

**STATEMENT TO BE MADE BY THE
MINISTER FOR TREASURY AND RESOURCES
ON TUESDAY 25th NOVEMBER 2025**

Blue Islands

I'm sure all Members will join me in expressing regret that Blue Islands, which had served the Channel Islands for 26 years, entered liquidation on Monday 17 November following a decision by their Board of Directors to cease operations. I am acutely aware of the impact this has had on the employees of the business, their families and all others who have been affected.

Despite this difficult news, I am grateful to Loganair for the work done to improve contingency proposals and for answering the Island's call to make an accelerated entry into the Jersey market, which saw services being stood up in just 36 hours from notice being given.

I would also like to thank the officials from Government and the Ports of Jersey, who have worked for several months and intensively in recent weeks, to ensure a sustainable future for the Island's regional connectivity.

The Government response has been decisive, reassuring for the public, and supportive of those employees affected by the outcome.

Members and the public will appreciate our priority this past week has been to support Blue Islands staff and to ensure our air links were secure. The purpose of today's statement is to provide more detailed information about the circumstances surrounding Blue Islands' decision to cease trading and the work undertaken by the Government to safeguard our regional air links.

Our aim was to support Blue Islands where possible, to ensure regional air links and medical flights were maintained, and to minimise disruption to the public. In doing so, we have had to make difficult decisions after carefully considering all available options.

Government financial support for Blue Islands has been twofold. First, during Covid to keep essential lifeline air links open and, second, to support them more recently while they sought to find a new shareholder through a sales process or to find an alternative solution for their viability.

It is, of course, not the role of Government to sustain a private business which may be facing financial difficulties. It is, however, the job of Government to ensure that essential air connectivity is maintained and that has been at the forefront of our minds throughout this time. The social and economic impacts, including on transport for people needing medical treatment in England, have been considered carefully in reaching every decision.

As Members will be aware, Government's involvement with Blue Islands began during the pandemic. In order to ensure the airline could continue trading and to maintain essential regional air services during the pandemic Government provided funding to Blue Islands through a £10 million loan facility, of which £8.5 million was drawn down. This support, provided in mid-2020, secured lifeline connectivity during a period of unprecedented disruption and allowed Blue Islands to establish itself as an independent airline operating from Jersey.

In the intervening five years, Blue Islands has:

- Provided lifeline transport for medical patients to Southampton
- Carried 650,000 passengers providing important connectivity that has generated revenues for our visitor economy, as well as continued regional connections that have added value to the wider economy.
- Made interest and capital repayments to Government of £3.2 million

The Covid loan met its principal objective, sustaining the Island's regional air links at a time when, due to the pandemic, no other airline would have started providing services to the Island. In so doing, Blue Islands made a significant contribution to the recovery of the Island's visitor economy.

And we must thank them for their service to our Island during this time.

Turning to more recent events, the Covid loan formed part of the ongoing discussions with Blue Islands on their viability and funding needs. From late 2024, we were asked to defer amounts owed to Government while Blue Islands explored a sale or an alternative solution. We agreed on the basis that we were supporting them to find a solution and to minimise disruption for the public and severe impacts on the economy. We have worked closely with Ports of Jersey during this time to ensure vital connectivity is maintained.

Following this statement, Members will be provided with a detailed timeline of Government's work over this period and a full account of funding provided to Blue Islands since the pandemic.

In summary, to allow time for a potential sale to be explored, the Government agreed to defer repayments of the pandemic loan and asked Ports of Jersey to provide working capital support by extending credit terms for airport charges. In June this year, Blue Islands approached Government as a key stakeholder regarding options for future ownership and since then, the Government and Ports of Jersey have been assessing and negotiating those options.

Further Government support for Blue Islands remained a continuing option throughout this process, while Loganair provided the most compelling proposal submitted by any alternative airline.

An options analysis undertaken during the summer demonstrated that, if Ministers chose to provide financial support for a transition to an alternative airline, Loganair represented the lowest-cost and best route to securing the Island's regional air links. This was due to its scale, operational resilience, opportunities for future expansion, financial sustainability and commitments to provide both consumer guarantees and a replacement aircraft within four hours of any technical delay. Accordingly, Government discounted an alternative proposal from Aurigny, which also carried a risk that further financial support would be required in the future.

To develop the remaining options, further detailed work was required. Accordingly, over the last few months, Loganair undertook due diligence to finalise its proposal to Government.

During this period, it was necessary for the Government to provide additional financial support to Blue Islands to ensure that it could continue operating. It was apparent that, without such support, Blue Islands may have ceased trading earlier in the summer, when there were no effective contingency arrangements in place – this would not have been acceptable. Throughout the process, the Government has been clear that it was essential to avoid any sustained period where Jersey would be without the regional air connectivity upon which Islanders and our visitor economy rely. Funding of £1.2 million and then a further £0.5 million were therefore provided to Blue Islands to avert this outcome while a long-term outcome could be confirmed.

This was prudent and sensible planning and financial management. Had we not provided support when we did, the disruption to the public in the busy summer and early autumn months would have been far greater than the comparatively small amount of disruption we experienced.

I must also add that Government is a secured creditor of Blue Islands. As such, we expect that the majority of these recent funds will be able to be reclaimed, and we will submit a claim to the liquidators in due course.

In terms of recent weeks, work to refine options intensified and by the evening on Wednesday 12 November, it became clear that Loganair could commence replacement services very quickly in the event Blue Islands could not continue trading. With Government support of up to £1.5 million to support the mobilisation of its fleet and services, Loganair committed to accelerate its mobilisation from an original estimate of 30 to 60 days to within 48 hours.

Although the remaining alternative options were, on the face of it, credible and offered a potential prospect of recovering some of the Government's Covid loan, they required significant upfront taxpayer money and carried considerable financial risk. There was also no guarantee that we would not be asked for further funds in the future and any form of loan repayment would have taken many years, which reduces its present value. In short, we were not prepared to continue using taxpayer money in this way, given the alternative available to us. Again, this was both prudent and sensible financial management.

I need not remind Members that finding these additional upfront costs would not be an inconsequential matter and would have required the diversion of funds meant for other purposes, in particular Government capital schemes.

Taking these considerations into account, the Council of Ministers agreed with me that the Government should not pursue the potential options that would require Government to provide further financial support for Blue Islands. They also agreed that we should activate business-continuity arrangements with Loganair to protect air connectivity if the Blue Islands Directors concluded that the company had to cease operations.

While the loss of Blue Islands is regrettable, Government acted decisively to protect the Island's transport links and the wider long-term interests of Islanders. The contingency arrangements put in place have ensured the continuity of services and teams from Ports of Jersey and Government acted swiftly to minimise disruption on the ground for passengers. The feedback that I have heard about the Loganair services has been very positive. The new partnership we have established with them provides a strong foundation for the future of our regional connectivity that should enable us to look ahead with confidence.

Appendix A - Timeline - Sale Process and Subsequent Government Funding Key Meetings and Decisions

2024

- October – Blue Islands indicated to Government that they had cashflow challenges and wished to re-draw on the Covid loan facility. However, this was not legally possible. They also confirmed that they had entered into a formal process to sell the business.
- December – To provide Blue Islands with working capital support during the sale process, Government agreed to defer Covid loan repayments and asked Ports of Jersey to defer future airport fees and charges.

2025

- January – Blue Islands agreed a payment plan with Ports of Jersey extending credit terms for payment of future airport charges.
- January – May – Ports of Jersey and Treasury representatives kept up to date on the progress of the sale process through their attendance at board meetings as part of the established loan monitoring process. This process commenced when the loan was issued in 2020 and was continued until the final scheduled board meeting before liquidation.
- 12 June – Blue Islands approached Government as a key stakeholder with options for the future ownership at that point
 - o Sale to Loganair
 - o Sale to Aurigny
 - o Additional Government support to Blue Islands

12 June – Government held an introductory meeting with Loganair

- July – August – Advisors were appointed and an evaluation of the options undertaken, including a “Do Nothing” option.
- 17 July – Loganair announced that it would be competing on the Jersey – Southampton route.
- 23 July – Having complied, up to that point, with the terms of its payment plan with Ports of Jersey, Blue Islands confirmed that it could no longer meet the terms of its payment plan. Blue Islands requested a continued deferral of payment of airport fees and loan payments to Government

- 28 August – While further Government support for Blue Islands remained a continuing option, the options analysis identified Loganair as providing the most compelling proposal submitted by any alternative airline. It was clear that Loganair provided a lower-cost and better offer due to its scale, operational resilience, opportunities for future expansion, financial sustainability and commitments to provide both a replacement aircraft within four hours of a technical delay and consumer guarantees in line with EU/UK 261.

Accordingly, Government discounted an alternative proposal from Aurigny, which also carried a risk that further financial support would be required in the future.

- 29 August – Loganair’s proposal was pre-due diligence, so to confirm its terms, Loganair was given four weeks to complete due diligence and submit a confirmed proposal.
- 11 September – Blue Islands requested £1.2 million of additional funding to support cashflow and further deferrals of amounts owed to Government and Ports of Jersey.
- 19 September – A sub-group of the Council of Ministers consisting of the Chief Minister (CM), Minister for Treasury and Resources (MTR), Minister for External Relations (MER) and Minister for Sustainable Economic Development (MSED) agreed to provide £1.2 million on the understanding that further funding was likely to be required in October. Further deferrals were also agreed, without which Blue Islands would likely have ceased trading.
- 14 October – Loganair submitted a revised proposal, which included two options:
 - o A proposal for Government to facilitate the transition of Blue Islands to Loganair. This involved Government meeting the net liabilities of Blue Islands prior to the transition and Government paying certain costs to keep the business running during the transition. In return, a profit share mechanism was proposed offering a route to recover, over the long term, the outstanding Covid loan and accrued interest to the point of transition.
 - o A separate offer to provide a contingency solution that would quickly commence services and would lead to substantially similar services within 30 to 60 days should their proposal not be agreed and should Blue Islands prove unable to continue trading.
- 24 October – Blue Islands requested additional £1.5 million of funding and continued deferral of amounts owed to Government and Ports of Jersey.
- 31 October – Ministers (MTR, MER, MSED) agreed that further clarification was required on the two Loganair proposals to enable a long-term decision on the options under consideration.

- 3 November – Ministers and officials met the Loganair CEO and Co-Owner to discuss their proposals and officials met separately with Loganair to discuss terms.
- 6 November – Loganair’s revised proposals were received, which provided greater certainty over their ability to provide a contingency in the event of a Blue Islands insolvency scenario. With Government support of £1.5 million, the airline confirmed its ability quickly provide similar routes, but with initially reduced frequency.
- 7 November – Ministers (CM, MTR, MER, MSED) agreed that further time was needed to analyse the revised Loganair proposals and to gain greater certainty over the terms of both of their proposals. Accordingly, they authorised the provision of £0.5 million as part of a facility that provided up to £1.5 million in £0.5 million tranches that had to be drawn five working days apart.

At this stage, the potential gap in services was considered prohibitive and the more likely solution was either the transitional option with Loganair or additional investment in Blue Islands. Both would require additional taxpayer funds.

- 10 November – 12 November – Ports of Jersey and Government officials seek to clarify details with both Loganair and Blue Islands
- 12 November – Loganair submitted final proposals at 5pm, which indicated that in the event of a Blue Islands liquidation a substantially similar schedule could be provided within 48 hours.
- 13 November – Ministers (CM, TRM and MER) met with Government and Ports of Jersey officials for a pre-briefing on revised proposals.

TRM and MER met with Treasury officials to further review the detail of the proposals.

- 14 November – Ministers (CM, TRM, and MER) met to discuss options and agree upon the recommendation for consideration by Council of Ministers

14 November – Council of Ministers met to consider the options for ensuring sustainable regional connectivity

At this point, the remaining options available were:

- Acquisition and Transfer to Loganair – this involves government taking on the net liabilities and other costs then transferring operations to Loganair in March. In return, Government was offered a profit share mechanism that provided a potential route to recovering the Covid loan in the long term.
- Blue Islands proposal – this would have involved providing additional funding and, to protect the taxpayers’ interest, taking the business into government ownership. It was also expected that Government would

need to designate routes as Public Service Obligations to protect the airline from competition. If successful, this proposal provided the prospect of the Government's Covid-loan being repaid. However, the advisory team that prepared the options analysis made clear that there was significant downside financial risk associated with the proposal and that significant aircraft maintenance events, as experienced over the last 18 months, could require further Government funding.

- Liquidation and business continuity with Loganair – which involved Loganair providing business continuity services if Blue Islands entered liquidation.

In light of the substantial improvement in the contingency arrangements - from up to 60 days to within 48 hours - the Council of Ministers supported the Treasury Minister in determining further government funding for Blue Islands could not be justified.

Ministers determined that bringing Blue Islands into public ownership would carry substantial cost and risk, including the potential for ongoing financial liabilities. Similarly, Loganair's transitional proposal required high upfront expenditure with only a long-term and uncertain opportunity for recovery of amounts equal to Covid debt balance. Both options therefore carried significant costs and financial risks for the taxpayer, which would have likely consequences for the funding of the Government capital programme.

In reaching a decision, Ministers stressed that Loganair provided a more resilient and sustainable partner and noted that it offers scale, better punctuality performance, an EU/UK 261 consumer guarantee, and a four-hour aircraft replacement commitment.

Appendix B – Government Funding to Blue Islands from the pandemic onwards*

- April 2020 – January 2021– £217,000 paid to Blue Islands during the covid pandemic to ensure travel was available for non-emergency medical patients, essential workers, and the repatriation Islanders.
- Covid Loan facility of £10 million, £8.5 million of which was drawn between July 2020 and April 2021. A total of £7.0 million of capital and £0.4 million of interest is outstanding.
- April 2020 – January 2021 – Co-funded Payroll Scheme – £1.2 million
- 2025 - Visit Jersey spent approximately £11,000 from Better Business Support Package (BBSP) 2025 to support the launch of the Paris Charles De Gaulle route, operated by Blue Islands.
- Ports of Jersey agreed to underwrite (as part of the BBSP) the performance of the Paris Charles de Gaulle route with Blue Islands. In the event, no funding was then required.
- 12 September 2025 – Additional support – £1.2 million loan
- 7 November 2025 – Additional support – £1.5 million loan facility, of which £0.5 million was drawn down
- November 2025 – when Blue Islands ceased trading, it had an outstanding balance owed to the Ports of Jersey, relating to airport charges, of £3.2 million.

*Balances paid by Government Arm's Length Organisations over this five-year period are still being review so may not be fully captured.