

STATES OF DELIBERATION24th June, 2009**Billet d'État No. IX**AMENDMENT

Proposed by: Deputy M J Fallaize

Seconded by: Deputy M H Dorey

Treasury and Resources Department – Capital Prioritisation

FIRSTLY, to add the following words at the end of proposition 1: “, subject to the proviso that the timetable for undertaking the projects shall be determined by availability of funding.”

SECONDLY, to delete propositions 5 and 6; re-number proposition 7 as proposition 5; and add the following new propositions:

- “6. That the Treasury & Resources Department shall loan to the capital reserve, from the general revenue cash pool and/or the contingency reserve, up to £83 million, accruing interest at the States Treasury interest rate (subject to proposition 9), and to be allocated strictly against the solid waste solution.
7. That the internal borrowing referred to in proposition 6 shall be repayable over a 20 year period from income generated by the solid waste solution.
8. That all other capital expenditure as may be agreed by the States as part of this approved programme of capital projects shall be financed from the funds available to the capital reserve, including:
- a) appropriations from general revenue in the years 2009, 2010, 2011, 2012, 2013 and 2014;
 - b) an additional surplus at Guernsey Airport from 2011 of £1.775million per annum at 2009 values (adjusted and maintained in real terms) generated by:
 - i. an additional passenger charge averaging up to £1.95 per single movement, or
 - ii. commercial activities at Guernsey Airport, or
 - iii. a combination of i and ii above;
 - c) the additional operating surplus for 2008 of £22million, which shall be transferred immediately.

9. To direct the Treasury & Resources Department to investigate the feasibility of arranging an interest rate swap to substitute a fixed interest rate for the variable States Treasury interest rate in respect of the internal borrowing referred to in proposition 6, and authorise that Department to enter into such an arrangement if thought appropriate.
10. In the event that the States shall not have resolved to collapse the ports holding account, to direct the Treasury & Resources Department to report to the States as soon as possible with revised proposals for funding all capital expenditure as may be agreed by the States as part of this approved programme of capital projects, such proposals to remain consistent as far as possible with the provisions of propositions 6 to 9 inclusive.
11. To re-affirm the principle that States borrowing (whether internal or external) should be approved only for capital projects with a secure, associated income stream.”

EXPLANATORY NOTE

This amendment is consistent with model A set out in the alternative funding report (version two) circulated to States members in June 2009 by Deputies Fallaize, Dorey, Domaille, Le Lievre and McManus.

For clarification, the existing waste surcharge shall be used to cover any repayments that fall due on the borrowing allocated against the solid waste solution prior to that facility becoming fully operable.

The sources of funding in alternative model A are outlined below.

MODEL A	£m
Balance of Capital Reserve at 31 st December 2008	42
Appropriations 2009-14	150
2008 operating surplus	22
Other income to capital reserve by 2012	15
Internal borrowing (for solid waste solution)	83
Additional income from Guernsey Airport	8
Total available for capital investment	320

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Seconded by: Deputy M H Dorey

Treasury and Resources Department – Capital Prioritisation

To delete propositions 5 and 6; re-number proposition 7 as proposition 5; and add the following new propositions:

- “6. To authorise the Treasury and Resources Department to enter into an external borrowing arrangement at the best available terms for a sum not to exceed the full cost of the solid waste solution plus £30million towards the airport pavements repayable over a period of 20 years.
7. To establish a Sinking Fund in order to repay the borrowing referred to in 6 above, into which there shall be paid:
 - a) an additional surplus at Guernsey Airport from 2011 sufficient to repay the airport-related borrowing referred to in proposition 6, and generated by:
 - i. an additional passenger charge,
 - ii. commercial activities at Guernsey Airport, or
 - iii. a combination of i and ii above; and
 - b) income generated by the solid waste solution.
8. That all other capital expenditure as may be agreed by the States as part of this approved programme of capital projects shall be financed from the funds available to the capital reserve, including appropriations from general revenue in the years 2009, 2010, 2011, 2012, and 2013, and the States additional operating surplus for 2008 of £22million, which shall be transferred to the capital reserve immediately.
9. In the event that the States shall not have resolved to collapse the ports holding account, to direct the Treasury & Resources Department to report to the States as soon as possible with revised proposals for funding all capital expenditure as may be agreed by the States as part of this approved programme of capital projects, such proposals to remain consistent as far as possible with the provisions of propositions 6 to 8 inclusive.

10. To re-affirm the principle that States borrowing (whether internal or external) should be approved only for capital projects with a secure associated income stream.”

EXPLANATORY NOTE

This amendment is consistent with model B set out in the alternative funding report (version two) circulated to States members in June 2009 by Deputies Fallaize, Dorey, Domaille, Le Lievre and McManus.

Based on the assumed interest rate of 5.25% used in Treasury & Resources' States Report, the additional surplus referred to in proposition 7a would be £1.775million at 2009 values (adjusted and maintained in real terms).

For clarification, it shall be necessary during the early years of the life of the sinking fund to transfer to it interest accrued on the borrowing referred to in proposition 6 and the existing waste surcharge.

The sources of funding in alternative model B are outlined below.

MODEL B	£m
Balance of Capital Reserve at 31 st December 2008	42
Appropriations 2009-13	122
2008 operating surplus	22
Other income to capital reserve	22
External borrowing (for solid waste solution and part of airport pavements)	113
(Less interest on bonds transferred to sinking fund)	(5)
Total available for capital investment	<u>316</u>

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AMENDMENT

Proposed: Deputy B Flouquet
Seconded: Deputy T Le Pelley

Treasury and Resources Department – Capital Prioritisation

To replace Proposition 7 as follows:-

“ That the Ports Holding Account shall not be collapsed in advance of the consideration by the States of a report from the Public Services Department in December 2009 on the options for moving the trading entities of Guernsey Harbours and Guernsey Airport into a different business environment.”

Explanation

Since its establishment in 1962, the Ports Holding Account (PHA) as a financial structure has been the subject of formal debate by the States on a number of occasions.

The Public Services Department is currently considering options which could, subject to the views of States Members, see the PHA discontinued and the business environments of the Ports changed to ensure they can operate leanly and efficiently in the 21st Century. This is likely to involve separating the Airport from the Harbours but keeping them firmly in the States hands. The Department plans to lay a report before the States on the matter in December.

The whole situation of the PHA, which has served the Island well for nearly half a century, needs to be the subject of a thorough debate by the States with all the facts available. In this respect there should not be a decision to ‘collapse’ the PHA based on six short paragraphs within a report from another Department on the far wider issue of Capital Priorities (see Section 13).

Until the options are tabled and the matter debated by the States, it would be premature to make assumptions about how much, if any, money could be taken from the Ports (and the Harbour users in particular) to fund other Projects.

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Proposed by: Deputy J A B Gollop

Seconded by: Deputy

Treasury & Resources Department

Capital Prioritisation

To add an additional proposition as follows:

“8. That all projects predominantly concerning Information Technology should be funded out of normal revenue expenditure on a departmental budgetary basis using annual allocation reserves and accumulated savings. (eg corporate asset managed IT systems, IT wide area network, SSD/Income Tax IT, Police core IT systems and E-Borders IT system).”

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Proposed by: Deputy J Kuttelwascher

Seconded by: Deputy B J E Paint

Treasury and Resources Department – Capital Prioritisation

To insert at the end of the words in Proposition 1:

“, apart from “T&R – Cabernet Limited Recapitalisation £6,000,000””.

Explanatory Note

The purpose of this amendment is to clarify that any recapitalisation of Aurigny which may be agreed by the States ought not properly to be classified as a capital project as it would rather equate to relieving a commercial debt.

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Billet d'État No. IX

AMENDMENT

Proposed by: Deputy J Kuttelwascher

Seconded by: Deputy I F Rihoy

Treasury and Resources Department – Capital Prioritisation

To delete propositions 5 and 6; re-number proposition 7 as proposition 5; and add the following new propositions:

- “6. That, notwithstanding the States resolution of 28th May, 1986 (Billet XI Resolution III(2): that sums shall be transferred out of the Contingency Reserve fund only after consideration of a Report by the States Advisory and Finance Committee) the Treasury & Resources Department shall transfer to the Capital Reserve part or all of the available remaining one half of the Contingency Reserve (interest and capital) which is not earmarked to fund any shortfall in public sector expenditure pursuant to the States resolution of 30th June 2006 (Billet XI, Resolution 11), in order to partially fund the capital programme.
7. That the States unallocated operating surplus of £21,100,000 for 2008 shall be transferred to the capital reserve account.
8. That all such other capital expenditure as may be agreed by the States as part of this approved programme of capital projects shall be financed from the funds available to the capital reserve account, including appropriations from general revenue in the years 2009, 2010, 2011 and 2012, as set out in that Report.”.

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AMENDMENT

Proposed by: Deputy J Kuttelwascher

Seconded by: Deputy M G G Garrett

Treasury and Resources Department – Capital Prioritisation

To insert between propositions 4 and 5 the following additional Proposition:

“4A. To affirm the serious commitment of the States of Deliberation to the current Fundamental Spending Review, and request the Treasury and Resources Department to be mindful of that commitment in their consideration, and wherever reasonably possible implementation, of the final recommendations thereof.”

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AMENDMENT

Proposed by: Deputy B J E Paint

Seconded by: Deputy J Kuttelwascher

Treasury and Resources Department – Capital Prioritisation

To insert at the end of the words in Proposition 2:

"; and to agree that the States will not be asked to approve the replacement of the Sarnia Work-Boat, either directly or through the Treasury and Resources Department acting under its delegated powers, unless an independent vessel survey has indicated that the vessel has reached the end of its safe working life or is likely to do so within four years".

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AMENDMENT

Proposed by: Deputy T J Stephens

Seconded by: Deputy G Guille

Treasury and Resources Department – Capital Prioritisation

To replace Proposition 1 as follows:

“1. To approve Programme B as set out in Section 6 of that Report, using only the funding available within the capital reserve.”;

and to delete Propositions 5 and 6 and renumber Proposition 7 as Proposition 5.

Explanatory Note

This amendment would draw down an estimated £145,150,000 from the Capital Reserve inclusive of an allowance for inflation. Whether it is appropriate for the Solid Waste Solution to be funded through internal borrowings from the Cash Pool will be a matter for political judgment at the appropriate time.