



18 May 2018

The Channel Islands Competition & Regulatory Authorities (CICRA) is responsible for the administration of competition law across the Channel Islands, together with the economic regulation of the telecom, ports and postal sectors in Jersey and the telecoms sector in Guernsey.

In relation to ports, CICRA aims to protect and further the interests of users of the port operations, where appropriate promoting competition.

In December 2016 CICRA opened its investigation into the franchising arrangements between Blue Islands and Flybe and focussed on whether the arrangements restricted competition between the two airlines, either in terms of the prices each charged or in terms of the routes on which Blue Islands was permitted to fly.

CICRA has announced today that it is closing this review for the time being and this background paper sets out both the timeline of the review to date and the reasons for our decision not to pursue it at the current time.

April 2016

Informal contact was initiated between Blue Islands and CICRA to discuss the franchise agreement.

The arrangement only falls within CICRA remit in Jersey since air transport matters in Guernsey are dealt with by the States.

CICRA's initial concerns focussed on potential loss of meaningful consumer choice on journeys where Flybe and Blue Islands compete, or could compete, particularly including on the inter-island route between Jersey and Guernsey.

September 2016

In September 2016 CICRA published an open letter, challenging Flybe / Blue Islands to demonstrate how the franchise agreement would benefit Channel Islanders.

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December 2016

CICRA considered the responses from the airlines, also by open letter, were unsatisfactory, and opened a formal investigation. At the same time, being mindful of the benefits to Channel Islands residents of achieving as timely and effective a resolution as possible, CICRA attempted to resolve the issues with Blue Islands without the need for costly and time consuming formal investigation.

2017

CICRA's attempts to reach a satisfactory outcome were unsuccessful and investigation formally resumed in late 2017.

October 2017

Waves launched, but was forced to suspend, an inter-island service following legal challenge by Blue Islands.

March 2018

Waves was awarded an air operator's licence. Blue Islands announced it would consider cutting the number of inter-Island flights it offered as a result.

It is very common for competition regulators to open a review which is subsequently closed as a result of changing factors. In this instance, CICRA had a number of options available:

To close the case. CICRA would do this if the evidence gathered did not support it;

To conclude that CICRA has a strong enough case to proceed to formal (draft) decision that the law had been broken;

To conclude that CICRA may have a strong enough case to continue to a formal draft decision, but that circumstances since we opened the case have changed so that formal action might not be most efficient or cost-effective way to proceed.

May 2018

CICRA carefully considered these options from a principled pragmatic perspective. In reaching its conclusion to suspend the review for the time being, CICRA was mindful of:

The entry of Waves into the market, which may alleviate CICRA's initial concerns about the impact on competition on inter-island routes as a result of the Flybe/Blue Islands franchise agreement;

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The overall meaningful benefit that can be achieved for Channel Islanders by continuing the case at this time, taking into account the significant cost of pursuing the case and the time it would take to bring it to a conclusion.

If you would like to know more about the processes we follow, and the considerations we balance when conducting a review, we would be very happy to discuss this further.