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Please quote the reference in all correspondence

19 September 2016

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Mr D Coates, Chairman
Blue Islands
Blue Islands Hangar
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Dear Mr Hammad and Mr Coates

Flybe / Blue Islands - A better deal for Channel Islanders?

Channel Islanders are looking for reasonably priced air line services that provide a degree of choice where that is feasible. This is true for all goods and services and, living as we do on islands, strong reliable air links are vital, not least as an enabler of economic growth.

CICRA is aware of concerns that have been expressed, from a number of sources, about aspects of the service provided by Flybe/Blue Islands since these two airlines entered into an agreement on the provision of services to and from the Channel Islands - most notably on the inter-island service.

CICRA's aim is to ensure markets work well for consumers and as part of this we can support local consumers by calling businesses to account when it looks like things might be going wrong¹. As you are aware CICRA has, for some time, been engaged in discussions with Flybe/Blue Islands about its franchise arrangement and in particular whether the arrangement should be referred to us for consideration under Jersey's competition law. Flybe/Blue Islands have confirmed that they do not consider this to be obligatory; we have yet to decide whether to take any further action.

In the interim we are, by writing this open letter, challenging Flybe/Blue Islands to set out to its customers (many of whom have no choice but to use its services) how the reduction in competition through two airlines cooperating rather than competing has delivered a net benefit to users. In particular, how the parties to the new arrangement consider they are delivering against the benefits the arrangement was intended to bring when announcing the agreement on 10 March 2016. Flybe/Blue Islands promises and our questions are set out below.

¹ While The Competition (Guernsey) Ordinance, 2012 part VII, section 56(2)(c) excludes matters relating to air transport licensing from compliance with competition law, Guernsey consumers are expressing much the same concerns as those in Jersey.

- ‘Passengers will benefit from seamless connections’ – *how is Flybe/Blue Islands ensuring this when one in every four flights is delayed by more than 15 minutes²?*
- ‘Lowest possible fare options’ – *how is this consistent with pricing on the inter-island route and other Channel Island routes where Flybe/Blue Islands is the only operator and has removed the frequent traveller reward scheme?*
- ‘Ticket customisation’ – *how is this an additional benefit when the only customisation available on inter-island flights is the ability to reserve a seat? There are no non-changeable, hand baggage only fares.*
- ‘Time saving business travel’ – *how is this consistent with the punctuality statistics quoted above and other reductions in service for business travellers such as the removal of credit accounts so each flight has to be booked and paid for as a separate transaction?*

Flybe/Blue Islands may also like to comment on other benefits it considers its arrangement offers customers.

Finally we would challenge Flybe/Blue Islands to demonstrate that it is, to use its own words, ‘totally committed to the Channel Islands’ by working with customers to establish, within the next three months, some enhanced service standards and to commit to independent verification and publically reporting those on a quarterly basis. CICRA is publishing this as open letter and intends to do the same with the response.

Yours sincerely,



Michael O' Higgins
Chairman
Channel Islands Competition and Regulatory Authorities

² Based on latest available CAA statistics (March 2016)