Lifting the Airport Runway Fog?

On 24/25 April, the States will eventually debate some of the Committee for Policy & Resources (P&R) proposals for Air and Sea Links, including their proposals to do nothing or something about the length of the airport runway.

Between June and August 2018, various letters to the Press and public statements by politicians suggested that an independent study by PwC due in August 2018 would provide an answer to this continuing question. This rather fundamental issue has remained open after earlier studies during this States term, despite 'air connectivity' having been identified in 2016 as a strategic priority. Indeed, the reported terms of reference to PwC were to help arrive at a definitive runway recommendation and PwC's approach involved two parts: Part A to identify the options and considerations; then Part B to evaluate the business cases of promising options and arrive at a recommendation.

The airport runway length issue matters, because:
1. There is no prospect of lower air fare prices unless efficient, full-scale airlines such as BA and EasyJet can fly here with their standard aircraft. This cannot currently happen, because Guernsey's runway is the world's shortest of all comparable jurisdictions, preventing such standard aircraft from landing here with efficient payloads.
2. Doing nothing will keep air fares high relative to Jersey. This will constrain travel opportunities for islanders and increasingly damage economic development by discouraging businesses from being based here.

On August 10, 2018, the Guernsey Press kindly published a letter from me stating that "only a financially competent and independent organisation such as PwC would have the stature to prepare and report such a business case without falling prey to political pressures (one way or the other) before publication." The subsequent tortuous sequence of politically-inspired events and delays has reinforced that opinion. It is one shared by the main business bodies representing the island's economic wealth generators (Institute of Directors, Chamber of Commerce etc) in pressing for PwC to be funded to complete their work, proposed as long ago as July 2018 as Part B of their original assignment but subsequently 'avoided' by P&R politicians.

There are at least six reasons for Deputies to opt finally to have a proper professional business case evaluation for a longer runway, rather than continue to "do nothing."

1. Those in favour of a runway extension, those against and agnostics should all wish to base their arguments on independent professional research and evidence. Indeed, the States mantra is for "proper, evidence-based decisions" as part of "open government." PwC would provide that.

2. Over the past 9 months, a depressing amount of false assertions or 'fake news' has been circulating while the original Part A of PwC's exploratory fact-finding work was delayed from wider publication (even to most Deputies) for at least 6 months.

3. The current P&R Policy Letter itself is misleading in key aspects.

4. There has been no full independent professional evaluation of the business case for a longer runway for at least 15 years, despite this being regarded as a key island infrastructure issue.

5. Further work done professionally since PwC completed their review of preliminary options in August 2018 suggests that at least one major option is economically and socially advantageous enough to warrant further evaluation by PwC against "doing nothing." This is the circa 1700m runway option (compared with the current runway length of 1463m), with an aircraft overrun safety strip of EMAS (Engineered Materials Arrestor System).

6. The future wellbeing of an economy is largely enabled by its investment in net new infrastructure, which is a critical government responsibility to enable economic growth and social development (including affordable travel for islanders). Guernsey has been repeatedly criticised in government-funded Annual Fiscal Reviews (the Professor Wood reports) for failing to invest adequately over the past 5+ years in capital infrastructure, of which the airport and ports are key.

Perhaps a good response would be to make economically-justified infrastructure investments, rather than cut off funding for those independent Annual Fiscal Reviews?

Many of the supporting points for the 6 reasons above have already appeared in the media or in briefing letters sent by others to all Deputies. A summary of some of those follows.

A. Comparison of Public Assertions with the Subsequent Policy Letter & PwC Report Part A.

In December 2018, the Vice-President of the Committee for Policy & Resources (P&R) announced that P&R had decided to cease considering a longer runway and therefore recommended withholding funding from PwC to complete their evaluation of a business case. A P&R report for a later States meeting (eventually the end of April) would provide further details and include PwC's interim work to date (Part A). He suggested in an interview with the BBC's Oscar Pearson that:

1. Work done to date indicated there is no business case to extend the airport runway.
2. A "game-changing solution" would require a 2,000m runway, long enough to attract Ryanair and its Boeing 737s.
3. A runway extension would therefore involve bulldozing parts of St Peters village, which is unacceptable.

This shocked some members of the business community, with reactions including:

1. Surely, it is basic good governance to produce thorough and professional business cases when evaluating major investment decisions involving expenditure of tens of millions of pounds and benefits claimed by some business bodies eventually approaching £100m p.a.? Why is this not happening in this instance? Will this simply obscure the facts?
2. Talk of "only a 2,000m runway being a game-changer" and bulldozing St Peters is nonsense, because a 1,700m runway with EMAS capable of serving both BA and EasyJet (like Jersey) is itself a game-changer and does not require the bulldozing of St Peters. The land for a runway extension was even recognised and reserved in the Island Development Plan approved by the States in 2016, reducing the complications associated with planning enquiries. It is also at the eastern end of the runway and therefore has no impact on buildings in St Peters, nor does it require the loss of any existing houses.
3. Is it an issue that P&R politicians reach such independent conclusions at odds with all the following: the appointed experts (PwC) yet to complete their proposed work (Part B); those with direct responsibilities for air licensing and economic development (CfED); the business community representative bodies (IoD and Chamber); and those responsible for strategic planning and operations for current airport facilities (the States Trading Supervisory Board, STSB)?

Turning to the P&R Policy Letter released in March 2019 with the PwC Report Part A for debate in April, various questions arise, including:

1. How obvious is it that the appended PwC Report does not actually support the P&R conclusions and proposals in the P&R Policy Letter? Deputy Charles Parkinson, President of the Committee for Economic Development, speculated on BBC Radio many months ago that this might be the reason for its delayed publication from September 2018 until debate 7 months later in the States. He remains "agnostic on runway length until a professional evaluation and full business case is made", believing that sound, evidence-based decision-making requires PwC to complete their intended work in Part B. Should not all Deputies take such a professional and principled approach?
2. Why is a proper business case on an acknowledged strategic priority such as air links being ended by non-funding before it can be completed? Is the claimed cost of "up to £700,000" actually realistic, given that there are only two or three major options to evaluate: 1463m (do nothing); 1570m (short-term reclassification fix, per Deputy Kuttelwascher, already being investigated by STSB for safety and other considerations); and 1700m+EMAS (proposed by experienced architect Rob Le Page in a recent letter to all deputies and the media)?
3. Is paragraph 5.39 of the Policy Letter positively misleading in stating "PwC's recommendation is that 1570m appears to be the best runway option if it is feasible from a commercial and operational perspective for more than one airline"? The attached PwC Report does not "recommend" the 1570m extension for obvious reasons, including unresolved safety, regulatory and commercial uncertainties. The PwC Report actually recommends (on page 20) that "A 1700-1800m extension should be taken forward as the primary alternative to the 1570m option.

There are clear additional benefits and it is lower risk in the longer term, although there may be a substantial cost difference." The overriding recommendation of the PwC Report is that a proper business case evaluation of the costs, benefits and risks of the main options must be carried out in their proposed Part B of their work before any single option can be "recommended" (as Page 22 makes clear).

4. Why has so much advance publicity been associated with a 2000m runway (and "bulldozing part of St Peters") when that is not even listed in the PwC Part A Report as a promising option to explore further in the proposed PwC Report Part B? Indeed, on Page 20 of their report, PwC reject it for further study.

5. Why does It incorrectly suggest in section 5.28 that an 1800m option is required to attract low cost carriers such as EasyJet? Both EasyJet and BA operate out of Jersey's 1706m runway and both have indicated they only need 1700m in Guernsey. Interestingly, some have estimated the cost of an extension to 1700m as being half that of an extension to 1800m.

6. Why was there misleading advance publicity that "there is no business case for a runway extension"? Some would have heard this and believed a business case had been attempted by PwC but could not justify an extension. The published PwC Report Part A makes clear that no such business case has yet been attempted. It recommends that one is produced for the more promising options in Part B of their proposed work, but P&R are against providing any funding for this.

7. Why is there no explicit mention of a 1700m runway option plus EMAS runway overshoot safety facilities in the Policy Letter? Such an option would see the 1700m runway fit within the existing airport perimeter and the EMAS overshoot area take up only 50% of the area earmarked for the airport in the Island Development Plan (IDP) approved by the States in 2016. It also involves the loss of no existing houses or buildings, and leaves Le Blicqs untouched, as explained in February 2019 by local architect Rob Le Page with detailed plans to Deputies and the media. Is this another sign of premature curtailment of investigating options?

8. Why is there no mention of safety trade-offs associated with a minimalist runway (1463m or 1570m operating at regulatory safety limits for intended aircraft) relative to 1700m? Safety is not simply a 'safe or unsafe' issue here, but one of degrees of safety margins in varying conditions. Should Guernsey allow 'short-term accounting thinking' to drive us towards operating only marginally within absolute safety limits in the longer term?

B. No Full Independent Evaluation of a Business Case for 15+ Years:

Two prior studies are relevant: the BAE Systems 2003 Study, which suggested Guernsey would require a 1700m runway to meet its longer-term needs at an estimated (2003) cost of £21m, and a York Aviation Study 5 years later. Both studies reinforce the reasons for evaluating runway options via a proper PwC business case in 2019:

1. In 2008, York Aviation assessed aircraft types and related issues for the foreseeable future, quoting 10-15 years (Executive Summary, point 19). Hence, it is now timely that the issues should be revisited 10 years later, given subsequent changes and a likely further 5 years to achieve change.
2. Significant changes to those assumed by York have occurred. For example, in Executive Summary point 14, York Aviation stated: "In relation to Gatwick, the recent announcement by Flybe that they are opening a hub at Gatwick should provide comfort to Guernsey because it shows a commitment...." Ten years later, the Flybe Gatwick slots have been long sold and Flybe itself has been sold just prior to collapse. Regarding air fares, York Aviation remarked in 2008 (Section 6.17) that: "It is interesting to note that on services to Gatwick, Guernsey provides lower fares than services from Jersey..." Oh what ancient history!
3. The York Aviation study in 2008 was 'politically constrained.' The then States Public Services Department (PSD) had made their conclusions known before the study began. Section 1.5 of the report openly states: "Following internal analysis, PSD determined that there were unlikely to be sufficient grounds to extend the runway at this time and that the works should only involve the rebuilding and refurbishment of the surfaced areas as existing...." Talk about telling the consultants the required answer in advance! Might this be one reason Sections 2.17 and 2.18 avoided evaluating key wider economic benefits, unlike other runway business case evaluations (e.g. Wellington, New Zealand)?
4. The Guernsey public, businesses and visitors have since been stung by apparent growing air fare price differentials paid by them relative to Jersey prices. (See PwC Part A Report page 56 for the Gatwick graph. Although the Policy Letter and Aurigny explain that the differential

shown is overstated from limited ticket price sampling, they do not suggest what the real fare price differential actually is nowadays). Back in 2008, York Aviation quoted astutely (Section 6.28): “It has been put to us that the local Guernsey population represents a captive market and that this market would be prepared to accept higher prices. This would, however, have an economic and a social cost to Guernsey and might impact on its attractiveness as a business location.” Perhaps we have now arrived at that point, as Locate Jersey is really milking this?

5. A 2018 study by Guernsey business bodies places very substantial financial and social benefits on an adequate airport runway extension. This contrasts hugely with York Aviation’s view of their runway study in 2008 being “not about creating a platform for growth” (Section 7.7). For the past 10 years, Guernsey’s economy has struggled in pursuit of growth, with future contraction being an underlying fear, based on international regulatory, trading, technology and other threats. “Platforms for growth” would be welcome if Guernsey is to avoid an era of ‘managed decline.’ A reinvigorated specialist Visitor economy anyone? A new university anyone? But only with adequate, cost-effective air links.
6. There has been growing recognition that, although Aurigny provides needed flexibility for the island, its sub-scale economics imply high costs for travellers and/or taxpayers, such that it is inappropriate to shut out all further low-cost operators by deliberately constraining airport infrastructure and runway length.

Returning to April 2019, the most recent example of economic business case madness appeared on the front page of the Guernsey Press on 9 April under the headline “Lower fares option to a longer runway.” A suggestion of air fare subsidies costing in the region of £8m p.a. and financed by the taxpayer was made as an alternative to a runway extension. Only a banana republic would contemplate wasting such a huge annual cost to taxpayers to avoid the more cost-effective capital investment in efficient airport infrastructure.

There is mounting evidence of financial businesses relocating or being deterred from coming to Guernsey due to relatively difficult or costly air links. Likewise visitors. Comparisons with Jersey are relevant. The difference in population is not the key reason, as some would lazily claim. Likewise, it is not a simple low price and low frequency trade-off, as some also claim. This was made very clear by Jersey’s head of Ports & Airport in Business Brief in August 2018. He emphasised that over 60% of air travellers to Jersey are visitors and that, without such volumes stimulated by low cost carriers, Jersey residents would have higher ticket costs and lower flight frequency and fewer choice of destinations.“If it were just residents, 6 flights a day to Gatwick and 4 to Southampton would suffice,” he explained. Various Guernsey businesses now meet their London/UK-based clients in Jersey, due to easier air links. The logical end result of such a prolonged shift is that Guernsey effectively becomes a ‘dormitory parish’ of Jersey in the long term, with no sustainable economy or independent political system of its own.

Considering the strategic importance of improved air links to islanders and Guernsey’s economy:

1. Are we really going to go a full political States term with no meaningful infrastructure investment decisions taken (other than changing the way the airport car park machine issues parking receipts!)? Remember, spending $60m on new aircraft for Aurigny has nothing to do with any new air links policy. In the words of the Aurigny Chairman, “it is merely replacing like with like, mainly for maintenance cost benefits.” And it is mainly for secondary non-lifeline routes (not Gatwick, served mainly by the jet).
2. Is government prepared to act as the often quoted ‘business enabler’, or will it be deaf to business and any business cases?

In recent years, P&R has done a good job with other States Committees in constraining spending to achieve a balanced annual revenue budget or a small surplus. However, is P&R’s reluctance to spend any money on a proper, long-overdue professional business case of runway extension options a disappointing example of a reluctance to invest adequate capital in island infrastructure for our future wellbeing?

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