however issues relating to the Route Transport Licence application, potential changes to the Route Licence Policy in respect of Gatwick and agreement on charges had to be resolved before the airline would commit to operate into the island. Easyjet advised Guernsey Airport in October 2013 that it was withdrawing its route licence application to operate the route.

Major Incidents - Guernsey Airport

A total of 427 safety occurrence reports were filed in 2013, with 383 in 2012 and 246 in 2011. The increase in reports represents a push by Guernsey Airport to encourage a positive reporting culture, although it is recognised that the number of reports increased during the Pavements Project and a significant period of change for the operation.

There were no aircraft accidents reported in 2013, although there were several aircraft serious incidents during the year, including 13 bird strikes, 2 full emergencies, 2 local standbys and 2 laser attacks. Incidents on the ground were less significant although an incident involving a freight aircraft occurred in April 2013, when a vehicle belonging to a third party ground handling agent collided with the aircraft when it was parked on stand. Remaining incidents on the ground centred around minor vehicle damage and collisions.

Aviation Security Updates

2013 was a busy year for Security matters at Guernsey Airport with a number of significant changes to both European Commission (EC) and Department for Transport (DfT) Aviation Regulations.

A Single Consolidated Direction governing aviation security was introduced and came into force. An amended version of the Channel Islands Civil Aviation Security Programme (CICASP) and the Guernsey Airport Security Programme (ASP) were implemented to highlight these changes.

EC and DfT Regulations were also updated and implemented in respect of Liquids, Aerosols and Gels - often referred to simply as LAG's.

An assessment of the implementation of EU Aviation Security requirements at Guernsey Airport was conducted by Senior Inspectors of the Aviation Directorate of the UK Department for Transport in July 2013. This assessment covered the implementation of the new EU regulations on Aviation Security as well as the more stringent measures required under the auspices of the UK NASP.

A significant Security Incident occurred overnight in late January 2013 following discovery of an unsecured Flybe aircraft. The Airport was closed and a security cordon established, the police were called and a team of explosive search trained officers attended and carried out a search of the aircraft together with adjacent aircraft and facilities. This proved that all was in order.

The most significant change to our security procedures was the introduction of a 'Security & Aerodrome Safety Enforcement Programme (SAFE)' that introduced a method of addressing and handling security and aerodrome safety related infringements at Guernsey Airport. This introduced a penalty points system which is intended to deter aerodrome users from contravening the Airport's Aerodrome Manual, Aerodrome Standards Manual, Health and Safety Standards and Airport Security Requirements.

Two new X-ray machines were purchased and installed into the central search comb, allowing the older but fully functioning x-rays to be installed into the Vehicle Check Points (VCP's). A new Out of Gauge x-ray machine was also purchased and installed necessitating some building works inside the Terminal to accommodate the slightly larger device.

Project Updates

Pavements Project

January saw indications that Lagan was running 6 weeks behind their planned completion date largely as a result of weather impacts. Primary works were concentrated from early 2013 on Phase 5 and 6 of the apron reconstruction, with fairly minor areas of asphalt on taxiways still remaining to be done. For most airport users this represented the greatest period of inconvenience as large sections of the main apron adjacent to the terminal were

closed. Additional bussing requirements hit from Summer 2013, and this had the potential to cause delays in boarding aircraft.

After many months of outage the 27 ILS Glidepath was returned into service shortly before Christmas (2012) whilst the 09 Glidepath remained out of use due to saturated ground. An incident occurred in February when runway line marking on the night of 14th February resulted in an unplanned 30 minute runway closure the following day to investigate the impact of wet paint on aircraft.

Work in February began to concentrate efforts on mapping the activities required to move the threshold positions during the Summer of 2013. This had to co-ordinate changes in approach procedures being published with effective and full consultation and communication of the changes to users of the airport. By February Lagan considered they were 8 weeks behind their planned completion date. The 7 day closure of Delta taxiway to install the second PFOS cut off trench was successfully completed.

March started with some of the most significant snowfall ever recorded in the island for many years. This closed both airfields effectively for 2 full days and 2 half days. It is estimated that around 25,000 tonnes of snow had to be moved before Guernsey Airport could re-open and exceptional long hours had to be worked by a number of operational and managerial staff. Lagan was instrumental in assisting with the clearance of snowfall.

Fortunately the weather quickly warmed up and this enabled Lagan to recover some of its delays on programme, Phase 5 of the apron rebuild was completed three weeks early. Lagan remained 6 weeks behind on its Planned Completion Date but did indicate it could recover further if fine weather continued – which it then did.

April and May saw planning for the threshold moves continuing, along with approvals and testing of the airfield lighting control panel system, Lagan recovered another week and was 5 weeks behind their original Planned Completion Date.

The summer months saw both thresholds being relocated to their new positions and the restoration of full instrument landing systems at both ends of the runway. Lagan recovered two more weeks of delay and with the exception of snagging items, all civil engineering works on the airfield were predicted to be completed during October 2013, with compound re-instatement being largely complete by March 2014. Runway LED centreline units were recalled by the manufacturer and West RESA permanent fencing works were completed. Fixed Electrical Ground Power equipment was ordered for delivery towards end of November.

Autumn saw the completion of civil works on airfield and handback arrangements for Longue Hougue were commenced and as we neared Christmas significant work on the re-instating the compounds had commenced.

Radar Replacement Project

The Radar project was subject to fairly significant weather related delays over the winter of 2012 although the fine weather in Spring 2013 meant work could recommence on site. Fortunately liability for ground conditions was absorbed by the contractor and so no additional costs for delay were passed on the airport. Works constructing the tower were completed in 2013 and the effort then went into staff training and implementation of testing which included flight tests in the Autumn. These tests were eventually passed and the radar entered a period of evaluation with ATCO's over the winter.

HR Issues

The airport said goodbye to a number of staff in 2013 who had been with us for some time. This included a number of staff within our administration section.

A new commercial manager was appointed in April 2013 in accordance with recommendations from York Aviation.

At the Airport Fire Station the Chief Airport Fire Officer and two station officers retired during the year after many years of faithful service.

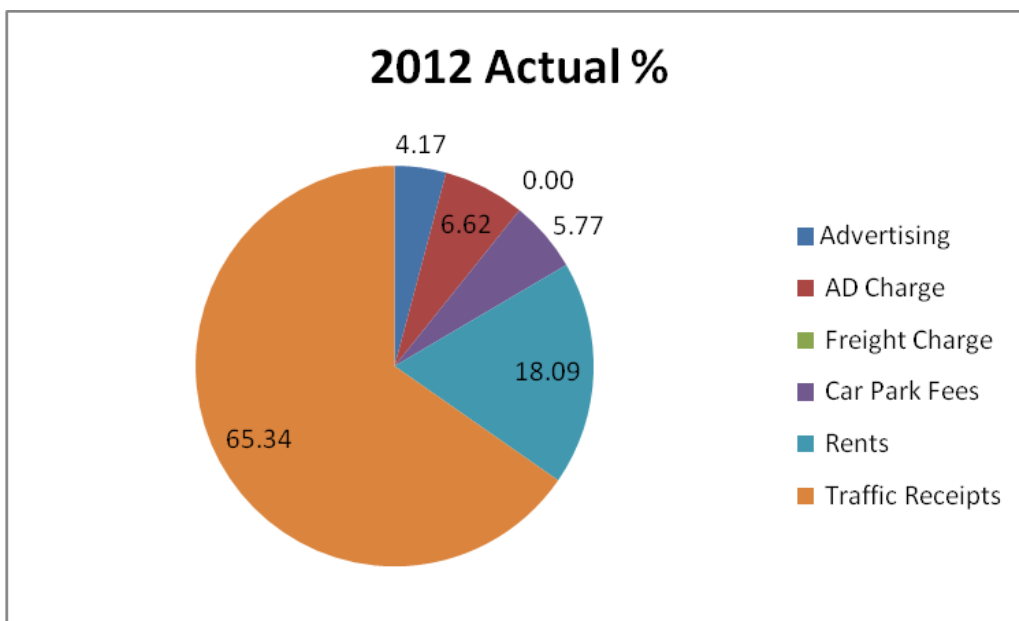
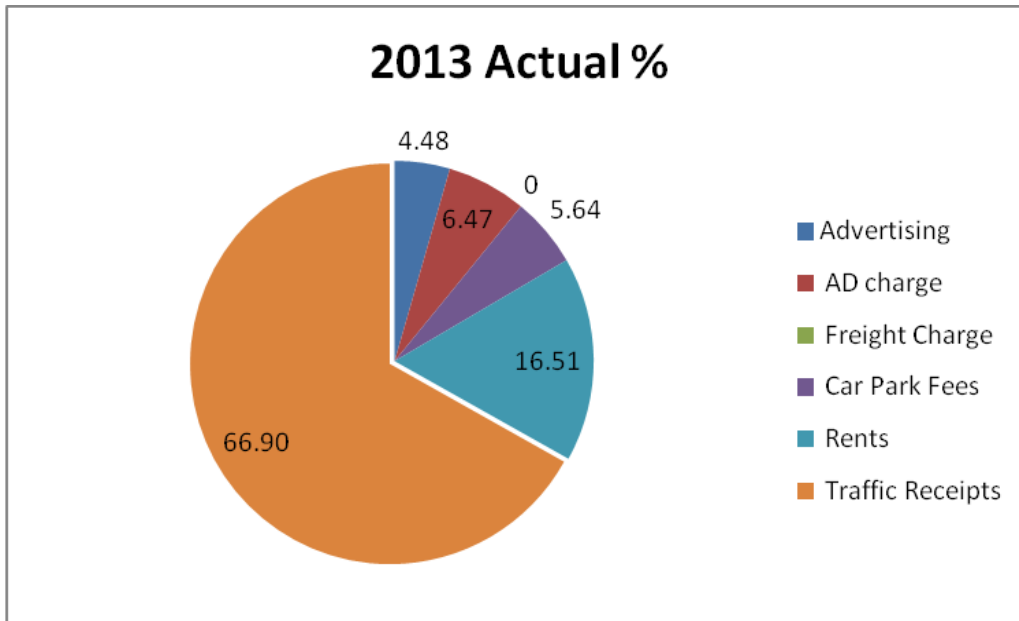
Firefighters were awarded a 1.5% pay rise effective 1st January 2013 at a tribunal hearing.

Finances

Guernsey Airport – Income

Income for the year 2013 was £11.7m, £200k higher than 2012 and marginally below budget (£12.2m), largely due to a lower than anticipated number of passenger movements particularly during the first 6months of the year.

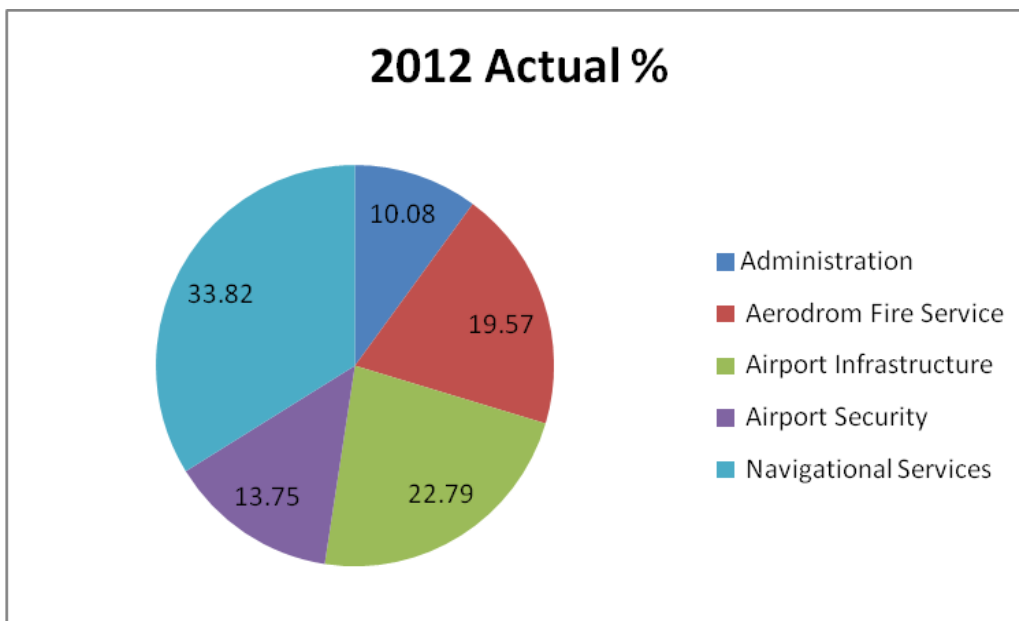
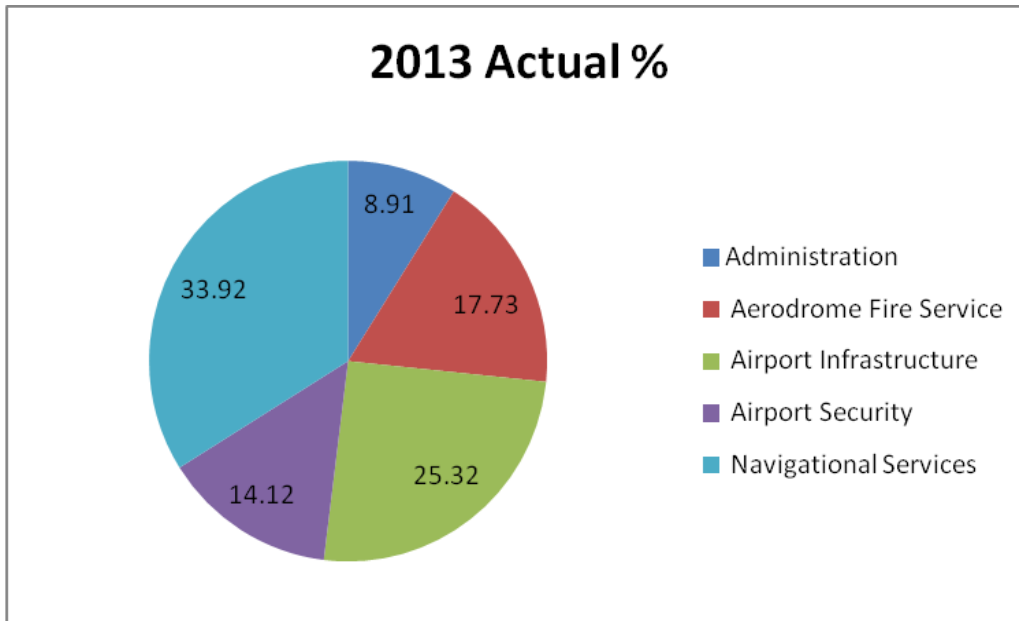
Breakdown of the income composition with comparisons for 2012 are included below.



Guernsey Airport Expenditure

Expenditure for the year was £11.7m, up £935k on 2012. This led to a small operating deficit before depreciation in 2013 which is highly regrettable.

Analysis of the breakdown of expenditure by service area is shown below with comparators for 2012.



Analysis of the increased costs in 2013 identify 3 contributory causes.

Airport Infrastructure costs have increased compared to 2012 and within in this category the 'Airfields' costs which had a budget of £289,000 realised expenditure of £898,000 which is a difference of £609,000. This overspend comprised costs of dealing with PFOS related work including legal fees. Airport Security costs increased by +£172,000 compared to 2012 due to the purchase of two new x-ray machines and a liquid detector machine along with other security upgrades required under EC aviation requirements. Navigational Services which comprises Met, Air Traffic Engineering and Air Traffic Control, has an increase of £327,000 compared to 2012. This is partly as a result of accounting treatment of Met

Income (which is now stated under operational income), and as a result of employing an additional member of Air Traffic Engineering staff in 2013 together with training costs in the region of £60,000. This was to provide succession planning for the management of that section.

Other Matters

Following the Board's decisions on Alderney Airport Runway options in January, a series of reports on options for Alderney Airport Runways was commissioned and applications for funding of the project were made to the States Capital Investment Programme.

The Airport started to receive a number of complaints from a number of western parish residents in early September 2013 in respect of aircraft noise over an area around Rue de Planel, Torteval.

These complaints were eventually collated and passed to the Director of Civil Aviation who agreed to undertake an independent review into allegations that the flightpath had been moved and he was asked to include any potential changes to the Noise Abatement Procedures which were in use at Guernsey Airport.

The DCA's report was received in early 2014 and further amendments to the NAP were introduced in 2014.