



WO1 Limited

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Thursday, April 05th 2018

Chief Executive
States of Alderney
PO Box 1001
Alderney
GY9 3AA

Dear Mr Muter,

Given the recent pressure put under Waves whilst operating under The Air Transport Licensing (Exemption of Air Taxi Services) Regulations, 2001, we considered that an application for a Guernsey Air Transport Licence may be the easiest way of resolving the issues. We continue to believe that our per seat sales are in accordance with the air taxi regulations. However, we have recently been awarded unrestricted Air Transport Licenses from the Guernsey Transport Licensing Authority in respect of the Guernsey to Jersey and Guernsey to Alderney routes so the air taxi exemption uncertainty becomes a moot point, at least in respect of Guernsey regulation.

We have to date been flying to Alderney under The Air Transport Licensing (Exemption of Air Taxi Services) (Alderney) Regulations, 2017. In accordance with the opinions expressed by the Guernsey Transport Licensing Authority we have refrained from offering per seat sales on the Guernsey to Alderney route, only offering whole aircraft charter.

We are aware that should the Alderney Policy and Finance Department take the same view as the Guernsey Transport Licensing Authority regarding the applicability of the air taxi regulations on our per seat sale model, then we will require an Alderney Air Transport License in accordance with the Air Transport Licensing (Alderney) Law 1996 in order to sell anything other than whole aircraft charter.

I would kindly request that you initially consider whether WO1 Limited requires an Alderney Air Transport License if we wish to extend our per seat sales to Alderney in addition to our Jersey services or whether we can simply utilise the Alderney air taxi exemption.

In the event that you consider an air transport license necessary I have attached two applications for your consideration one for the Alderney to Guernsey route and another for the Alderney to Jersey route. I have included supplementary information below in support of this application.

Need for service

The need for an improved inter-island service is demonstrated clearly by the significant year-on-year reduction in passenger numbers. Please see Appendix 1 which was provided by Guernsey Airport.

From this data you can see that from a peak in 1998 of 265,342 passengers, the Guernsey to Jersey route in 2016 had only 113,776 passengers, which demonstrates a reduction of 151,566 passengers or, 57%.

Guernsey to Alderney peaked in 2009 at 45,110 passengers and in 2016 it was 34,705, so a reduction of 10,405, or 23%.

The Alderney to Jersey service has not been run for some time and there is no supporting data. Anecdotal information indicates that this is a route that would be well supported given the much better air connectivity from Jersey than Guernsey

The States of Alderney in its 2014 Strategic Plan identified that there was a need to increase capacity, enhance reliability & reduce the cost of commercial transport links to the island thus enabling a secure and prosperous future for Alderney's residents and businesses. Waves provides an alternative to the existing provider that is both complementary and an enhancement to the transport services available to the people of Alderney and visitors.

Given that population levels within the Channel Islands have risen and there has been no significant reduction in personal or business spending power, along with the life-line nature of these routes, it is likely therefore that there has been a reduction in the overall quality of the travelling experience that renders travel less desirable than other options such as simply not travelling or utilising less desirable alternatives, for example video conferencing. This impacts the ability of local businesses to communicate effectively.

Our research, prior to creating our business plan, identified several key areas that were making inter-island travel less desirable.

1. **Price** - The consensus was that inter-island travel costs have risen to the point that they are no longer proportionate, and whilst some low fare seats are available, the dynamic pricing model that drives fares up at peak times and when closer to departure makes pricing unpredictable and uneconomical. Therefore fixed pricing, as Waves would be offering, would make the cost of travel a known quantity and make trip planning easier to budget for and much more desirable for both business and leisure travellers.

2. **Travel time** - Whilst flying time between the Islands has remained relatively constant, the total travel time has increased considerably as a result of increased security requirements, inefficient location of inter-island facilities within main airport terminals (especially in Guernsey and Jersey) and the use of larger aircraft with longer loading/unloading times. Removing any unnecessary delay from the process and using appropriately sized aircraft on a high frequency basis from easily accessed locations would improve this aspect of travel. With the Waves service total travel time is reduced significantly due to the reduced and streamlined check in process, making inter-island same day travel much more time and cost effective for the majority of people.
3. **Service standards** - Historically, the inter-island service was a highly personal service with attention to detail. Regular customers felt at home and infrequent guests felt welcome. Customers no longer feel that this is the case probably due to the larger aircraft type and high volume of passengers in short time frames passing through, along with a lack of communication. This has detrimentally impacted on travel within the islands. Improvement to customer service standards would be significant with a smaller aircraft type and improved passenger communication.
4. **Frequency of service** - A high frequency service using smaller aircraft was historically the driver of inter-island services. Larger aircraft offer a high capacity but only at peak periods, and the reduction in available flights again contributes to a poor customer experience. Returning to the proven model of small efficient aircraft on a high frequency of operation would enhance that experience and target a larger market. A higher frequency would entice back some of those lost passengers (referred to above), particularly business passengers, who not only desire an increased frequency but need it in order to make travel between the islands fit into their working day with minimal disruption.
5. **Communication** - Probably the biggest frustration of passengers today is the lack of information when flights are disrupted, resulting in wasted trips to the airport and unnecessary hanging around. Communication can be improved dramatically by improving customer service standards and applying modern communication tools.
6. **Reliability** - A reliable service is essential to the community, and Alderney's reliance on one operator has meant that there have been no other available options when the main operator has been unable to provide a service. Waves serves to provide an alternative option which will improve the reliability of services for islanders. The operation of a CAT SET-IMC aircraft necessarily involves increased maintenance requirements which in turn improves our individual aircraft reliability. We recognise that we will require additional aircraft to provide redundancy and this is planned as the business grows.
7. **Timing of Service** - The timing of services are seen as important to customers and is a likely contributor to the reduction in inter-island travel. The ability to call on an

aircraft (subject to availability) at a time to suit the customer will serve to improve the availability of flights for Alderney residents and visitors alike.

The Waves product is here to offer a unique complementary alternative to scheduled air travel and provide a financially viable operating model driven by demand. We use ultra efficient Cessna Caravan aircraft that have a proven record of supporting small and remote communities across the globe. The single engine Cessna Caravan puts Waves at a significant economic advantage that was not previously available to any commercial operator on these routes.

We have started with one aircraft in order to prove our model. However, Waves is a scalable business and given that we have gone from idea to service in only nine months, growing the Caravan fleet or introducing new types should be relatively straightforward given our good working relationship with 2-Reg (the locally based regulator).

In addition to our choice of aircraft, Waves has created a bespoke software product to drive the business which provides efficiencies in both the booking process and all day-to-day customer communications.

Our approach to managing disruption is unique. We monitor the forecasts in advance and where we see potential issues arising, customers are contacted and offered alternative travel dates or times that are less likely to be affected. When operations are suspended we ask our customers to stay at home or office rather than waste their time at the airport. A combination of technology and a fantastic team of customer service staff then keep passengers fully informed.

Guernsey and Alderney in particular are suffering from a reduction in available travel options at a time when there is little or no competition on any routes. This in itself demonstrates a need for another operator.

Demand for service

The demand for our service has been proven by the rapid uptake of our services. After only a few months of operations we have become the preferred carrier for many of the regular commuters on the Guernsey to Jersey route due to our innovative and customer centric approach, reduced travel times and fixed fares.

This change to the landscape has caused changes in attitude of the existing operators on the Guernsey to Jersey route who have conducted passenger surveys and made schedule changes as a result. This is highly likely to be as a result of Waves arriving on the scene as it followed a long period of indifference by the incumbent operators and an altogether poor customer experience.

Pricing has also stabilised on the Guernsey to Jersey route with the existing operators offering fares capped at significantly lower levels than historic; this can only be good for the consumer.

A new independent operator would provide the consumer with a genuine alternative to the current scheduled operators.

Attached at Appendix 2 are statements of public support from social media

Appendix 2 demonstrates a clear need and demand for the services that Waves provides.

Waves operates on demand and is often available at short notice and able to satisfy immediate and critical needs otherwise not covered by the scheduled operators. I can give two recent examples. One where a Guernsey couple were away in Jersey for the weekend when their daughter was taken seriously ill and admitted to hospital in Guernsey. They attempted to contact the scheduled operator or to change their flights online, but with no availability and no ability to contact directly they reached out to Waves. Our response was immediate with a service added to support them at the earliest opportunity. Secondly, a Guernsey couple marrying in Jersey found that their ferry operator had cancelled at short notice. They needed to get not only themselves to Jersey but also all of the suits, dresses and support equipment for their wedding. These could not be carried by a scheduled operator. A dedicated flight was offered and all items were able to be carried in time to save the day.

There is a strong market across the Channel Islands for unregulated cost sharing and shared ownership schemes operated by private aircraft, which again demonstrates a clear need for alternative transport to the existing scheduled operators utilising smaller air taxi sized aircraft. There can be no doubt that these flights would be far safer and efficient if operated by a regulated operator such as Waves than left in the hands of private individuals at a much lower level of scrutiny and no regulation. Furthermore, Waves' service is a much more dependable and trustworthy service, with dedicated operations staff and crew to ensure that such transport can be provided at short notice and according to customer demand.

Fare Structure

The Waves fare structure is simple:

1. Whole aircraft charter at competitive rates, or;
2. Individual seat sales at a fixed price

This gives the customer the option of joining an existing flight at a price point that gives access to individual bookings, or alternatively paying a whole aircraft hire which gives complete flexibility over when they fly and offers a discount for larger groups travelling together.

Contingency Plans

Our contingency plans are largely detailed above. We act in a proactive way with flexible bookings to give customers a chance to change their plans in advance when disruption looks likely. This has been a huge success and a hallmark of the Waves service.

Where alternative travel options are available we recommend the most appropriate option directly to the passengers, whether that be an alternative travel time, earlier departure, or travel with the existing scheduled operators. Our objective is to get passengers where they need to be at the minimum inconvenience, if we are unable to provide the service.

Where there is disruption at short notice we again contact passengers to advise them to stay away from the airport which reduces inconvenience to passengers and the strain on available resource at the airport, and if possible offer alternative solutions.

The short journey times locally and availability of modern communication tools with high levels of personal connectivity have made this operation a huge success in just a short space of time.

Our aircraft are maintained locally by locally based engineers so are available at very short notice. The aircraft has ready spares availability with over 2500 aircraft in worldwide service so there is easy access to required parts in very short order.

The CAT SET-IMC regulations require a significantly higher level of engineering and we are therefore experiencing very little in way of technical issues as the maintenance is carried out on a proactive rather than reactive basis.

Frequency of services

The frequency of services is wholly dictated by passenger demand.

Aircraft and crews are made available on a daily basis and respond to that demand.

Crew availability is focussed on the main demand periods, being Monday to Friday or major inter island events.

Waves, offers a genuine and refreshing alternative to existing travel options in the Channel Islands. The service is unique and complementary; it is very personal and flexible putting the customer at the heart of everything we do. Our service empowers Islanders and businesses with a new tool to facilitate the free movement of both people and goods, utilising innovative aircraft, technologies and communication tools.

We understand the unique issues facing Alderney and are cognisant of the potential for a PSO process in the future. Nothing in this application would prejudice our willingness to take part in that process, as and when it is available.

We understand that air links are absolutely fundamental to the economic and social well being of Alderney's community. We also note that the island suffers significantly from delays and cancellations, which are frequent. We believe that the inclusion of Waves as a complimentary operator on the Alderney to Guernsey route, operating on demand to meet traveller requirements, and with aircraft wholly suited to the island's airport infrastructure will go a long way towards regenerating the island's economy and islanders' faith in its travel links.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Matthew Bisson', with a stylized flourish at the end.

Matthew Bisson FRAeS
Accountable Manager
WO1 Limited

Appendix 1

Historical Inter-Island Passenger Data 1996-2016

Passenger movements in a Year

Route	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Alderney	37008	35906	34702	34905	35402	34923	31879	31797	33892	33569	36350
Jersey	230234	225669	230640	221165	201235	191242	181493	166809	183721	129577	130773
Total	267242	261575	265342	256070	236637	226165	213372	198606	217613	163146	167123

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Alderney	41718	42605	45110	43306	40733	39299	37298	37566	36297	34705
Jersey	141137	161521	146300	151853	153797	143908	141684	132987	127148	113776
Total	182855	204126	191410	195159	194530	183207	178982	170553	163445	148481

Appendix 2

Public Testimonials

Thoroughly disappointed you have been forced to change your business model, I do hope you are going to confront and conquer Blue Island. You provide such a fabulous and needed service it would be very disappointing if you were not 'allowed' to continue.

Anyway, one day next week I would like to book a day trip to Jersey, do you know of anyone else who may want to join me to share the cost?

Kind regards

Maria Sarre

Sophy Lythgoe - 26/12/2018

Flew with Waves today and could not fault the service 🍷🔥👍

After years of paying extortionate prices, add ons, receiving flat out rude customer service, long waits, queues, etc to get off Guernsey with Flybe and Aurigny... today's flight with Waves was 10/10.

15 minute (if that) flight to Jersey, very friendly and helpful staff, also offered to arrange a taxi for us when we arrived in Jersey, great pilot. Booking and communication with the company was easy and again great customer service. Completely took away the stress of the usual travelling.

Looking forward to flying with them again in January and hopefully UK routes in the future. Let's hope they've started as they mean to go on, Guernsey needs an airline like this

Angus Rather - 04/01/2018

Shame some people out there are determined to stop progression and think of the island rather than just themselves and profit. Keep going guys, and fingers crossed you can bring back the original model

Luke Cummins - 05/01/2018

If islanders want to support you, and your business model which deputies should Islanders be contacting? - There seems to be a lot of upset at the removal of your single seat bookings.

It would be nice to see islanders standing by new operators trying to make a difference.

Martyn Guille - 05/01/18

Don't let them drag you down, were all rooting for you

Lynn De La Mare - 05/01/18

Competition a threat as usual. Good luck

Kenneth Croxton - 05/01/18

This is an excellent service. The staff were absolutely fantastic with our very autistic son, were very patient and understanding of his needs.