



NEWS RELEASE

15 December, 2016

CICRA launches competition investigation into Flybe/Blue Islands arrangements

The Channel Islands Competition and Regulatory Authorities (CICRA) will launch a formal investigation into arrangements between Flybe and Blue Islands announced earlier this year by the airlines.

CICRA has come to the view that there is reasonable cause to suspect the Jersey competition law may have been contravened by the arrangement.

The law in Jersey prohibits any agreement that restricts competition by fixing prices, limiting output, sharing markets, customers or sources of supply locally.

Prior to 6 June 2016, Blue Islands and Flybe operated passenger air transport services between Jersey and Guernsey. Each also operated flights between Jersey and a number of other destinations. Blue Islands and Flybe operated under their own brands, set their own prices, carried out their own marketing and determined their own schedules.

Since the agreement came into effect on 6 June 2016 Blue Islands appears to have been operating services on terms that may have restricted competitive choices, including schedules and which routes the competitors can fly.

CICRA sent the two airlines an open letter in September 2016 asking the airlines to set out how a reduction in competition through cooperating rather than competing has delivered a net benefit to local consumers. Both airlines responded and since that time CICRA has been considering the most appropriate next steps.

CICRA chief executive, Michael Byrne said; “We only initiate formal action as a last resort when other options have been exhausted. The level of interest that our open letter generated also confirms just how important strong reliable air links are to the Channel Islands.

Having considered the information available to us, including the airlines’ responses to our open letter we have concluded that there is reasonable cause to suspect that there may have been a contravention of competition law,” he said.

“The responses from Flybe and Blue Islands to our letter have failed to provide sufficient assurance that consumers have benefited from the agreement between these two competitors. We will now look at all restrictions in the agreement in more detail and consider whether the competition law has been breached.” “If competitors are going to engage in such cooperative arrangements then at the very least consumers need to get better assurances on how they benefit from them.”

“To date, in our view Flybe and Blue Islands have failed to commit to or convincingly explain the benefits to consumers.”

If arrangements are found to infringe competition law they can be declared void and cannot be enforced. CICRA has the power to impose financial penalties up to a maximum of 10 per cent of the turnover of a business during the period of contraventions, for a maximum of three years for an infringement of this part of the competition law. CICRA finding reasonable cause to suspect Jersey competition law has been breached is not a finding that a contravention has taken place; it is a first formal stage in its investigation process that CICRA follows to assess its concerns in further detail.

The Guernsey competition law exempts the airline sector from scrutiny which prevents CICRA from undertaking a similar investigation there.

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NOTES TO EDITORS:

All enquiries should be directed in writing to CICRA chief executive, Michael Byrne, in Guernsey at Suite 4, 1st Floor, Plaiderie Chambers, La Plaiderie, St Peter Port, Guernsey, GY1 1WG or in Jersey at the Jersey Competition Regulatory Authority, 2nd Floor, Salisbury House, 1 - 9 Union Street, St Helier, Jersey JE2 3RF. Alternatively email info@cicra.gg.

In line with CICRA’s consultation policy, it intends to make responses to the consultation available on the CICRA website. Any material that is confidential should be put in a separate annex and clearly marked as such so that it may be kept confidential. CICRA regrets that it is not in a position to respond individually to the responses to this consultation.

About CICRA:

The Channel Islands Competition and Regulatory Authorities or 'CICRA' is the name given to the Jersey Competition Regulatory Authority (JCRA) and the Guernsey Competition and Regulatory Authority (GCRA) (formerly the Office of Utility Regulation). The JCRA was established under the Competition Regulatory Authority (Jersey) Law, 2001, and the GCRA was established under The Guernsey Competition and Regulatory Authority Ordinance, 2012. In Jersey, the telecoms and postal sectors are regulated by the JCRA, which is also responsible for administering and enforcing the Competition (Jersey) Law 2005. In Guernsey the telecoms, postal and electricity sectors are regulated by the GCRA, which is also responsible for the administration and enforcement of the Guernsey competition law since it came into force on 1 August 2012.

By working together and sharing resources and expertise between the islands, CICRA strives to ensure that consumers in all the Channel Islands receive best value, choice and access to high quality services.